



# UMDONI MUNICIPALITY



## INSURANCE MANAGEMENT POLICY

**2024/2025**

**Approved by Council:**

**Date of implementation:**

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## **PREAMBLE**

Whereas 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.

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.

Now therefore the Municipal Council of the UMDONI Municipality adopts the following Policy for Insurance Management.

## **ABBREVIATIONS**

CFO	Chief Financial Officer
UM	UMDONI Municipality
MFMA	Municipal Finance Management Act (No. 56 of 2003)
MM	Municipal Manager (i.e. Accounting Officer)
SIR	Self Insurance Reserve

## **1. PURPOSE OF THIS DOCUMENT**

- 1.1 This document indicates the policy of UMDONI Municipality (UM) for insuring of municipal assets, and for insuring the municipality, its employees and Councilors against public liability claims and other losses.

## **2. BACKGROUND**

- 2.1 Since 2004, when the Municipal Finance Management Act No 56 of 2003 (MFMA) was promulgated municipalities have been required to align the planning, management, reporting and auditing of their finances in accordance with the strict requirements of the MFMA and related legislation.
- 2.2 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.
- 2.3 Responsible financial management of any municipality requires that assets are properly managed. Municipalities have large numbers of assets, including equipment, plant and machinery. 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, Councilors and employees against public liability claims and other losses.

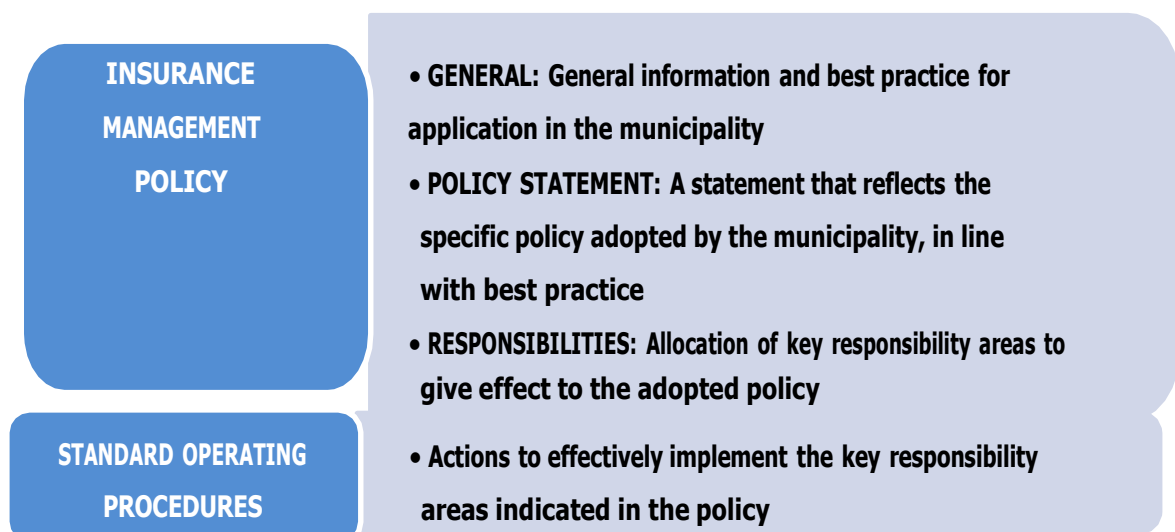
### 3. POLICY FRAMEWORK

#### 3.1 POLICY OBJECTIVE

- 3.1.1 The objective of this policy is to ensure that UM's assets, councilors and employees are insured adequately and economically at all times. Detailed procedures, to ensure that management and employees within the municipality understand their respective responsibilities and duties, are provided in a separate document.

#### 3.2 POLICY FORMAT

- 3.2.1 The figure below gives an overview to the format of presentation of this policy document, and how it links to a separate document that provides the procedures that may arise in terms of this policy:



#### 3.3 RELATIONSHIP WITH OTHER POLICIES

- 3.3.1 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) - Identifying the processes surrounding the establishment of delegated authority.

- (b) SCM Policy - Regulating all processes and procedures relating to acquisitions of goods and services.
- (c) Asset Management Policy.
- (d) Budget Policy - The processes to be followed during the budget process as well as pre-determined prioritization methodology.

3.3.2 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.

### **3.4 APPROVAL AND EFFECTIVE DATE**

3.4.1 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 .....

### **3.5 POLICY IMPLEMENTATION**

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

### **3.6 POLICY AMENDMENT**

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

## **4. POLICY FOR INSURANCE MANAGEMENT**

### **4.1 DEFINITIONS AND RULES**

#### **4.1.1 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.

#### **4.1.2 Self-Insurance Reserve**

Umdoni has self-insurance reserves to set aside amounts to offset potential losses or claims that are not insured externally. The balance of the self-insurance reserve is determined based on insurance risk carried by the municipality and past claims history and is increased by a transfer from the accumulated surplus/(deficit). Claims are settled by transferring a corresponding amount from the self-insurance reserve to the accumulated surplus.

#### **4.1.3 Excess means the first amount payable in the event of each and every claim.**

#### **4.1.4 Personal effects means staff personal property including wallets, cash, handbags, sunglasses, clothes, shoes, reading glasses and mobile phones.**

#### **4.1.5 Public liability claims means third party claims for bodily injury and property damage arising out of the municipality's operations.**



## **4.2 POLICY STATEMENT**

### **4.2.1 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 Executive Manager.
- (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 Executive Manager.

### **4.2.2 Self-Insurance Reserve**

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.

### **4.2.3 Staff property**

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 except in specific circumstances.

#### 4.2.4 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 of R 20,000 shall be referred to the Insurance Committee.

#### 4.2.5 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. The excess limits shall be at the discretion of the CFO in consultation with the Municipal Manager.

#### 4.2.6 Payment of excesses by employees

Where in the opinion of the Executive Manager 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 Disciplinary Procedures.

### **4.3 RESPONSIBILITIES**

- 4.3.1 The CFO shall (at least) every three years call for tenders for the insurance of municipal assets, Councilors, employees and third parties.
- 4.3.2 Each Executive 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).

- 4.3.3 The CFO shall, in accordance with such schedules and subject to this policy, affect such insurance through the service of an Insurance Company/Insurance Broker appointed by the Council.
- 4.3.4 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.
- 4.3.5 Premiums shall be paid either monthly or annually in advance at the discretion of the CFO.
- 4.3.6 Should circumstances change during the year amendments, additions or deletions should be made to the insurance portfolio with the Insurance Company / Insurance Broker.
- 4.3.7 It shall be the duty of each Executive 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.
- 4.3.8 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 Executive Manager of the department concerned shall ensure that the CFO (or delegated official) is notified of that event.
- 4.3.9 The CFO (or delegated official) shall immediately notify the Council's insurer of any claim by or against the Council or against its insurers.
- 4.3.10 It is the responsibility of the relevant Executive Manager to ensure that all documents / information for the completion of the claim is forwarded to the CFO (or delegated official) for submission to Council's insurance brokers.
- 4.3.11 Each claim by or against the Council shall be reported for investigation and the outcome reported to the Executive Manager of the department concerned to institute disciplinary steps and / or recovery if deemed necessary.

- 4.3.12 Employees should avoid storing private property at the workplace for extended periods of time, especially over weekends and during vacation periods.
- 4.3.13 Each employee should insure personal property against loss or damage, particularly if it is of significant value.
- 4.3.14 To minimize the risk of loss and inconvenience to staff, each Executive Manager should advise all staff of their obligations to ensure the security of private property brought to the workplace.
- 4.3.15 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 Executive Managers concerned.
- 4.3.16 The Insurance Committee is responsible for –
- (a) Assessing all public liability claims under the excess amount of R20 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) Finalize 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 finalized.
- 4.3.17 The municipal manager shall recommend to the council of the municipality, after consulting with the Chief Financial Officer, the basis of the insurance to be applied to each type of fixed asset: either the carrying value or the replacement value of the fixed assets concerned.

Such recommendation shall take due cognizance of the budgetary resources of the municipality. The Chief Financial Officer shall annually submit a report to the council of the municipality on any reinsurance cover which it is deemed necessary to procure for the municipality's self-insurance reserve.

#### **5. Effective Date**

The effective date of this policy shall be (date of Council adoption)