



# **SWARTLAND MUNICIPALITY**

## **INSURANCE MANAGEMENT POLICY**

**Reviewed and Amended  
May 2025**

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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 Swartland Municipality adopts the following Policy for Insurance Management.

## **ABBREVIATIONS**

CFO	Chief Financial Officer
SM	Swartland Municipality
MFMA	Municipal Finance Management Act (No. 56 of 2003)
MM	Municipal Manager (i.e. Accounting Officer)
SCM	Supply Chain Management

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

- 1.1 This document constitutes the policy of Swartland Municipality (SM) for insuring of municipal assets, and for insuring the municipality, its employees (when/where applicable) and Councillors 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 custodians of public funds, the Council must ensure that municipal assets are adequately insured at all times. The insurance should in addition, support the municipality's basic services, Councillors and employees against other claims from the public, such as public liability claims and other losses.

### 3. POLICY FRAMEWORK

#### 3.1 POLICY OBJECTIVE

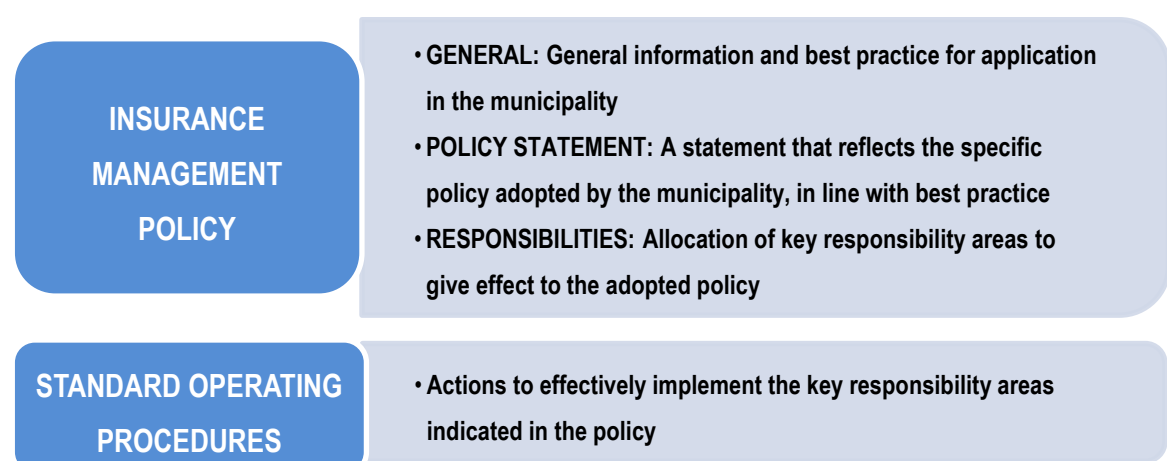
The objective of this policy is to formally set out Swartland Municipality's intention regarding the insuring of municipal assets, and the insuring of the municipality, its employees and Councillors against public liability claims and other losses.

Detailed procedures, to ensure that management and employees within the municipality understand their respective responsibilities and duties, are provided in a separate document.

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

#### 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 pertaining the appointment for an insurance broker, Part 3 of the policy.
- (c) Asset Management Policy.
- (d) Budget Policy - The processes to be followed during the budget process as well as pre-determined prioritisation methodology.
- (e) Funding and reserves policy.

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. The effective date for implementation of the policy is 1 July 2023.

### **3.5 POLICY IMPLEMENTATION**

3.5.1 Detailed procedures shall be prepared by the CFO, to give effect to this policy.

### **3.6 POLICY AMENDMENT**

- 3.6.1 This policy will be reviewed annually by the CFO. Changes to this document shall only be applicable when 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 (applicable only when such reserve is established)**

The municipality may have a 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 The "excess" refers to the portion of the loss that is not covered by the insurance policy and must be paid by the policy holder. If the amount of the claim is less than the excess, no payment will be made by the insurer. In such cases, the policyholder will be responsible for covering the entire loss amount.

- 4.1.4 Personal effects means employees', councillors' or contractors' personal property including wallets, cash, handbags, sunglasses, clothes, shoes, reading glasses and mobile phones.

- 4.1.5 Burglary means the criminal offense of breaking and entering a building or other premises illegally for the purpose of committing a crime.

- 4.1.6 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).



- 4.1.7 Public liability claims tend to relate to purported personal injuries sustained to individuals during or exposed to municipal operations or property.
- 4.1.8 Accident Committee means a committee responsible for the investigation of third party claims less than the minimum excess amount and possible negligence by an employee.
- 4.1.9 Accident means an external, violent or unexpected event that is visible.
- 4.1.10 Premiums means any direct or indirect, or partially or fully subsidised, consideration given or to be given in return for an undertaking to meet insurance obligations.
- 4.1.11 Damage means physical injury to or destruction of tangible property, including the loss of its use.

## **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, unless a risk based assessment by the Insurance Department provides evidence that it is more cost effective to not insure the asset type.
- (b) All insured assets shall be considered for purposes 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.
- (d) Assets are to be insured at replacement values (except for motor vehicles, which are insured at market values).
- (e) Any other insurance cover shall be at the discretion of the Municipal Manager .
- (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; e.g. Rental agreements, projects under construction and any other contract relating to municipal assets.

- (g) Any agreements entered as per 4.2.1(f) above, that may influence council's insurance policy and assets covered in this policy, must be communicated with the FS and Assets department.

#### 4.2.2 Self-Insurance Reserve

The municipality may establish and administer a self-insurance reserve (SIR)

#### 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 unless the employee is entitled to claim as a third party similar to any other member of public (e.g. a vehicle accident between an employee and a council vehicle).

#### 4.2.4 Public Liability

All public liability claims shall be referred to Council's Insurer.

#### 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.

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

Where in the opinion of the relevant line 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. Same may be applied if an employee left a private asset in plain sight in a municipal asset (e.g. vehicle or building) and such private asset could be regarded as the reason for damages to municipal assets (e.g. left a cell phone in a parked car and the vehicle window is broken to steal the cell phone).

#### 4.2.7 Failure to report an incident

Failure to report an incident to the insurance section within the timeframes indicated, may result in disciplinary action taken against the employee responsible for the asset(s). The outcome of the disciplinary process will determine whether the employee will be personally held liable for the losses incurred.

### 4.3 **RESPONSIBILITIES**

- 4.3.1 The insurance broker must submit annual proof of registration with Financial Sector Conduct Authority (FSCA) and Financial Association of South Africa (FIA).

- 4.3.2 Each Director shall before 31 May of each year update or verify the schedule of insurable risks and insurable assets and new assets under their control (and any other information deemed necessary) not previously insured. This must be supported with a signed-off schedule.
- 4.3.3 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.
- 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 annually in advance at the discretion of the CFO after approval and implementation of the annual budget.
- 4.3.6 Should circumstances change during the year, amendments, additions or deletions shall be made to the insurance portfolio with the Insurance Company / Insurance Broker.
- 4.3.7 It shall be the duty of each Director 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 after the list is verified by the 31<sup>st</sup> of May.
- 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 Director of the department concerned shall ensure that the CFO (or delegated official) is notified of such 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 Director to ensure that all documents / information (for example any required forms, reports, quotations) for the

completion of the claim is forwarded to the CFO (or delegated official) for submission to Council's insurance brokers within 5 working days of the event/request requiring documentation.

4.3.11 Each claim by or against the Council shall be reported for investigation and the outcome reported to the Director 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 minimise the risk of loss and inconvenience to staff, each Director should advise all staff of their obligations to ensure the security of private property brought to the workplace and to ensure that staff get training on how to use equipment safely properly to comply with occupational health and safety requirements.

4.3.15 The “Accident Committee” is responsible for –

- (a) Assessing if 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
- (b) If the employee is considered negligent the committee shall conclude whether the event should give rise to any fruitless and waste expenditure and must be reported as such.

## **5 IMPLEMENTATION OF THE POLICY**

This Policy is called the “Insurance Policy of the Swartland Municipality” and takes effect on 1 July 2023.

**Annexure A: Items that does not fall within the ambit of the insurance portfolio  
(underwriters do not cover the assets):**

**General Exclusions:**

- 1 War, Riot and Terrorism exclusion
- 2 War and Terrorism exclusion
- 3 Nuclear exclusion
- 4 Computer loss
- 5 Asbestos exclusion
- 6 Environmental Impairment exclusion
- 7 Maintenance Programme exclusion
- 8 Pandemics, Epidemics, Infectious or Contagious Disease or response taken by an authority
- 9 Exclusion of any composite peril or accompanying part or component of a composite peril
- 10 Specific exclusion for disease or any medically related risks
- 11 Sanctions
- 12 Property Cyber and Data Exclusion
- 13 Utilities Exclusion
- 14 Grid Failure or Interruption Exclusion
- 15 Unlawful Occupation Exclusion

**Combined Section:**

Excluded Property: Unless, more specifically insured under any other Section of this Policy or any other policy

1. Dam Walls, Dam Contents, Canals, Viaducts;
2. Outdoor sports playing surfaces other than tennis courts or tartan athletics tracks if declared and insured under (b) above;
3. Explosives, other than small arms ammunition;
4. Bullion; precious stones and jewellery;
5. Boundary, other walls and fences which are not erected around the insured buildings, structures or public works premises;
6. Electricity Transmission and Distribution lines including their supporting structures (other than on or within 150 meters of electricity sub stations belonging to the insured or within 150 meters of the premises of the insured)
7. Gas Transmission and Distribution Lines, including their supporting structures (other than on or within 150 meters of electricity sub stations belonging to insured or within 150 meters of the premises of the insured)

8. Water piping as well as storm water-piping including their supporting structures (other than on or within 150 meters of water treatment or purification works or reservoirs belonging to the insured)
9. Sewerage piping including their supporting structures (other than on or within 150 meters of any sewerage treatment plants belonging to the insured)
10. Roads, pavements, bridges other than bridges forming part of any building, tunnels and manhole covers;
11. Aircraft runways and aprons;
12. Land, topsoil, backfill, drainage or culverts;
13. Piers, jetties, wharves, viaducts or docks;
14. Property or structures in the course of construction, erection, dismantling or testing including supplies in connection therewith;
15. Property damaged as a result of its undergoing any process of manufacture, conversion or treatment;
16. Property in the possession of customers and which they are obliged to insure in terms of an agreement;
17. Trees, shrubs and plants;
18. Monuments and statues;
19. Graves and Tombstones;
20. Growing Timber, Growing Crops and Livestock;
21. Aircraft and Watercraft;
22. Property which at the time of DAMAGE is insured by or would but for the existence of this policy be insured by any marine policy except in respect of any excess beyond the amount which is or would have been payable under such marine policy had this insurance not been affected
23. Fire caused directly or indirectly from:
  - an electrical power surge
  - any illegal structures/dwellings within 50 m (meters) of the insured property.

**Business All Risk Section:**

- 1 Theft from unattended vehicles
- 2 Dishonesty of employees
- 3 Confiscation by Authorities
- 4 Wear and tear or gradual deterioration
- 5 Damage caused by vermin, insects, damp, mildew or rust
- 6 Cell phones of Employees



## **Goods in Transit Section**

- 1 Theft by employees
- 2 Cell phones of Employees

## **Glass Section**

- 1 Glass forming part of stock
- 2 Defacement other than fracture through the entire thickness of the glass

## **Money Section**

- 1 The dishonesty of any employee unless discovered within 14 days of the occurrence
- 2 Shortage due to error or omission
- 3 The use of keys to any safe or strong room unless the keys are obtained by violence or threats of violence to any person
- 4 Unattended vehicles

## **Public Liability Section**

- 1 Defective, inadequate, insufficient design or construction of any works to cater for water run-off or drainage
- 2 Pollution
- 3 Contamination
- 4 Discrimination

**Annexure B: Items not insured based on the risk based assessment that found that the insurance premiums are not a cost effective mechanism to cover the expected losses:**

- 1 Laptops
- 2 Desktops
- 3 Items less than minimum excess fee
- 4 Drones (all risk not taken out, but theft cover is taken out)