

STEVE TSHWETE LOCAL MUNICIPALITY

POLICY REGARDING SHORT TERM INSURANCE AND KNOWN RISKS AND LIABILITIES

1. It is required of the 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 and needs annual revision in terms of Section 24(2)(c)(v) of the Municipal Finance Management Act 56 of 2003.
2. Insurance brokers active in the municipal environment over years prepared a standard for local authority insurance that takes all circumstance 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. The following is recommended as a policy on short term insurance of risk and liabilities:

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 deems 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 the Council's interests required through the service of an insurance broker appointed by the 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:**

- 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.
- contingencies arising from landslides and earthquakes.
- removal of rubble or professional fees resulting from any damaged property or structures except for the Middelburg Civic Centre and the Hendrina Main offices.
- 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.
- political riot (SASRIA) except for certain identified property.

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

- houses under rental and selling schemes administrated by the Council.
- important official documentation such as building plans and erf records.
- all property as contained in the assets schedules.
- additional risk because of the lack of burglar proofing and alarms at the Middelburg Civic Centre and Hendrina Main offices.
- 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 areas with a value in excess of R5 000.
- full theft cover at all insured property.
- all money on the premises or in transit to a maximum at any stage at any premises of R1 000 000 in cash and R1 000 000 in cheques.
- fidelity insurance based on all positions higher than post level six and including all councillors.
- comprehensive motor own damage and third party liability on a motor fleet basis including specifically mentioned high valued vehicles with an accumulated excess arrangement of R200 000.
- full comprehensive coverage for all emergency vehicles.
- goods in transit up to R200 000 per single load.
- 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 Senior Managers and Senior Officials in terms of Section 77 of the MFMA.
- electronic equipment on the mainframe computer, document imaging system and networks.
- incidental damages including consequential damages at high-risk electrical and mechanical plants as identified by the Chief : Civil Engineering Services and the Town Electrical Engineer.
- 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 R2-million per event and a total annual coverage of R100-million.
- employers liability of R2-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 contribute annually to the electricity insurance reserve a minimum of 0,10% of total budgeted expenditure.

3.4.4 All uninsured assets are replaced from the insurance 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 which 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 the inclusion of 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 insurers 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 require deviation herefrom.

Insurance brokers will be appointed according to their ability to administrate the Council's short term insurance portfolio, the professional people 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 revise the Council's insurance policy annually in collaboration with the Executive Manager : Finance.