



INSURANCE POLICY 2024/2025

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1. PREAMBLE

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.

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.

Therefore, the Municipal Council of the Abaqulusi Local Municipality adopts the following Policy for Insurance Management.

2. DEFINITIONS AND ABBREVIATIONS

CFO	Chief Financial Officer
MFMA	Municipal Finance Management Act (No 56 of 2003)
MM	Municipal Manager (i.e. Accounting Officer)
MSA	Municipal Systems Act (No. 32 of 2000)
SIR	Self-Insurance Reserve
PPE	Property, Plant and Equipment
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.
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

The objective of this policy is to ensure that Abaqulusi Local Municipality's assets, councillors and employees are insured adequately and economically at all times.

This document indicates the policy of Abaqulusi Local Municipality for insuring municipal assets, and for insuring the municipality, its employees and Councillors against public liability claims and other losses.

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

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.

Responsible financial management of any municipality requires that assets are properly managed. Municipalities have a large number 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.

4. POLICY FRAMEWORK

4.1 LEGISLATIVE REQUIREMENTS

Section 63 of the MFMA, Asset and liability management, states that:

“(1) The accounting officer of a municipality is responsible for the management of—

- a) the assets of the municipality, including the safeguarding and the maintenance of those assets; and*
- b) the liabilities of the municipality.*

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

- a) that the municipality has and maintains a management, accounting and information system that accounts for the assets and liabilities of the municipality;*
- b) that the municipality’s assets and liabilities are valued in accordance with standards of generally recognised accounting practice; and*
- c) 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.”*

4.2 RELATIONSHIP WITH OTHER POLICIES

This policy, once effective, needs to be read in conjunction with other relevant adopted policies of the municipality, including the following, but not limited to—

- a) Delegation of Powers (Delegations register);
- b) SCM Policy;
- c) Asset Management Policy;
- d) Fleet Management Policy;
- e) Risk Management Policy;

5. RESPONSIBILITIES

5.1 THE CFO OR HIS/HER DELEGATED OFFICIAL(S) – ASSETS MANAGEMENT

The Chief Financial Officer delegates this authority to the Manager Assets, who will be responsible to implementing this policy. The Manager Assets:

- a) shall (at least every three years, before the lapsing of the tender that was previously awarded) inform SCM to call for tenders for the insurance of municipal assets, Councillors, 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 immediately notify the Council's insurer of any claim by or against the Council or against its insurers.
- e) 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;
- f) shall report to Council of the status of existing claims against the municipality and its Insurers;

- g) shall ensure that all claims and applications are dealt with diligently within a reasonable time;
- h) 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
- l) Shall update the Asset Register in accordance with the outcome of each insurance claim.
- m) 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.

5.2 THE HEAD OF DEPARTMENTS , SENIOR MANAGERS AND MANAGERS OF DEPARTMENTS:

- a) 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)
- b) 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;
- c) 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;
- d) 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.
- e) shall submit a departmental report to the Municipal Manager/CFO (or delegated official) within 2 weeks (10 working days) from the date of loss in order to submit the claim to Council's insurers.
;
- f) 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 peruse against an employee who is found In terms of the investigation, to have acted negligently; and

- g) 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.

5.3 THE EMPLOYEES OF ABAQULUSI LOCAL 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 Head/Manager within 10 working days from the incident.
- d) Should submit all required documentation/supporting documents required by the council's insurers. Failure to submit within specified timeframes could result in a claim being rejected by the insurance service provider and the responsible employee could be subjected to disciplinary action.
- 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.

6. RISK MANAGEMENT

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.

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.

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.

Insured Section	Description of Insured Section
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 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.

Insured Section	Description of Insured Section
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.
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 Abaqulusi 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 Abaqulusi 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	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 councillor 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.
Group Personal Accident	Bodily injury caused by accidental, violent, external and visible means to any principal, partner, Head of Department, councillor or employee of the municipality or any person on the business of the council whether on a voluntary basis or otherwise, as specified. The Insurers will pay to the Insured, on behalf of the Insured person or his estate, the compensation stated in the schedule in the event of accidental bodily injury to any such

Insured Section	Description of Insured Section
	independently of all other causes resulting within 24 calendar months in death or disability as specified.
Motor Fleet & 3 rd Party motor liability	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.
Electronic Equipment	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, 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.
Head of Departments and Officers Liability	Legal Liability if any Head of Department or municipal official is prosecuted in his/her private capacity due to council activities or council decision making.
Councillors Special Risk Insurance	As per the Government Gazette No 40519 dated 21 December 2016. Insurance cover provided to a councillor by the municipality, which covers the loss of or damage to a councillor's personal fixed or moveable property and assets, excluding property used by such councillor for business purposes, as well as life and

Insured Section	Description of Insured Section
	disability cover, for any loss or damage caused by riot, civil unrest, strike or public disorder.

7. INSURANCE KEY MANAGEMENT PRINCIPLES

7.1 Municipal Assets

- a) 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.
- 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 Head of Department.
- d) Any other insurance cover shall be at the discretion of the Municipal Manager.
- 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 Head of Department.
- f) All contracts between council and a 3rd party should be monitored to ensure loss or damage to municipal property are minimised and insured. This may include but is not limited to; eg. Rental agreements, projects under construction and any other contract relating to municipal assets.
- g) Any agreements entered into as per 7.1(f) above, that may influence council's insurance policy and assets covered in this policy, must be communicated with the Assets and Insurance section in order to arrange cover if required.

7.2 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 effects 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 jewelry (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.)

7.3 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 on whether payment should be made or not. Only the Municipal Manager in consultation with 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.

7.4 Limits

Excess limits are incorporated in the 1-year contract with the insurance broker appointed, therefore the excess limits will be in accordance to this contract.

7.5 Payment of excesses (or losses below excess payable) by employees

Where in the opinion of the relevant Head of Department 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.

7.6 Insurance claims rejected by the Insurer (above excess)

Where in the opinion of the relevant Head of Department 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 his/her personal capacity in terms of the outcome of the Disciplinary Procedures.

7.7 Failure to report an incident

Failure to report an incident to the insurance section within 10 working days from the occurrence of a loss, 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.

7.8 Payments received from the insurance service provider

- a) All payments received from the council's insurer should be in the municipalities' main bank account.
- b) Municipal councillors should be full amount (net of any expenditure incurred by the council) in case of a successful claim for accidental death of an honourable councillor. A letter of authority should be provided by the member of the family for any payment to be affected.
- c) Injury On Duty (IOD) payments will not be paid directly to employees as this cover is a financial loss recovered by the Council while the employee is away receiving medical attention. A claim by employee for IOD should be submitted to a relevant section in Human Resources section for COIDA application. The injury on duty cover under the Council's insurers is intended for the Council to recover any monies paid by the Council while an employee is away from work due to injuries sustained while performing His/her duties.
- d) In case of accidental death by an employee while performing His/her duties, a letter of authority should be submitted by the member of the family for any payments to be made.

8. 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. Section 33 of the MFMA will be applicable if the duration exceeds 3 years. The cover will be reviewed annually for any amendments.

9. ADMINISTRATION OF POLICY

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

