DMS 1659811

SHORT-TERM INSURANCE MANAGEMENT POLICY

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1. PREAMBLE

Section 63(1)(a) of the Municipal Finance Management Act 56 of 2003, requires the Accounting Officer to be responsible for the management of the assets of the municipality, including the safeguarding and the maintenance of those assets.

The Accounting Officer must take all reasonable steps to ensure that the Council has and implements crucial policies for effective financial and risk management.

2. DEFINITIONS AND ABBREVIATIONS

ABBREVIATIONS	
CFO	Chief Financial Officer
CM	City Manager (i.e. Accounting Officer)
MFMA	Municipal Finance Management Act (No 56 of 2003)
MSA	Municipal Systems Act (No. 32 of 2000)
SIR	Self-Insurance Reserve
PPE	Property, Plant and Equipment
DEFINITONS	
Insurance	Insurance is a contract (policy) in which the municipality receives financial protection or reimbursement against losses from an insurance company. Risk is transferred when the risk is shared amongst different parties, so one party does not carry the full loss should an event occur. Insurance involves a transfer of risk.
Self-Insurance Reserve	Internal funds set aside to provide cover for selected risks or potential losses, which are not covered on the external insurance.

Excess	Means the first amount payable by the insured in the event of each and every claim.
Personal effects	Means staff personal property including wallets, cash, handbags, sunglasses, clothes, shoes, reading glasses and mobile phones.
Burglary	Means the criminal offense of breaking and entering a building or other premises illegally for the purpose of committing a crime.
Forcible and violent	Means an act that would cause physical damage. There must be both forcible (as simple as turning a key or pushing open a door) AND violent actions (entry by the use of any force accompanied by a violent physical act).
Public liability claims	Means third party claims for bodily injury and property damage arising out of the municipality's operations.

3. OBJECTIVE OF THE INSURANCE POLICY

The objective of this policy is to ensure that City of uMhlathuze's assets, Councillors and Employees are insured adequately and economically at all times. Detailed procedures, to ensure that management and employees within the Municipality understand their respective responsibilities and duties, are provided in the standard operating procedures.

This document indicates the policy of City of uMhlathuze for insuring municipal assets, and for insuring the Municipality, its employees and Councillors against public liability claims and other losses.

Insurance brokers and underwriters active in the municipal environment over years prepared a standard policy for local government insurance that takes all circumstances related to a municipality into account. There are however aspects in addition to this standard that the Municipality can decide on policy in order to reduce premiums without an increase in risk or where the Municipality is prepared to accept risk because of a very slim probability that an event might occur.

Responsible financial management of any municipality requires that assets are properly managed. The Municipality has a large numbers of assets use for service delivery and it must

ensure that municipal assets are adequately insured at all times for continuity of service delivery. The insurance should in addition protect the municipality, councillors and employees against public liability claims and other losses.

4. POLICY FRAMEWORK

4.1 LEGISLATIVE REQUIREMENTS

Section 63 of the MFMA, Asset and liability management, states that:

"(1) The accounting officer of a municipality is responsible for the management of—

a) the assets of the municipality, including the safeguarding and the maintenance of those assets; and

b) the liabilities of the municipality.

4.2 RELATIONSHIP WITH OTHER POLICIES

This policy, once effective, needs to be read in conjunction with other relevant adopted policies of the municipality, including the following, but not limited to–

a) SCM Policy;

b) Asset Management Policy;

c) Fleet Policy;

d) Funds and Reserves Policy; and

e) Risk Management Policy;

5. RESPONSIBILITIES

5.1 THE CHIEF FINANCIAL OFFICER OR HIS/HER DELEGATED OFFICIAL(S) IN THE DEPARTMENT

The Chief Financial Officer or his delegated official:

a) shall (at least every three years, before the lapsing of the tender that was previously awarded) call for tenders for the insurance of municipal assets, Councillors, employees and third parties;

b) shall, in accordance with such schedules and subject to this policy, effect such insurance through the service of Insurance Broker appointed by the municipality through the SCM policy;

c) shall pay the monthly/annual broker fees and premiums in advance;

d) shall send through updates of the insurance portfolio to the broker when additions or disposals have been made by the municipality;

e) shall pay premiums over to the broker during the year, should circumstances change during the year when amendments, additions or deletions are made to the insurance portfolio;

f) shall immediately notify the Municipality's insurer of any claim by or against the Municipality or against its insurers.

g) shall assess all public liability claims under the excess amount as indicated in the Insurer's schedules. Public Liability claims should only be settled when the municipality could reasonably be seen to have acted negligently which resulted in the loss to the third party and when there is reasonable prospect of the municipality being found legally responsible for third party damages;

h) shall ensure that sufficient funding is available to cover insurance related expenditures;

i) shall report to Council quarterly of the status of existing claims against the municipality and its Insurers;

j) shall ensure that all claims and applications are dealt with diligently within a reasonable time;

k) shall finalise all claims and applications submitted to the Section and ensuring that all the required technical, financial and legal aspects to each claim and application are dealt with when these are being finalised; and

l) shall update the Asset Register in accordance with the outcome of each insurance claim.

m) shall recommend the payment of excess amounts, the settlement of claims below excess, settlement of claims not covered by the Insurers, and all other insurance related expenditure.

5.2 THE DEPUTY CITY MANAGERS, HEADS OF SECTIONS AND MANAGERS :

a) shall notify the CFO (or delegated official) without delay of any new insurable risk or of any alteration in an existing insurable risk which has arisen in connection with his/her department;

b) shall ensure that the CFO (or delegated official) is notified of any occurrence or event giving rise or likely to give rise to a claim by or against the Municipality or against its Insurers. Failure to report incidences of loss might lead to the affected employee being held liable for the losses to the Municipality;

c) shall ensure adherence to the insurance claims procedure manual as contained on **DMS 1100868**.

d) shall ensure that all documents / information (for example any required forms, reports, quotations, photos) for the completion of the claim is forwarded to the CFO (or delegated official) for submission to Council's insurance brokers;

e) shall within 1 week (7 working days) of submitting a claim to the CFO (or delegated official), submit a departmental report to the CFO (or delegated official) in order to finalise the claim;

f) shall report each claim against Council for investigation and the outcome reported to the CFO (or delegated official) and where necessary disciplinary steps and/or recovery be perused against any employee who is found, in terms of the investigation, to have acted negligently; and

g) should advise all staff of their obligations to ensure the security of private property brought to the workplace to minimise the risk of loss and inconvenience to staff.

6. RISK MANAGEMENT

The City Manager must ensure that an evaluation of all potential events that might adversely affect the finances of a municipality is performed. Even though risk is managed and preventative measures taken to minimise risk, it is acknowledged that not all risks can be eliminated and therefore Council accepts the fact that insurance remains the ultimate solution to risk management. It must however be viewed as the last resort. The Municipality must

ensure that it performs physical insurance risk assessment of all or critical classes of assets to ascertain areas that needs attention to prevent claims being declined due to lack of maintenance or lack of complying with safety procedures. Recommendations from the risk assessment exercise to be attended to by the Department responsible for the asset(s) for remedial actions.

The table below provides a list of risks (but not limited to) that has to be transferred to another party in the form of insurance. Risks not listed have been retained either through self-insurance (see section 9) or due to the inability to obtain insurance cover.

Insured Section	Description of Insured Section
Combined Cover (Including homeowners)	Damage or loss to all infrastructure assets with excluding underground assets, overhead cables and road related assets
Business All Risk	Damage to the whole or part of the property described in the Specification, the property of the Insured or for which they are responsible, while anywhere in the world by any accident or misfortune not otherwise excluded.
Burglary/Theft	Damage to contents, the property of the insured or for which they are responsible, of any building at the insured premises, as a result of theft accompanied by forcible and violent entry into or exit from such building or any portion thereof or any attempt threat or as a result of theft (or any attempt threat) following violence or threat of violence against persons lawfully on the premises.

Money	Loss or damage to money (as defined). This includes money not contained in a locked safe or strong room in the custody of any authorized employee while away from the premises or at the premises outside normal working hours and also any other time from the premises.
Fidelity Guarantee	Loss of money and/or other property stolen by an employee, direct financial loss sustained as a result of fraud or dishonesty of an employee, which results in dishonest personal financial gain for the employee concerned. The term "dishonest personal financial gain" shall not include gain by an employee in the form of salary, salary increases, fees, commissions, bonuses, promotions or other remuneration.
Glass	Damage to internal and external glass (including mirrors), signwriting and treatment thereon at the insured premises, the property of the Insured or for which they are responsible.

Insured Section	Description of Insured Section
Goods in Transit	Damage to the whole or part of the property owned by the Municipality or for which they are responsible, in the course of transit by air, rail or road or other means incidental thereto and caused by any accident or misfortune not otherwise excluded.

Public Liability	Damages, which the insured shall be legally liable to pay consequent upon accidental death of or bodily injury to or illness of any person, or accidental loss of or physical damage to tangible property. Cover for claims against the Municipality from a 3rd party for damage to the 3rd party's property and/or to the 3rd party himself caused by any structure related or in control of the Municipality, for example, if bodily injury or any damage to a 3rd party's property, caused by accidental, violent, external and visible means to a 3rd party.
Employers Liability	Damages for which the municipality shall become liable to pay consequent upon death of, or bodily injury to, or illness of any person employed under a contract of service or apprenticeship with the municipality, or any councillor or any person on the business of the council whether on a voluntary basis or otherwise, which occurred in the course of and in connection with such person's employment by the municipality within the territorial limits and which results in a claim or claims first being made against the municipality in writing.
Group Personal Accident	Bodily injury caused by accidental, violent, external and visible means to any principal, partner, director, councillor or employee of the municipality or any person on the business of the council whether on a voluntary basis or otherwise, as specified. The Insurers will pay to the Insured, on behalf of the Insured person or his estate, the compensation stated in the schedule in the event of accidental bodily injury to any such person directly and independently of all other causes resulting within 24 calendar months in death or disability as specified.

Motor Fleet & 3rd Party motor liability	Loss of or damage to any vehicles as indicated to the insurers and its accessories and spare parts whilst thereon. In addition, if such vehicle is disabled by reason of any loss or damage insured hereby, the insurers will pay the reasonable cost of protection and removal to the nearest repairers and the municipality may give instructions for repairs to be executed without the previous consent of the insurers to the extent of but not exceeding a specified amount, provided that a detailed estimate is first obtained and immediately forwarded to the insurers.
Electronic Equipment	Physical loss or damage to the property insured described in the schedule from any cause not herein after excluded whilst (i) at work or at least anywhere within the municipality's premises as specified; (ii) in transit, including loading and unloading or whilst temporarily stored at any premises en-route; (iii) temporarily removed from the premises to any other location.
Directors and Officers Liability	Legal Liability if any director or municipal official is prosecuted in his/her private capacity due to council activities or council decision-making.
Councillors Special Risk Insurance	Insurance cover provided to a councillor by the municipality, which covers the loss of or damage to a councillors personal fixed or moveable property and assets, excluding property used by such councillor for business purposes, as well as life and

7. INSURANCE KEY MANAGEMENT PRINCIPLES

7.1 Municipal Assets

a) Material movable and immovable assets (in value and substance) shall be insured at least against destruction, fire and theft, and all municipal buildings shall be insured at least against fire and allied perils.

b) All insured assets shall be handled in terms of the municipality's Insurance Policy as agreed with the Insurance Brokers.

c) Separate cover for riot, strike and public disorder damage shall be taken out at the discretion of the Municipal Manager in consultation with the CFO and the relevant Director.

d) The decision whether to insure an asset or not shall be at the discretion of the Municipal Manager in consultation with the CFO and the relevant Director.

e) All contracts between council and a 3rd party should be monitored to ensure loss or damage to municipal property are minimised and insured. This may include but is not limited to; eg. Rental agreements, projects under construction and any other contract relating to municipal assets.

f) All construction contracts must have a requirement of contractor's insurance from all contractors that will be undertaking projects on behalf of the Municipality.

g) Any agreements entered into as per 7.1(e) above, that may influence council's insurance policy and assets covered in this policy, must be communicated with the Chief Financial Officer in order to arrange cover if required.

7.2 Staff property

a) The municipality shall not consider applications by staff members for reimbursement of the loss of or damage to staff property at work. The municipality for loss will not accept liability or damage to an employee's personal effects, which are used or stored on premises owned or used by the municipality.

b) It is expected that employees, in their own interests, will ensure that any valuable items of jewellery (including wristwatches) worn on duty, and/or personal equipment are adequately insured against loss or theft on their personal insurance policies.

c) The carrying of unreasonably large amounts of cash, credit cards or other easily stolen and rapidly convertible items should be avoided during working hours as far as is practicable.

d) No compensation will be paid by the municipality for loss or damage to any employee's personal assets (e.g. Private cellular phone, Private Vehicle, Private Laptop, Handbags, Cash, etc.)

7.3 Public Liability

a) All public liability claims under the excess amount shall be considered by the Chief Financial Officer or delegated official in consultation with Legal Section on whether payment should be made or not.

b) Public Liability claims under the excess amount should only be settled when it is reasonably determined that the Municipality has acted **negligently** which resulted in the loss to the third party and when there is reasonable prospect of the Municipality being found legally responsible for third party property damage or bodily injury. Settling claims where this is not, the case would set bad legal precedence that the Municipality would not be able to sustain financially into the future.

7.4 Limits

Excess limits are incorporated in the policy document from the underwriter through the insurance broker appointed; therefore, the excess limits will be in accordance to this policy. Excess limes will be subject to review on the annual policy renewal with the broker.

7.5 Payment of excesses (or losses below excess payable) by employees

Where during the incident investigation it is concluded that an employee's negligence led to the damage to, or loss of, an asset, the excess payable shall be claimed from the employee concerned in terms of the outcome of the Disciplinary Procedures.

7.6 Insurance claims rejected by the Insurer (above excess)

Where during the incident investigation it is concluded that an employee's negligence led to the damage to, or loss of, an asset, the total loss to the municipality shall be recovered from the employee concerned in his/her personal capacity in terms of the outcome of the Disciplinary Procedures.

7.7 Failure to report an incident

Failure to report an incident to the insurance section within the timeframes indicated on the incident reporting procedures may result in disciplinary action taken against the employee responsible. The outcome of the disciplinary process will determine whether the employee will be personally held liable for the losses incurred.

8. APPOINTMENT OF INSURANCE BROKERS

The appointment of an insurance broker must be done in terms of the Municipality's Supply Chain Management Policy. Invitation for bids to appoint an insurance broker will be done every three years. To ensure proper cover alignment, invitations to brokers will be for broker fees and once a successful broker on a fee, the type of covers and assets to be insured will be discussed and subsequently sourced by the broker from the reputable underwriters.

9. SELF-INSURANCE

The Municipality has a self-insurance reserve set aside for managing risk of specified assets internally and not through the broker and underwriter. The self-insurance reserve is administered in terms of the funds and reserves policy of the Municipality. The determination of assets to be insured internally through self-insurance is done annually by the Chief Financial Officer. Currently, all fleet and plant with the cost price below R1 500 000 are under self-insurance excluding third partly liability. A minimum amount of R5 million is allocated to the self-insurance reserve from internally generated funds. The Chief Financial Officer reviews this amount annually. This amount covers both insurance incident repairs and replacements for those that are either stolen or deemed write-offs. An independent assessor does the determination of whether the vehicle is economical to repair or must be a write-off. In case of a write-off or stolen vehicle, the average of market and retail value will be given from reserve the replace the vehicle. All claims relating to self-insured assets will follow the same claims processes internally.

10. ADMINISTRATION OF POLICY

This policy will be administrated by the Chief Financial Officer that will be the Policyholder.