



**FETAKGOMO TUBATSE  
LOCAL MUNICIPALITY**

**INSURANCE MANAGEMENT POLICY**

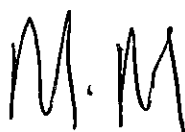
2020/2021

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## 1. INTRODUCTION

- 1.1. As trustees of public funds, the Council must ensure that the assets of the Council are adequately insured at all times. The insurance should in addition cover Councillors, employees and third parties
- 1.2. This insurance policy is aimed at ensuring that all assets, Councillors, employees and third parties are insured economically and adequately at all times.
- 1.3. Whereas it is required of the Municipal Manager to take all reasonable steps to ensure that the Council has and implements crucial policies for effective financial and risk management.
- 1.4. And whereas the safeguarding of assets and the protection of Council against liabilities is very important and forms part of a proper assets management system as prescribed by Section 63 and needs annual revision in terms of Section 24(2) (c) (v) of the Municipal Finance Management Act 56 of 2003.
- 1.5. Therefore the Municipal Council of the Fetakgomo Tubatse Local Municipality adopts the following Procedure for Insurance Management.
- 1.6. The policy is part of the Internal Control Framework of the municipality.

## 2. DEFINITIONS

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	Entities have self-insurance reserves to set aside amounts to offset potential losses or claims that are not insured externally.
Excess	Means the first amount payable 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.

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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

- 3.1. The objective of this policy is to ensure that Fetakgomo Tubatse Local Municipality'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.
- 3.2. This document indicates the policy of Fetakgomo Tubatse Local Municipality for insuring municipal assets, and for insuring the municipality, its employees and Councillors against public liability claims and other losses.
- 3.3. In general, the object of this policy is to ensure sound and sustainable financial management within Fetakgomo Tubatse Local Municipality.
- 3.4. Insurance brokers active in the municipal environment over years prepared a standard for local authority insurance that takes all circumstances related to a municipality into account. There are however aspects in addition to this standard that the Council can decide on policy in order to reduce premium without an increase in risk or where the Council is prepared to accept risk because of a very slim probability that an event might occur.
- 3.5. Responsible financial management of any municipality requires that assets are properly managed. Municipalities have large numbers of assets, including PPE. As trustees of public funds, the Council must ensure that municipal assets are adequately insured at all times. The insurance should in addition protect the municipality, Councillors and employees against public liability claims and other losses.

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#### **4. LEGISLATIVE REQUIREMENTS**

4.1. Section 63 of the MFMA, Asset and liability management, states that: “(1) the accounting officer of a municipality is responsible for the management of—

4.1.1. The assets of the municipality, including the safeguarding and the maintenance of those assets; and

4.1.2. The liabilities of the municipality.

4.2. The accounting officer must for the purposes of subsection (1) take all reasonable steps to ensure—

4.2.1. That the municipality has and maintains a management, accounting and information system that accounts for the assets and liabilities of the municipality;

4.2.2. That the municipality’s assets and liabilities are valued in accordance with standards of generally recognized accounting practice; and

4.2.3. That the municipality has and maintains a system of internal control of assets and liabilities, including an asset and liabilities register, as may be prescribed.”

#### **5. ASSETS TO BE INSURED**

5.1. When considering the insurance of assets all movable and immovable assets should be considered. All assets to be insured should be covered against fire, accident or loss of any nature.

5.2. Separate cover for riot, strike and public disorder damage should be taken out at the discretion of the Municipal Manager in consultation with the Chief Financial Officer.

5.3. Any other insurance cover should be at the discretion of the Municipal Manager. The departmental head of each department in consultation with the Chief Financial Officer shall annually prior to the 1 July agree on which assets owned by, leased to or under the control of the Council are to be insured. Assets that are insured should be insured at replacement value or Cost whichever the municipal manager considers appropriate. Should it be considered necessary a valuer should be used to arrive at a replacement value for each asset.

5.4. The following assets and risks should, after consideration of risk and excess by the Municipal Manager, be insured:-

5.4.1. Vehicles and equipment.

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- 5.4.2. Mobile plant and Fixed plant
- 5.4.3. Buildings.
- 5.4.4. Reticulation above the ground – Water and sewerage (excluding reservoirs)
- 5.4.5. Cash on hand up to a value to be determined by the Municipal Manager in consultation with the Chief Financial Officer.
- 5.4.6. Personal property of Councillors and employees whilst on Council business.
- 5.4.7. Computer equipment and data.
- 5.4.8. Mayoral chains.
- 5.4.9. Fidelity guarantee.
- 5.4.10. Machinery breakdown (motors, pumps, sewer fall out stations, etc.) excluding normal wear and tear.
- 5.4.11. Contractors all risks – Where a contractor is unable to supply Council with a valid insurance certificate Council must ensure that the contractor is covered for all risks and the insurance premium for such cover may be deducted from the contract price.

## **6. RESPONSIBILITIES**

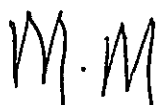
- 6.1. The Chief Financial Officer delegates this authority to the Manager Assets (immovable and/or movable), who will be responsible to implementing this policy in line with the standard operating procedures.
- 6.2. The Manager Assets (immovable and/or movable):
  - 6.2.1. Shall (at least every three 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;
  - 6.2.2. Shall, 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 through the competitive prescribed SCM process;
  - 6.2.3. Shall ensure that the insurance period will be from 1 July to 30 June of the following year and shall be renewable, dependent on previous performance (and in line with the tender processes followed).
  - 6.2.4. Shall pay the monthly/annual premiums in advance;

- 6.2.5. Shall pay premiums over to the Insurers during the year, should circumstances change during the year when amendments, additions or deletions are made to the insurance portfolio;
  - 6.2.6. Shall immediately notify the Council's insurer of any claim by or against the Council or against its insurers.
  - 6.2.7. 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;
  - 6.2.8. Shall ensure that sufficient funding is available to cover insurance related expenditures;
  - 6.2.9. shall report to Council of the status of existing claims against the municipality and its Insurers;
  - 6.2.10. Shall ensure that all claims and applications are dealt with diligently within a reasonable time;
  - 6.2.11. Shall finalise all claims and applications submitted to the Section(which 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
  - 6.2.12. Shall update the Asset Register in accordance with the outcome of each insurance claim.
  - 6.2.13. 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.
- 6.3. The directors and senior managers and managers of departments: -
- 6.3.1. Shall 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)

- 6.3.2. 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;
- 6.3.3. 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 Council or against its Insurers. Failure to report incidences of loss might lead to the affected employee being held liable for the losses to Council;
- 6.3.4. 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;
- 6.3.5. Shall within 2 weeks (10 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;
- 6.3.6. 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
- 6.3.7. 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.

#### 6.4. REQUIREMENTS

- 6.4.1. Should avoid storing private property at the workplace for extended periods of time, especially over weekends and during vacation periods;
- 6.4.2. Should insure personal property against loss or damage, particularly if it is of significant value in their personal capacity;
- 6.4.3. Shall report all losses, damages or any potential claims to the Asset Management Section, their Departmental Manager and the Occupational Health & Safety Practitioner.
- 6.4.4. Shall take all reasonable steps to ensure that municipal assets are kept safe and assist the Municipal Manager to implement processes to safeguard assets and prevent losses to Council of all assets under their control.



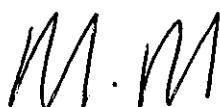


## **7. ADDITIONS DURING THE YEAR**

- 7.1. When new vehicles are purchased, buildings or structures erected or expanded which has an influence on the Insurance portfolio of Council, each Department involved should send the information of new assets to be insured within 72 hours to the Insurance Section for further action with the Insurance Company.
- 7.2. When new vehicles are purchased, buildings or structures erected or expanded which has an influence on the Insurance portfolio of municipality, each Department involved should send the information of new assets to be insured 2.4 In order to ensure that newly purchased / acquired / constructed assets are adequately covered, it is imperative that the information needed for insurance purposes be communicated to the Insurance Section as quickly as possible. Failure to promptly insure assets, will leave municipal assets exposed to theft and damage for the period of taking ownership until eventually insured. This theft or damage to uninsured assets may be regarded as fruitless and wasteful expenditure.
- 7.3. New vehicles cannot be utilized during the period when the asset is purchased/ donated and an insurance confirmation is pending.

## **8. CLAIMS**

- 8.1. A departmental head must notify the Chief Financial Officer and Assets Management unit immediately after any occurrence of damage to, or loss of, any asset of the municipality.
- 8.2. A departmental head and Assets Management unit must thereafter complete the appropriate claim form and supply an estimate of the cost to repair such damage or loss. Where applicable i.e. theft, vehicle accident, etc. the matter must be reported to the South African Police Services and a case number obtained.
- 8.3. A departmental head and Assets Management unit must in the same manner inform the Chief Financial Officer of any injuries to or damage sustained by any employee or a third party that could lead to a claim against the municipality
- 8.4. Assets Management unit must immediately notify the Insurance Company/Insurance Broker of any claims. This must be followed up by the submission of the prescribed claim form to the Insurance Company/Insurance Broker. On a monthly basis the Assets Management unit should follow up on all outstanding claims and note the progress in the insurance register.



8.5. All significant amendments to the municipality assets during a financial year in the form of additions, deletions and / or any other relevant / required amendments should immediately be communicated to the Insurance section to update the municipality's insurance portfolio with the Insurance Company / Insurance Broker for immediate cover of the relevant assets.

**9. RECOVERY OF LOSS**

- 9.1. A Loss Committee should be established to investigate and report on losses to council. The committee should consist of a representative of HR, Internal Audit, Traffic Services, Risk Management, Compliance Management and the relevant department involved.
- 9.2. The decisions based on the finding of the committee should fair, consistent and transparent. These findings should then be escalated to Human Resources department for disciplinary action and recovery of the loss where applicable.

**10. RISK MANAGEMENT**

- 10.1. The Municipal Manager must ensure that an evaluation of all potential events that might adversely affect the finances of a municipality is performed. The potential loss of income and extra expenses that a municipality might incur must be the consideration factor when the risk identification exercise is performed.
- 10.2. 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.
- 10.3. 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 due to the cost of control or due to the inability to obtain insurance cover. The latter is listed as special conditions to cover.

<b>Insured Section</b>	<b>Description of Insured Section</b>
Combined Cover (Including homeowners)	Damage or loss to all built structures, including outbuildings thereof, the owner's loose and fixed fittings therein and thereon, boundary and other



Insured Section	Description of Insured Section
	walls, gates, poles, fences, public access points, purification plants, reservoirs and sewerage plants.
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.
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.

<b>Insured Section</b>	<b>Description of Insured Section</b>
Public Liability	<p>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.</p> <p>Cover for claims against the Fetakgomo Tubatse Local 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 Fetakgomo Tubatse Local 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.</p>
Employers Liability	<p>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 councilor 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.</p>
Group Personal Accident	<p>Independently of all other causes resulting within 24 calendar months in death or disability as specified.</p>
Motor Fleet & 3rd Party motor liability	<p>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.</p>
Electronic Equipment	<p>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,</p>

Insured Section	Description of Insured Section
	including loading and unloading or whilst temporarily stored at any premises en-route; (iii) temporarily removed from the premises to any other location.
HIV/Aids	Insured person diagnosed as being HIV positive after accidental injury while executing duties in the service of Council.
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	Disability cover, for any loss or damage caused by riot, civil unrest, strike or public disorder.

## 11. INSURANCE KEY MANAGEMENT PRINCIPLES

### 11.1. MUNICIPAL ASSETS

- 11.1.1. 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.
- 11.1.2. All insured assets shall be handled in terms of the municipality's Insurance Policy as agreed with the Insurance Brokers.
- 11.1.3. 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.
- 11.1.4. Any other insurance cover shall be at the discretion of the Municipal Manager.
- 11.1.5. 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.

### 11.2. STAFF PROPERTY

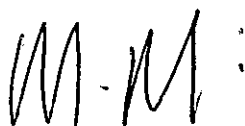
- 11.2.1. Applications by staff members for reimbursement of the loss of or damage to staff property at work shall not be considered by the municipality. Liability will not be

accepted by the municipality for loss or damage to an employee's personal effects which are used or stored on premises owned or used by the municipality.

- 11.2.2. It is expected that employees, in their own interests, will ensure that any valuable items of jewelry (including wrist watches) worn on duty, and/or personal equipment are adequately insured against loss or theft on their personal insurance policies.
- 11.2.3. 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.
- 11.2.4. 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.)

### 11.3. PUBLIC LIABILITY

- 11.3.1. Third parties are to be covered for death, bodily injury or illness and/or loss of or damage to property up to a maximum limit to be determined by the CFO in consultation with the Municipal Manager.
- 11.3.2. All public liability claims under the excess amount shall be considered by Management and a recommendation made to the Municipal Manager on whether payment should be made or not. Only the Municipal Manager may approve payments in this regard.
- 11.3.3. Public Liability claims under the excess amount 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 property damage or bodily injury. Settling claims where this is not the case would set bad legal precedence which the municipality would not be able to sustain financially into the future.

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#### 11.4. LIMITS

11.4.1. 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.

#### 11.5. PAYMENT OF EXCESSES (OR LOSSES BELOW EXCESS PAYABLE) BY EMPLOYEES

11.5.1. Where in the opinion of the relevant 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 outcome of the Disciplinary Procedures.

#### 11.6. INSURANCE CLAIMS REJECTED BY THE INSURER (ABOVE EXCESS)

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

#### 11.7. FAILURE TO REPORT AN INCIDENT

11.7.1. Failure to report an incident to the assets management section, may result in disciplinary action taken against the employee responsible for the asset. The outcome of the disciplinary process will determine whether the employee will be personally held liable for the losses incurred.

### 12. APPOINTMENT OF INSURANCE BROKERS

12.1. The appointment of an insurance broker must be performed in terms of the municipality's Supply Chain Management Policy. Call for bids to appoint an insurance broker will be done every three years. Section 33 of the MFMA will be applicable if the duration exceeds 3 years.

12.2. 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.

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12.3. Premiums shall be paid either monthly or annually in advance at the discretion of the Municipal Manager.

12.4. Should circumstances change during the year amendments, additions or deletions should be made to the insurance portfolio with the Insurance Company/Insurance Broker.

### **13. ADMINISTRATION OF POLICY**

13.1. This policy will be administrated by the Chief Financial Officer that will be the Policy holder.

### **14. RECORD KEEPING**

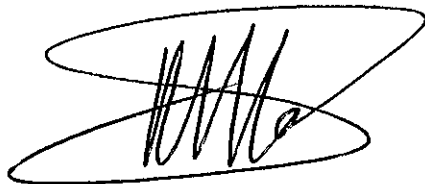
14.1. The Chief Financial Officer and/or Assets Management Unit must:

14.1.1. Keep a record of all insurance policies of the municipality.

14.1.2. Ensure payment of all premiums in respect of all insurances on or before the due date.

14.1.3. Ensure that all claims arising from the different insurance policies are completed and submitted timeously.

14.1.4. Keep an insurance claims register with progress on each claim.

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