

NO AMENDMENTS

2022

SHORT TERM INSURANCE POLICY



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Bitou Municipality

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1. PREAMBLE

In terms of section 63 (1) of the Municipal Finance Management Act, the Municipal Manager is responsible for the safeguarding of municipal assets

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. The Accounting Officer has to take all reasonable steps to ensure that Bitou Municipality has and implements budget related policies for effective financial and risk management.

Asset Management is one function in ensuring effective financial management. Section 63 of the Municipal Finance Management Act, Act 56 of 2003, places the responsibility of asset management on the Accounting Officer.

Other legislative requirements in this regard placed on the Accounting Officer are:

- i. That all budget related policies must be approved together with the adoption of the annual budget in terms of section 24(2)(c)(v) of the Municipal Finance Management Act, Act 56 of 2003; and
- ii. That all budget related policies must be placed on the official website of the Municipality within 5 days after tabling the documents in Council in terms of section 75(1)(b) and 75(2) of the Municipal Finance Management Act, Act 56 of 2003.

A standard short-term insurance policy document for the municipal environment had been prepared that takes all circumstances related to the municipality into account. There are however aspects in addition to this standard that the Council can decide on as policy, especially to take affordability into account.

2. DEFINITIONS

In this policy document the following words will have the meaning assigned to it:

"Accounting Officer" means a person appointed in terms of section 82(l) (a) or (b) of the Municipal Structures Act; and also refers to the municipal manager of a municipality in terms of section 60 of the MFMA;

"Assets" means resources controlled by the Municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the Municipality;

"Budget-related Policy" means a policy of the municipality affecting or affected by the annual budget of the municipality and includes all policies as prescribed in terms of the Municipal Budget and Reporting Regulations as published under GN 393 in GG 32141 dated 17 April 2009;

"Chief Financial Officer" means a person designated in terms of section 80(2) (a) of the MFMA;

"Council" means the municipal council of Bitou Municipality referred to in section 18 of the Municipal Structures Act;

"Councillor" means a member of council;

"Damage" means the loss, destruction or damage of tangible property or asset;

"Delegation" means the power to perform a function duty which is given to an office bearer, councillor or staff members either in terms of section 59 of the MSA or section 79 of the MFMA;

"Executive Mayor" means the councillor elected as the executive mayor of the municipality in terms of section 55 of the Municipal Structures Act;

"Financial year" means a twelve month period commencing on 1st July and ending on 30th June each year;

"General Public" means ordinary persons, or the state of a nation, or community members including legal entities such as businesses;

"Insurance Section" means the section of the municipality designated by the Chief Financial Officer to be in charge of the short term insurance functions;

"Money" means cash, bank and currency notes, cheques, postal orders, money orders, current negotiable postage, revenue and holiday stamps, credit card vouchers and documents, certificates or other instruments of a negotiable nature;

"Occurrence" means an accident, a happening, event, or a continuous or repeated exposure to conditions, which results in personal injury or property damage, advertising liability, errors and omissions, medical practice or legal defence costs;

“Personal Injury” means:

- a) bodily injury, sickness, disease, disability or shock, including death at any time arising therefrom, mental anguish and mental injury;
- b) false arrest, false imprisonment, wrongful eviction, wrongful entry, wrongful detention, wrongful discharge or malicious prosecution;
- c) libel, slander, defamation of character, injuria, humiliation, or invasion of the rights of privacy, unless arising out of advertising activities;
- d) discrimination not committed by or at the direction of the Insured or any executive officer, director or councillor thereof, but only with respect to the liability other than fines and penalties imposed by law; and
- e) assault and battery committed for the purpose of protecting persons and/or property; caused by an occurrence;

“Public liability claims” means the claim instituted by a third party against the municipality. This refers to claims from the general public against the municipality; and

“S.A.S.R.I.A.” means: South African Special Risks Insurance Association. This is a special cover.

“Senior Manager” means all officials reporting directly to the Accounting Officer as contemplated in section 56 of the MSA.

3. OBJECTIVE

The objectives of this policy are to:

1. Set out a legislative framework in order to comply with asset management requirements, especially regarding the safe guarding and risk management thereof;
2. Ensuring that the general public's rights and obligations when lodging a public liability claim is spelled-out; and
3. Set out the role and responsibilities of Councillors and officials regarding safeguarding of assets and insurance processes.

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

4. RISK MANAGEMENT

4.1 Introduction

In asset management, risk management relates to the identification, analysis and evaluation of potential losses in order to develop methods to reduce or eliminate them. Risks are identified and then steps are taken to avoid them. Employing risk management principles will not always prevent the Municipality from being sued or from suffering some other loss, but the resulting financial burdens can be reduced.

Although risk identification is an on-going process that changes with each new situation, the major risks identified as part of asset management are normally common to all Municipalities and companies.

When identification of risks are undertaken then assets include both monetary assets and tangible assets. All municipal activities needs to be evaluated in order to be able to complete a comprehensive risk identification process.

Obviously, a great amount of guesswork is involved in risk identification, and some potential losses may be overlooked. However, by making a conscientious effort, the most common losses can be identified and reduced or perhaps totally avoided by proper preventative measures. Some risks may result in such a small monetary value or probability of loss that the municipality will decide to simply absorb the risk. On the other hand some risks may result in a large monetary value or probability of loss and therefore any potential losses which might occur or the potential loss may be so large and difficult to avoid that insurance might be the only recourse.

4.2 Identified Risks

- 4.2.1 The AO must ensure that an evaluation of all potential events that might adversely affect the finances of a municipality are 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.

4.2.2 The table below provides a list of all the possible risks identified in alphabetical order for the new financial year commencing on the 1st July.

Risk	Examples
Accidents	Accidents caused by employees with vehicles or plant equipment when performing their duties.
Death	The death of Councillors, their spouses, employees, temporary workers and volunteers of the Municipality when performing official duties on behalf of the Municipality.
Disability	Injury to Councillors, their spouses, employees, temporary workers and volunteers of the Municipality when performing official duties on behalf of the Municipality.
Dishonesty	Loss of/or damage to money arising from dishonesty of a Councillor or employee
Explosion	Loss of/or damage to property due to an explosion caused by incorrect storage of inventory including electrical equipment explosions.
Fire	Loss of/or damage to property/PPE or records due to a fire.
Lightning	Loss of/or damage caused to property, plant and equipment due to lightning
Malicious	Malicious damage caused to property/PPE
Power surge	Damage caused to property, plant and equipment of the Municipality due to power surges, MV Electrical faults and loss of supply
Theft	Loss or damage caused to property, plant and equipment due to thefts

4.3 Risk Control

4.3.1 The AO must ensure that all identified risks with regard to asset management are reduced by means of preventative measures and what remains that cannot be retained must be transferred to be covered by another party, insurance companies. Insurance, however, should be viewed as a last resort to be used after all attempts to reduce or eliminate the risks have failed.

4.3.2 It is the responsibility of each Senior Manager to ensure that preventative measures are implemented, as far as the resources appropriated to the directorates allows.

4.4 Risk Preventative Measures

4.4.1 All Senior Managers must ensure that the preventative measures included in the table below are implemented as far as possible given the available resources appropriated to their Directorates.

Risk	Preventative measures in order to reduce or mitigate the risk
Accidents	Preventative actions to be taken: <ol style="list-style-type: none"> 1. Ensure participation of all departmental Heads regarding Occupational Health & Safety to ensure reporting of all unsafe situations 2. Ensure training of employees in order to use the property, plant & equipment correctly 3. Ensure that disciplinary action is initiated when an incident was caused as a result of negligence by an employee.
Death/Disability	Preventative actions to be taken: <ol style="list-style-type: none"> 1. Ensure participation of all departmental Heads regarding Occupational Health & Safety to ensure reporting of all unsafe situations 2. Ensure training of employees in order to use the property, plant & equipment correctly to create an accident free environment within the Municipality.
Dishonesty	Preventative actions to be taken: <ol style="list-style-type: none"> 1. Ensure strict enforcement of the municipal code of conduct for councillors and employees 2. Developing of operating procedures in order to strengthen internal control by enforcing regular reconciliations and review thereof, especially in cases of cash involvement. 3. Ensure that training of employees takes place with regards to the operating procedures. 4. Segregation of Duties
Explosion	Preventative actions to be taken: <ol style="list-style-type: none"> 1. Ensure access control at Municipal property, where feasible 2. Ensure that all Occupational Health & Safety prescriptions are complied with.
Fire	Preventative actions to be taken: <ol style="list-style-type: none"> 1. Ensure participation of all departmental Heads regarding Occupational Health & Safety to ensure reporting of all unsafe situations 2. Ensure that all fire extinguishers are maintained regularly
Lightning/Power surge	Preventative actions to be taken: <ol style="list-style-type: none"> 1. Ensure that all thatch roof buildings have the required lightning protection equipment fitted. 2. Ensure that the public is informed that all end users are liable for their own protection against power surges 3. Ensure that all buildings owned by the Municipality has been fitted with power surge protection devices. 4. The Control Room and IT servers must have functioning UPS systems
Malicious	Preventative actions to be taken: <ol style="list-style-type: none"> 1. Ensure access control to Municipal property, where feasible 2. Ensure security protection at Municipal property in the form of alarms, outdoor beams or human/dog guards.
Theft	Preventative actions to be taken: <ol style="list-style-type: none"> 1. Ensure access control to Municipal property, where feasible 2. Ensure security protection at Municipal property in the form of alarms, outdoor beams or human/dog guards.

4.4.2 The relevant Senior Managers must initiate an investigation in order to establish the cause of any damage which occurred within the directorate’s functional area, with the assistance of the Insurance Section.

4.4.3 Once the Senior Manager is of the opinion that negligence might have occurred on the part of an employee of the municipality, then the Senior Manager must refer the incident to the Insurance Committee and report back to the Accounting Officer.

4.5 Risk Transfer (Insurance Portfolio)

4.5.1 Given the risk assessments identified and the preventative measures mentioned it is acknowledge that not all risks can be eliminated, therefore Council accepts the fact that insurance remains the ultimate solution to risk management. It must however be viewed as the last resort.

4.5.2 The table below provides a list of risks 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.

Combined Cover
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 sewage plants.
Office Contents
Unless specifically insured under the other Insurance Sections, loss or damage of office contents within property owned by the municipality or for which we are responsible.
Accounts Receivable
Loss or damage as a result of accident or misfortune to the municipality's books of account or other business books or records at the premises or at the residence of any director, partner, employee, or councilor or the premises of any accountant of the municipality, in consequence whereof the municipality are unable to trace or establish the outstanding debit balances in whole or part due to them, provided that the liability of the insurers shall not exceed the sums insured stated in the schedule and that the basis of indemnity will be as set out in the specification.
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.
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.
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 emoluments.
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.
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.
Public Liability
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.
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 councilor 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
Aerodrome Liability
Liability for accidental injury, loss or damage to third party persons or property arising in connection with the ownership or occupation of airfield or premises of the insured. Furthermore, loss or damage to aircraft or equipment not owned by the municipality, whilst on the ground and in the insured's custody or control.
Stated Benefits
Bodily injury caused by accidental, violent, external and visible means to any principal, partner, director councilor or employee of the municipality or any person on the business of the council whether on a voluntary basis or otherwise. The Insurers will pay to the Insured, on behalf of the Insured person or his estate, the compensation stated in the Specification in the event of accidental bodily injury to any Insured person directly and independently of all other causes resulting within 24 calendar months in death or disability as specified.
Group Personal Accident
Bodily injury caused by accidental, violent, external and visible means to any principal, partner, director councilor 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 person directly and independently of all other causes resulting within 24 calendar months in death or disability as specified.
HIV/AIDS
Insured person diagnosed as being HIV positive after accidental injury while executing duties in the service of Council.
Motor Fleet
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.

Homeowner's Risk Cover
Loss or damage to all buildings (homes, residential units, hostels and apartments), including all outbuildings, swimming pools, the landlord's loose and fixed fittings therein and thereon, boundary and other walls, gates, poles, enclosures and public access connections.
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
Machinery Breakdown
Coverage for unforeseen and sudden physical damage to the machinery described in the schedule from any cause whilst it is at work or at rest, or whilst being dismantled for the purpose of cleaning inspection and overhaul or removal to other position or in course of these operations themselves or subsequent re-erection, anywhere within the territorial limits, including whilst in transit

5. ASSETS TO BE INSURED

When considering the insurance of assets all movable and immovable assets should be considered. All assets to be insured should be comprehensively insured against perils such as theft, malicious damage, fire, storm, water etc. as well as riot and public disorder.

5.1 The Assets section, in conjunction with the Head of Departments, must ensure that all assets are disclosed at correct insured values..

5.2 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.
- f) Liability: Public, Employers, Motor and Airport.

6. APPOINTMENT OF INSURANCE BROKERS

- 6.1 There will be a call for bids to appoint an insurance broker at least once every three years.
- 6.2 The appointment of an insurance broker must be performed via the normal supply chain management processes of the Municipality.

7. INSURANCE CLAIM PROCEDURES

- 7.1 The Municipal Manager or his/her delegate, shall develop such processes to ensure that insurance claims are submitted timeously, and in a format required by the Insurance Company/Insurance Broker
- 7.2 Head of departments must ensure that these processes are implemented

8. POLICY ON PERSONAL EFFECTS

- 8.1 It is expected that employees, in their own interests, will ensure that any valuable items of jewellery (including wrist watches) worn on duty, and/or personal equipment are adequately insured against loss or theft on their personal policies.
- 8.2 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.
- 8.3 No compensation will be paid for loss or damage to the following items:
 - (i) Private cellular phone
 - (ii) Private Vehicle
 - (iii) Private Laptop