



INSURANCE MANAGEMENT POLICY 2019-2020

Amended: 05/03/2019

INSURANCE MANAGEMENT POLICY

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1. INTRODUCTION

1.1. In terms of section 63 (1) of the Municipal Finance Management Act, the Municipal Manager is responsible for the safeguarding of municipal assets.

- The MM is the accountable person/officer that needs to ensure that municipal assets are safeguarded by having all assets insured.

1.2. It is the responsibility of the Accounting Officer or his/her delegates to ensure that all municipal assets are safeguarded against all risks that will result in loss.

1.3. Therefore the Municipal Council of the Cederberg Municipality adopts the following Policy for Insurance Management.

2. OBJECTIVE

The objectives of this policy are to:

- a) Set out a legislative framework in order to comply with asset management requirements, especially regarding the safe guarding and risk management thereof;
- b) Ensuring that the general public's rights and obligations when lodging a public liability claim is spelled-out; and
- c) Set out the role and responsibilities of Councillors and officials regarding safeguarding of assets and insurance processes.

In general the object of this policy is to ensure sound and sustainable financial management within Cederberg Municipality.

3. RELATIONSHIP WITH OTHER POLICIES

3.1. This policy, once effective, needs to be read in conjunction with other relevant adopted policies of the municipality, including the following –

- (a) Delegation of Powers (Delegations register) -
- (b) SCM Policy - Regulating all processes and procedures relating to acquisitions of goods and services.
- (c) Asset Management Policy.
- (d) Budget Policy – Correct budgeting of relevant insurance expenditure/income.
- (e) Risk Management Policy
- (f) Fleet Management Policy

3.2. This policy does not overrule the requirement to comply with other policies. The Chief Financial Officer (CFO) will provide guidance or adjust this policy where an apparent conflict exists between this policy and other policies, legislation or regulations.

4. APPROVAL AND EFFECTIVE DATE

The CFO is responsible for the submission of this document to Council to consider its adoption after consultation with the Municipal Manager. The effective date for implementation of the **amended** policy is **1 July 2019**.

5. POLICY IMPLEMENTATION

Detailed procedures shall be prepared and adopted by the Municipal Manager, in consultation with the CFO and Insurance section, to give effect to this policy.

6. POLICY AMENDMENT

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

7. RESPONSIBILITIES

7.1. THE CFO OR HIS/ HER DELEGATE OFFICIAL(S) – BUDGET OFFICE

The Chief Financial Officer delegates this authority to the Manager: Budget Office and Insurance Section, who will be responsible to implementing this policy in line with the standard operating procedures. The Manager: Budget Office and Insurance Section:

- (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, Councilors, employees and third parties.
- (b) 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;

- (c) 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).
- (d) shall pay the monthly/annual premiums in advance;
- (e) 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;
- (f) shall immediately notify the Council's insurer of any claim by or against the Council 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 ensure that all claims and applications are dealt with diligently within a reasonable time;
- (j) 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
- (k) Shall update the Asset Register in accordance with the outcome of each insurance claim.
- (l) 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.

7.2. THE DIRECTORS, MANAGERS OF DEPARTMENTS AND SUPERVISORS:

- 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 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;

- c) 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;
- d) shall within 1 weeks (5 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;
- e) 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
- f) 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.

7.3. THE EMPLOYEES OF CEDERBERG MUNICIPALITY:

- a) should avoid storing private property at the workplace for extended periods of time, especially over weekends and during vacation periods;
- b) should insure personal property against loss or damage, particularly if it is of significant value in their personal capacity;
- c) shall report all losses, damages or any potential claims to the Insurance Section, their Departmental Manager and the Health & Safety Practitioner.
- d) 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.

8. INSURANCE KEY MANAGEMENT PRINCIPLES

8.1. MUNICIPAL ASSETS

- a) When considering the insurance of assets all movable and immovable assets should be considered. All assets to be insured should be comprehensively insured against risks such as theft, damages, fire, storm and water etc.
- 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) Any other insurance cover shall be at the discretion of the Municipal Manager/CFO.
- e) 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.
- f) It is the responsibility of the insurance section to ensure that all assets are disclosed at correct "book value" at reporting periods. It states book value here, however all assets needs to be insured for current replacement value.
- g) The insurance section will use such book values as **replacement values**. Should it be considered necessary, a valuer should be used to arrive at a replacement value for each specific asset.
- h) The following assets and risks should, after consideration of risk, be insured:-
 - Vehicles, plant and equipment.
 - Buildings and contents.
 - Pump stations
 - Electrical substations and related equipment
 - Cash on hand and in transit
 - Computer equipment.
 - Fidelity guarantee.
 - Liability: Public, Employers and Motor.

8.2. 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. Liability will not be accepted by the municipality for loss or damage to an employee's personal property 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 wrist watches) 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.)

8.3. PUBLIC LIABILITY

- a) 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.
- b) All public liability claims under the excess amount shall be considered by Management and a recommendation made to the Municipal Manager/CFO on whether payment should be made or not. Only the Municipal Manager/CFO may approve payments in this regard.
- c) 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.

8.4. LIMITS

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.

8.5. PAYMENT OF EXCESS (OR LOSSES BELOW EXCESS PAYABLE) BY EMPLOYEES

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.

8.6. INSURANCE CLAIMS REJECTED BY THE INSURER (ABOVE EXCESS)

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.

8.7. FAILURE TO REPORT AN INCIDENT

- a) Failure to report an incident to the insurance section within the timeframes indicated on the SOP 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.
- b) The supply of false information is regarded as Insurance fraud and applicable disciplinary steps can be initiated by the Human Resource department.

9. APPOINTMENT OF INSURANCE BROKERS

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.

10. ADMINISTRATION OF POLICY

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