

SETSOTO LOCAL MUNICIPALITY

INSURANCE MANAGEMENT POLICY

Approved by Council:

Date of implementation:

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1. POLICY OBJECTIVE

- 1.1 To provide the municipal administration with sound principles and procedures for safeguarding Municipal Assets by adequately and economically insuring them against all identifiable risks such as damage, theft etc.
- 1.2 To promote positive working climate by ensuring that Employees and Councillors are protected against public liability claims and other losses.

2. BACKGROUND OF POLICY

- 2.1 Municipal Finance Management Act 56 of 2003, in section 63 requires the accounting officer to take all reasonable steps to effectively manage, safeguard and maintain assets of the municipality.
- 2.2 In order to deliver basic services in a sustainable and effective manner to the community the municipal council as trustees of public funds by engage insurance brokers active in the municipal environment to assist with preparing comprehensive insurance portfolio that takes all circumstances related to a municipality into account.
- 2.3 The municipality may decide to adjust the content of the insurance portfolio in order to reduce premium without an increase in risk or where the Municipality is prepared to accept risk because of a very low probability that an event might occur.

3. ROLES OF STAKEHOLDERS

- 3.1 The Chief Financial Officer or delegated official shall:
 - (a) At least every three years call for tenders for the insurance of municipal assets, Councillors, employees and third parties.
 - (b) Before 31 May of each year verify or update the schedule of insurable risks and insurable assets under their control (and any other information deemed necessary).
 - (c) In accordance with such schedules and subject to this policy, effect such insurance through the service of an Insurance Company/Insurance Broker appointed by the Municipality.
 - (d) Immediately notify the Council's insurer of any claim by or against the Council or against its insurers.
- 3.2 The Director of each department should:
 - (a) notify the Chief Financial Officer 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) “The relevant Directors shall report all cases of theft / loss to the Municipal Manager / Chief Financial Officer within 48 hours of the theft / loss incident. Where the loss requires such to be reported to the South African Police Services, the relevant Director shall report such loss / theft within 24 hours of being aware of such incident.”
- (c) in case of a claim by or against the Municipality ensure that investigation is conducted and based on the outcome thereof institute disciplinary steps and/or recovery against relevant staff when deemed necessary;
- (d) ensure that all documents / information for the completion of the claim is forwarded to the Chief Financial Officer or delegated official for submission to Council’s insurance brokers;
- (e) advise all staff of their obligations towards the security of private property brought to the workplace to minimise the risk of loss and inconvenience to staff.
- (f) Ensure that all assets for example buildings, all sport facilities, sub stations, mini substations, transformers etc, all water purification works and pump stations, all sewerage works and pump stations, solid waste, private dwellings, residential units, laptops and any other assets moveable or immovable and any other assets not mentioned be secured against theft and vandalism, malicious damage etc including property in the open.
- (g) Detailed maintenance records of machinery must be maintained and readily available for insurance purposes

3.3 Property of Municipal Employees on the premises is excluded from the **municipality’s** insurance arrangements.

4. POLICY STATEMENT

4.1 Effecting insurance portfolio

- (a) The insurance period will be from 1 July to 30 June of the following year and shall be renewable, dependent on previous performance, for a maximum period of three years.
- (b) Premiums shall be paid either monthly or annually in advance at the discretion of the Chief Financial Officer.
- (c) Should circumstances change during the year amendments, additions or deletions should be made to the insurance portfolio with the Insurance Company / Insurance Broker with immediate effect of such knowledge by the Asset Division.

- (d) In order to ensure that the insurance portfolio is effective the accounting officer should sign the insurance is a contract (policy) before 1 July of each year.

4.2 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 and any other identifiable major risks and contingencies except for the following which may specifically be excluded:
 - (i) Any event of risk where the Council is specifically indemnified.
 - (ii) Contingencies arising from landslides and earthquakes.
 - (iii) Workmen's compensation for personnel covered under the Workmen's Compensation Act.
- (b) Separate cover for riot, strike and public disorder damage shall be taken out at the discretion of the Municipal Manager in consultation with the Chief Financial Officer and the relevant Director.
- (c) All Material movable and immovable assets owned by or leased to the Council shall be insured except for the following which may specifically be excluded:
 - (i) Assets specifically insured through any other firm arrangement.
 - (ii) Dam walls, dam contents, canals, reservoirs and reservoir contents, pavilions, sport stadiums, spectator stands, outdoor sports playing or recreational surfaces, athletic tracks.
 - (iii) Water and sewerage concrete distribution networks as well as stormwater network including their supporting structures.
 - (iv) Assets with an inferior or low value.
 - (v) Loose assets falling within the excess payment of the applicable insurance policy.
 - (vi) Roads, road and railway bridges, road and rail tunnels, manhole covers, driveways, pavements, outdoor parking surfaces.
 - (vii) Land, topsoil, backfill, drainage or culverts, graves and tombstones.
 - (viii) Accounts receivable (debtors book).
 - (ix) Trees, shrubs and plants, growing timber, growing crops and livestock.
- (d) All insured assets shall be handled in terms of the municipality's Insurance Policy as agreed with the Insurance Brokers.
- (e) Any other insurance cover shall be at the discretion of the Municipal Manager.

- (f) The decision whether to insure an asset or not shall be at the discretion of the Municipal Manager in consultation with the Chief Financial Officer and the relevant Director.
- (g) The head of a department shall before March of each year submit a schedule setting out the assets held by that department, the risks requiring to be insured and any other information deemed necessary to the Chief Financial Officer which shall in accordance with such schedules and subject to the Council's official policy on the insurance of risk and liabilities, effect such insurance as the Council's interests required through the service of an insurance broker appointed by the Council.

4.3 Staff property

- (a) Applications by staff members for reimbursement of the loss of or damage to staff property at work shall not be considered by the municipality.
- (b) Liability will not be accepted by the municipality for loss or damage to an employee's personal assets which are used or stored on premises owned or used by the municipality except in specific circumstances.

4.4 Public liability

- (a) Will be dealt with in terms of the insurance cover.

4.5 Excess payment limit

- (a) On an annual basis the excess limits shall be assessed as part of the adjudication of the insurance quotations received from the Insurance Companies/Insurance Brokers. The excess limits shall be at the discretion of the CFO in consultation with the Municipal Manager.
- (b) The possibility of paying higher first amounts with claims which might result in lower premiums must constantly be considered by the Chief Financial Officer taking into account the best benefit for the Municipality at all times.

4.6 Payment of excesses by employees

Where in the opinion of the Director and the Municipal Manager an employee's negligence led to the damage to, or loss of, an asset the excess payable may be claimed from the employee concerned in terms of the Disciplinary Procedures.

5. APPROVAL AND EFFECTIVE DATE

The Chief Financial Officer is responsible for the submission of this document to Council to consider its adoption after consultation with the Municipal Manager.

6. POLICY IMPLEMENTATION

Detailed procedures shall be prepared and adopted by the Municipal Manager, in consultation with the CFO and Directors to give effect to this policy where so required.

7. POLICY AMENDMENT

This policy will be updated whenever deemed necessary by the CFO, in consultation with the Municipal Manager and respective Directors. Changes to this document shall only be applicable if approved by Council.