

INSURANCE POLICY	
<i>Policy Number</i>	
Policy Name	INSURANCE POLICY
Policy Status	APPROVED
Date of last Approval \ Reviewable	2019
Policy review / Development	Policy to be reviewed with the Budget approval process every year
Date of next review	With the Budget approval process in May 2020
Purpose	To ensure that Msukaligwa Local Municipality insure all its assets against theft and losses
Aims and objectives	To the process of claiming and recovering losses suffered by the municipality due to theft and or vandalism
Policy custodian	Chief Financial Officer
Related Policies and Legislations	<ul style="list-style-type: none"> • <i>The Constitution of the Republic of South Africa 1996</i> • <i>Municipal Finance Act 2003 (Act. 56 of 2003)</i> • <i>National Treasury Circulars</i>
Approving authority	Council
Applicability	In terms of section 63 (1) of the Municipal Finance Management Act, the Municipal Manager is responsible for the safeguarding of municipal assets
Amendments to the Policy	<ul style="list-style-type: none"> • Page 5 to 6 – Recovery of Losses after investigations • <u>The roles of the insurance committee is to investigate all losses, assess public liability claims under the excess amount of R20 000 and should the committee found that the losses is due to negligence, the excess payable should be recovered from the guilty party.</u>
Policy Benchmark and References	<i>In Terms of National Treasury Circulars and Guidelines</i>
Stakeholders Consulted	Not applicable.
Accountability	<ul style="list-style-type: none"> • The Municipal Manager is accountable for the proper implementation of this policy in terms of the <i>Municipal Finance Act 2003 (Act. 56 of 2003)</i>

MSUKALIGWA LOCAL MUNICIPALITY



INSURANCE MANAGEMENT POLICY

1 JULY 2020-30 JUNE 2021

Council Resolution LM 685(b)/06/2020

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.
- 1.2 The MM is the accountable person/officer that needs to ensure that municipal assets are safeguarded by having all assets insured.
- 1.3 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.

2. RELATIONSHIP WITH OTHER POLICIES

- 2.1 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) Immovable property disposal policy
 - e) Budget Policy – Correct budgeting of relevant insurance expenditure/income.
- 2.2 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.

3. APPROVAL AND EFFECTIVE DATE

- 3.1 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 policy is 1 July 2020. This basically says that all processes (insurance/ risk management) needs to be in place at the start of the beginning of the financial year (01 July).

4. POLICY IMPLEMENTATION

- 4.1 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.

5. POLICY AMENDMENT

- 5.1 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.

6. ASSETS TO BE INSURED

- 6.1 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, water etc. as well as riot and public disorder.
- 6.2 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.
- 6.3 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.
- 6.4 The following assets and risks should, after consideration of risk, be insured:-
- a) Vehicles, plant and equipment.
 - b) Buildings and contents.
 - c) Pump stations
 - d) Electrical substations and related equipment
 - e) Cash on hand and in transit
 - f) Computer equipment.
 - g) Fidelity guarantee.
 - h) Liability: Public, Employees and Motor.
- 6.5. The decision whether to insure an asset or not should be at the discretion of the Chief Financial Officer in consultation with the Insurance Section. – in consultation with your broker who needs to advise the municipality accordingly.

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 48 hours after the plant/property/equipment is recognised as an asset of the municipality. –
- 7.2 New vehicles cannot be utilized during the period when the asset is purchased/ donated and an insurance confirmation is pending. It has to be placed on the insurance cover before it can be used.

8. RECOVERY OF LOSS

- 8.1 An Insurance Loss Control committee should be established which will be chaired by the Director Planning and Economic Development, and Deputy being the Chief Financial Officer other members Manager in the Office of MM, Manager Risk, Manager Assets, Manager Human Settlement, Manager Planning, Manager LED, Manager Axillary and Legal Representative to investigate all the losses suffered by council.
- 8.2 The roles of the insurance committee is to investigate all losses, assess public liability claims under the excess amount of R20 000 and should the committee found that the losses is due to negligence, the excess payable should be recovered from the guilty party.
- 8.3 The decision of the committee should be escalated to Human Resources department for disciplinary action and recovery of the loss where applicable.
- 8.4 The municipality shall establish and administer a self-insurance reserve (SIR). All uninsured assets and liabilities, as well as assets and liabilities where claims for damage or loss do not exceed the excess payable are repaired or replaced from the self-insurance reserve. – This is a municipal process (keep money in a fund to pay claims falling within the excess).
- 8.5 Applications by staff members for reimbursement of the **loss of or damage to staff 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.

9. PROCEDURES FOR CLAIM ADMINISTRATION

GENERAL

- 9.1 All claims, however small these may be, are to be reported to the Insurance section, dealing with such claims on behalf of Council, within 72 hours of the date on which this accident/incident took place.
- 9.2 The Manager/Supervisor should be notified within 48 hours of the accident/incident.
- 9.3 Should negligence, recklessness or failure to report an incident on time be proved by the insurance committee, the official responsible will personally be held liable for losses suffered.
- 9.4 The supply of false information is regarded as Insurance fraud and applicable disciplinary steps can be initiated by the Human Resource department.
- 9.5 Claims will be reported by the Insurance Section to the insurers as soon as practical (preferably within 14 days, but not later than 30days), failure to do so an employee will be held liable for losses suffered.
- 9.6 All claims will be entered in a claims register which is to be reconciled and reported to Council on a quarterly basis.

10. CLAIM PROCEDURES: VEHICLES ACCIDENTS

10.1 The responsible official (driver of council's vehicle), has to report the claim within 72 hours to the insurance section, providing the below information to the insurance section and any other information required to lodge the claim:

- a) Vehicle involved
- b) Registration number(s)
- c) Details of driver(s) of vehicle(s)
- d) Residential/business addresses & telephone numbers
- e) Passengers details
- f) Copies of identity document(s) and driver's licence(s)
- g) Witness report(s), police report and case number,
- h) Description of damage to vehicle(s), date, time & location of scene of accident
- i) Photos of damaged vehicle(s)

11. THIRD PARTY CLAIMS

11.1 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.

11.2 All public liability claims under the excess amount of R 20 000 shall be referred to the Insurance Committee.

11.3 In cases of third party claims, the responsible official should:

- a) Inform the third party that he/she should contact their insurance broker or company and provide the insurance section with a non-insurance letter;
- b) Complete the required section in respect of third parties on the claim form.

11.4 Officials should not correspond with third parties. Should you be contacted by the legal representatives of the third parties involved, no statement should be made under any circumstances.

11.5 Only the municipality's legal representative/ Insurer has the authority to enter into correspondence with third parties and the representative of third parties.

11.6 The Claimant should be informed that even if he assumes the Municipality is under a liability, he should where possible obtain at least three quotations, to effect the repairs. These quotations should be referred under cover of a written claim or complete a claim form, to the Chief Financial Officer: Finance Services, Insurance Division, P O Box 48, Ermelo, 2350.

11.7 In the event of an accident, it is preferred that the driver call Msukaligwa Traffic Department to the scene so that a formal Accident report can be done. If this is not possible, the accident must be reported to the nearest police station and obtain a police reference number.

11.8. The accident report must be completed immediately and handed to the Section Head.

12. RECOVERY

12.1 Motor vehicle recovery from third parties will be dealt with by the Claims departments of the Insurance Company.

13. CLAIM PROCEDURES: THIRD PARTY CLAIMS (not vehicles)

13.1 All third party claims have to be in writing and should be accompanied by proof of loss (Photos, quotations, invoices) and submitted to the insurance section.

13.2 The relevant user department and/or claimant should be requested to submit a comprehensive report of the incident to the Insurance Section, which should be submitted together with all relevant documentation to the insurers.

13.3 The report should include the following information:

- Detailed description of incident
- Date of first knowledge of incident
- Could incident have been avoided
- Steps taken/to be taken to prevent future incidents

13.4 All relevant documentation may include but are not limited to: claim form, affidavit, quotations from public, proof of insurance or non-insurance, ID document and any other proof that may be required by the Insurers.

13.5 Third Party should be informed of contact particulars and claim number from Insurance Company.

13.6 In the instance where a claim is within the excess amount as stipulated by the Insurance Policy the claim is forwarded to the Insurance Committee for handling.

14. CLAIM PROCEDURES: PROPERTY / ASSET LOSS OR DAMAGE

14.1. Property loss is in respect of assets stolen, lost or damaged by an employee of council or assets stolen, maliciously damaged by unknown parties.

14.2 These incidents must be reported to the SAPS within 48 hours and to the immediate supervisor and/or head of department.

14.3. Reports from the user department involved should be submitted together with all relevant documentation to the insurance section.

14.4. Claims are forwarded with all relevant documentation (such as notice of claim form, affidavit, case number and any other proof that may be required) to the Insurers.

- 14.5. Damage to buildings (Civic and Housing units) should on discovery be immediately reported to the Building Maintenance section and the Insurance Section.
- 14.6. The Building Maintenance Section should ensure that the building is safeguarded. If not possible, Security should be appointed to avoid further loss to Council and its Insurers.
- 14.7. Building Maintenance Section should also ensure that three (3) quotes are forwarded to the Insurance section as soon as possible to enable quick repairs.

15. RESPONSIBILITIES

- 15.1. The CFO shall (at least) every three years call for tenders for the insurance of municipal assets, Councillors, employees and third parties.
- 15.2. Each Manager 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).
- 15.3. The CFO 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 Council.
- 15.4. 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.
- 15.5. Premiums shall be paid either monthly or annually in advance at the discretion of the CFO.
- 15.6. Should circumstances change during the year amendments, additions or deletions should be made to the insurance portfolio with the Insurance Company / Insurance Broker.
- 15.7. It shall be the duty of each Manager to 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.
- 15.8. 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 Manager of the department concerned shall ensure that the CFO or Insurance section is notified of that event.
- 15.9. The CFO or Insurance section shall immediately notify the Council's insurer of any claim by or against the Council or against its insurers.
- 15.10. It is the responsibility of the relevant Manager to ensure that all documents / information for the completion of the claim is forwarded to the CFO or Insurance section for submission to Council's insurance brokers.
- 15.11. Each claim by or against the Council shall be reported for investigation if necessary and the outcome reported to the Manager of the department and insurance section if concerned to institute disciplinary steps and / or recovery if deemed necessary.

- 15.12. Employees should avoid storing private property at the workplace for extended periods of time, especially over weekends and during vacation periods.
- 15.13. Each employee should insure personal property against loss or damage, particularly if it is of significant value. – once again, every employee should take out personal insurance for their own property.
- 15.14 To minimise the risk of loss and inconvenience to staff, each Manager should advise all staff of their obligations to ensure the security of private property brought to the workplace.
- 15.15 The CFO shall annually determine the amount to be transferred to the Self-Insurance Reserve after having received a list of assets and insurable values of all relevant assets from the Managers concerned.
- 15.16 The Insurance Loss Control Committee is responsible for –
- a) Assessing all public liability claims under the excess amount of R 20,000;
 - b) Assessing all applications (which meet specified conditions) by staff members for reimbursement of an amount up to R 5,000 regarding malicious damage to his / her motor vehicle by a third party while performing official duties after hours away from the workplace;
 - (c) Insuring that all claims and applications are dealt with diligently within a reasonable time; and
 - (d) Finalise all claims and applications submitted to the committee and ensure that all the required technical, financial and legal aspects to each claim and application are dealt with when these are being finalised.

Annexure A: Loss Committee Charter

1. Purpose

- The purpose of the document will serve as the term of reference for the Loss Management Committee.
- The document will assist to guide members of the Committee to take informed decision to the best interest of the Municipality.

2. Objective

- To ensure compliance to loss asset management policies and procedures.
- To reduce and eradicate reckless behaviour, abuse, criminal act of wasteful use of assets.
- To improve management of assets in the Municipality to ensure safe guarding and reduce risk of loss related to assets management.
- To improve work relationship of Asset Management Unit with other Units.
- To reduce audit issue, relate to loss of assets in the Municipality.

3. Authority

- The committee will report to the Accounting Officer on the progress made by the committee on loss management.
- The committee will have authority to take decision on issue of loss of assets and recommend to the Accounting Officer.

4. Guidelines

- The committee will operate under the ambiguity of Treasury Regulation, MFMA, PFMA, Supply Chain Policy and other related Asset management prescripts such as Loss policy, procedures, Disposal policy, and procedure that guide management of assets in government.
- Failure by the Committee to comply with any of the above-mentioned Policies, procedures and processes could lead to the disapproval of application for any submission requested or dissolved if found that serious misconduct or maladministration has been committed.
- All the Committee members must consult relevant policies to guide them when taking decision on loss management either to charge.

5. Procedures for Composition of Loss Management Committee

- The Loss Management Committee should be composed of the maximum of up to 10 members preferable with loss and asset management understanding and knowledge.
- The chairperson of the Committee must be someone who has vast experience in loss or asset management skills and functions.
- Members of the Committee must be appointed in writing by the Accounting Officer or any other delegated officials who has authority to delegate power.
- The members of the Committee must come from various Units.

6. Membership of the Loss Management Committee

Membership will be open to the following Units:

- Director Planning and Economic Development (Chairperson)
- Chief Financial Officer (Deputy Chairperson)
- Asset Management
- Legal Services
- Office of the Municipal Manager
- Risk Management (Secretary)
- Manager LED

- Manager Planning
- Manager Human Settlement

Additional Members can be included and called when there is issues that involve them. This include:

- Supply Chain Management
- Accounting Division
- Roads
- District official
- Provincial Treasury
- Head of Department or Accounting Officer

7. Positions of the Loss Management Committee will be as following:

- Sponsor = Accounting Officer
- Chairperson= Director PED
- Deputy Chairperson = Chief Financial Officer (CFO)
- Secretary (Risk office)
- Members (Other divisions)

8. Responsibilities of the Loss Management Committee

The committee responsibilities will include the following:

- The Committee will assess each and every individual loss cases.
- The Committee will ensure that all losses of assets are investigated until the case is finalized.
- The Loss Control Officer can also be called in this instance to provide report if is required.
- Take decision about loss assets based on the investigation of the case and recommend action to be taken.
- The Committee has power to recommend to write off or to charge the official based on the outcome of the investigations.
- The Committee will also check if the Loss Register is updated every Months.
- To enforce compliant to Loss Asset Management Policy and Procedure Manual.
- Ensure that awareness on loss management is done with assistance of asset Management Unit.
- The Committee should execute their responsibilities without favour and fear.

9. Responsibilities of various Loss Management Committee Members are as follows:

9.1. Sponsor

- Sponsor is the Accounting Officer
- Sponsor appoint Member of the Committee in writing
- Give approval to the submission from the Committee
- Sponsor the Committee financially where there is a need
- Delegate task related to the Committee functions
- Ensure good governance of the Committee in executing its work
- Play oversight role to the Committee
- Delegate power and functions to the Committee members
- Provide Training to the Committee members

9.2. Chairperson

- Chairperson should be the Director PED
- Has authority to recommend the appointment of Committee members
- Preside over Committee meeting and act as referee at any meeting
- Ensure that all discussions are in line with the agenda of the day
- Putting the matter to the votes, counting votes and announce the results
- Maintain good order and manage the spread for each top throughout the meetings
- Chairperson has a final say where there is deadlock and point of order to rule member out of order
- Summarized important points emanate from the discussion
- Sign the recommendation on behalf of the Committee with their agreement
- Prepare of agenda for the meeting with assistance of the secretary and deputy chairperson
- Sign minutes of meetings
- Ensure that at the end of the meeting minutes are prepared and send to all Committee members on time.
- Ensure that quarterly and ad-hoc meetings are conducted when there is a need
- Ensure that members of the committee comply with procedures and processes.
- Protect rights of every Committee member
- Monitor Committee members if they are attending the meetings
- Ensure that all members of the committee know exactly what is expected of them.

9.3. Deputy Chairperson

- Take over the responsibility of the Chairperson

9.4. Secretary

- Take minutes during the meeting
- Invite member to a meeting

- Organize venue, date and time of the meeting
- Send minutes in advance to the members of the committee
- Assist in drafting agenda
- Read minutes of the meeting and do corrections
- Keep files for the meeting
- Responsible for all the administrative tasks of the committee

9.5. Members

- Participates in the discussion of the meetings
- Physical inspect assets that need to be disposed.
- Involve in decision making of the Committee
- Ensure that the investigation of loss assets is done and disposal process of assets are conducted properly
- Attend meeting of the Committee
- Ensure that proper policies, procedures, guidelines and processes have been followed when taking decision.
- They would individually be held accountable for recommendations made by the committee.

10. Code of Conduct

In order to ensure that the Committee has proper control and compliance to both members of the Committee. There must be a Code of Conduct in place to assist in giving guidance on dos and don'ts about the members. The Code of Conduct include amongst others:

- Member must make effort to attend the Committee meetings, failure to do that they must send an apology in writing.
- Action will be taken for member who break Code of Conduct
- Member must declare their conflict of interest on any matter in advance to the Committee.
- Always act and behave in an ethical manner in carrying out their duties of the Committee.
- Work hard to achieve mandate and objective of the Committee
- Ensure Confidentiality of all the matters discussed by the Committee
- In case of the work dispute, challenges or confrontation with other colleague, first report the matter to the Chairperson for discussion to solve the issue.
- All members must respect each other views

11. Termination of membership and Term of office)

- Member of Loss Management Committee hold office for three years' period.
- When a member fails to conduct himself/herself as per code of conduct

