

**POLICY REGARDING
SHORT TERM INSURANCE
AND KNOWN
RISKS AND LIABILITIES**



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1. It is required of the Municipal Manager accounting officer, to take all reasonable steps to ensure that the Council has and implements crucial policies for effective financial and risk management. The safeguarding of assets and the protection of Council against liabilities, is very important, which forms part of a proper assets management system as prescribed by Section 63 of the Municipal Finance Management Act, Act 56 of 2003 and needs annual revision in terms of Section 24(2)(c)(v) of this Act.
2. A standard for short-term insurance in the municipal environment had been prepared 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 as 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. The following is recommended as a policy on short term insurance of risk and liabilities for the 2010/2011 financial year:

3.1 **Property insured**

3.1.1 **Asset schedules**

The Head of a Department shall before December 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 Executive Manager: Finance, 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 Council's interests require, through the service of the insurance broker appointed by Council.

3.1.2 **Property excluded from external insurance**

All property owned by or leased to the Council, property held by the Council in trust and/or commission and/or custody

and/or under Council's control and/or for which the Council is responsible must be insured **except for the following which are specifically excluded** in terms of the standard:

- property more specifically insured by any other firm arrangement.
- dam walls, dam contents, canals, reservoirs and reservoir contents.
- pavilions, sport stadiums, spectator stands, outdoor sports playing or recreational surfaces, athletic tracks.
- assets with an inferior or low value.
- loose assets falling within the excess payment of the applicable insurance policy.
- explosives and ammunition.
- bullion.
- precious stones.
- jewellery other than the Mayor's regalia.
- trophies and indexed museum items.
- electrical and communication transmission and distribution lines including cabling and their support structures, other than on or within 150 meters of any insured premises.
- water piping as well as stormwater piping including their supporting structures, other than on or within 150 meters of insured property.

- sewerage piping including their supporting structures other than on or within 150 meters of insured property.
- driveways, pavements, outdoor parking surfaces.
- roads, road and railway bridges, road and rail tunnels, manhole covers.
- aircraft runways and aprons.
- land, topsoil, backfill, drainage or culverts.
- accounts receivable.
- saving certificates and the like.
- property in possession of customers (library books, etc.).
- trees, shrubs and plants.
- monuments and statues.
- graves and tombstones.
- growing timber, growing crops and livestock.

3.1.3 **Contingencies and risks specifically excluded**

- any event of risk where the Council is specifically indemnified by a third party.
- contingencies arising from landslides and earthquakes.
- removal of rubble or professional fees resulting from any damaged property or structures except for the Middelburg Municipal Offices, Hendrina Main offices, the Mandla Masango 24 Hour Control Centre and Gerhard Sekoto Library.

- operators liability for the aerodrome.
- workmen's compensation for personnel covered under the Workmen's Compensation Act.
- first 24-hours' work on the recovery of lost electronic data information.

3.2 **Damage and risks to be specifically included to the short term insurance portfolio**

- houses under rental and selling schemes administrated by the Municipality.
- important official documentation such as building plans and erf records.
- all property as contained in the assets schedules, annually revised and provided to the Insurance Brokers.
- additional risk because of the lack of burglar proofing and alarm systems at municipal buildings.
- contractors all risk for high-risk construction as identified by the relevant Head of departments from time to time.
- Selected movable items utilised in high-risk workplaces of the Municipality.
- full theft cover at all insured property as stipulated on the assets schedule.
- all money on the premises or in transit from the premises to the bank to a maximum at any stage at any premises of R1 000 000 in cash and R1 000 000 in cheques as annually determined by the Chief Financial Officer.

- fidelity insurance based on all positions higher than post level six of the personnel grading, including all councillors.
- comprehensive motor own damage and third party liability on a motor fleet basis including specifically mentioned high valued vehicles.
- full comprehensive coverage for all emergency vehicles.
- goods in transit up to R200 000 per single load to be transported at a time.
- group personal accident insurance on 24-hour basis for all Councilors to a maximum of R200 000 per incident.
- stated benefits (workmen's' compensation) insurance on 24-hour basis for the Accounting officer, Executive Managers, Senior Managers and Senior Officials in terms of Section 77 of the Municipal Finance Management Act, Act 56 of 2003.
- electronic equipment on the mainframe computer, document imaging system and information technology networks, including cabling and communication towers.
- incidental damages including consequential damages at high- risk electrical and mechanical plants as identified by the Senior Manager: Civil Engineering Services and the Senior Manager: Electrical Engineering Services.
- comprehensive insurance on the small craft at the Fire Services.
- aerodrome owners liability insurance.
- public liability for bodily injury or damage to an amount of R25-million per event.
- employers liability of R25-million.

3.3 **Consideration of higher excess payments**

The possibility of paying higher first amounts with claims which might result in lower premiums must constantly be considered by the Executive Manager: Finance taking into account the best benefit for Council at all times.

3.4 **Contribution to insurance reserve**

3.4.1 The short term insurance portfolio must be administrated on an internal insurance fund principle as contemplated in the Financial Code of Practice.

3.4.2 Excess payments on claims are allocated to the relevant department vote under general expenditure.

3.4.3 The Electricity Service contributes annually to the Electricity Insurance Reserve.

3.4.4 All uninsured assets are replaced from either the Insurance Fund or Operating Budget of relevant departments, whichever is applicable, subject to the availability of funds.

3.5 **Reporting risk, claims and damage**

It shall be the duty of a Head of a Department to notify the Executive Manager: Finance without delay of any new insurable risk or of any alteration in an existing insurable risk which has arisen in connection with his Department.

On the occurrence of any event giving rise or likely to give rise to a claim by or against the Council or against its insurers, the Head of the Department concerned shall notify the Executive Manager: Finance of that event who shall immediately notify the Council's insurer thereof.

The Executive Manager: Finance shall keep a register in which particulars of all insurance policies held by the Council shall be entered and he shall be responsible for the payment of all premiums and shall ensure that claims that arise under such policies are instituted.

3.6 **Claims preparation costs**

The Executive Manager: Finance shall with annual renewal of insurance or otherwise, as regular as required, negotiate for exceptional claims preparation costs to be included to the related insurance.

3.7 **Disputes and arbitration**

The Executive Manager: Finance shall with the annual renewal of insurance arrange with the insurer brokers that any disputes as to the amount of liability of the insurers under any of the insurance policies be determined by arbitration in accordance with the laws of the Republic of South Africa.

3.8 **Appointment of insurance brokers**

The Council shall call for tenders for the appointment of insurance brokers at least once every three (3) years, unless circumstances dictates a shorter period.

Insurance brokers will be appointed according to their ability to administrate the Council's short term insurance portfolio, the professionalism of officials in their employment and their record of sound brokerage service in the municipal environment.

The insurance brokers shall specifically indemnify the Council of increased risk because of the incorrect or unprofessional handling of the placement of insurance or the handling of a specific insurance claim.

The insurance broker shall annually at the consideration of insurable conditions for the next financial year provide the Council of sufficient proof of its own Public Liability and Professional Liability Insurance as well as registration with the professional body for insurance brokers and registration of financial advisor.

The insurance broker shall revise the Council's insurance portfolio annually in collaboration with the Executive Manager: Finance.