



SHORT TERM INSURANCE POLICY

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1. PREAMBLE

The Accounting Officer must take all reasonable steps to ensure that the Mossel Bay Municipality has and implements budget-related policies for effective financial and risk management.

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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.

Section 63 (1) (a) stipulates as follows:

“ASSET AND LIABILITY MANAGEMENT

- 63. (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.”***

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

- 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
- 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 has 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.

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For this purpose, Mossel Bay Municipality developed this policy.

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 54A of the Municipal Systems Act; and refers to the municipal manager of a municipality in terms of section 60 of the MFMA;

“Annual Earnings” mean the annual rate of wages and salary, including fixed annual bonus and cost of living allowances such as traveling, housing subsidies, cell phone and others plus overtime. If the person has not been in the continuous employ of the Insured for 12 calendar months, the amount to

be added for overtime constant character shall be the average monthly amount earned during the period of employment times 12;

“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 Mossel Bay 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;

“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 administratively 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;

“Municipal Council” means the council of the municipality referred to in section 18 of the Municipal Structures Act;

“Occurrence” means an accident or an event or a continuous event or repeated exposure to conditions, which results in personal injury, property damage, advertising liability, errors and omissions, exposure to medical malpractice and/or legal defense costs;

“Personal Injury” means:

bodily injury, inclusive of internal injury (poison etc.) causing disability or shock, including death at any time arising there from, mental anguish and mental injury;

“Public liability claims” means the claim instituted by a third party against the municipality. In other words, this refers to claims from the public against the municipality for:

- a) false arrest, false imprisonment, wrongful eviction, wrongful entry, wrongful detention, wrongful discharge, or malicious prosecution;
- b) libel, slander, defamation of character, injuria, humiliation, or invasion of the rights of privacy, unless arising out of advertising activities;

- c) 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;

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“Self-Insurance Reserve” means a cash backed reserve established in terms of the Council approved borrowing, funding and reserve policy to cover all cost as a result of damage to Municipal owned/controlled property, damage to 3rd party property due to negligence not covered by outsourced external party and bodily harm caused by accidents; and

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

3. **ABBREVIATIONS AND OBJECTIVES**

AO – Accounting Officer

CFO – Chief Financial Officer

CRC – Current Replacement Cost

MFMA – Municipal Finance Management Act, Act 56 of 2003

MSA – Municipal System Act, Act 32 of 2000

SIR – Self-Insurance Rese

OBJECTIVE

The objectives of this policy are to:

- 3.1. Set out a legislative framework to comply with asset management requirements, especially regarding the safeguarding risk management thereof;
- 3.2. Ensuring that the general public's rights and obligations when lodging a public liability claim are spelled out; and
- 3.3. Set out the role and responsibilities of Councillors and officials regarding safeguarding of assets, risk mitigation and insurance processes.

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

4. RISK MANAGEMENT

4.1. ORGANIZATION

Risk management forms part of management's core responsibilities and is an integral part of the internal processes of the institution. It is a systematic process to identify, evaluate and address risks on a continuous basis before such risks can impact negatively on the institution's service delivery capacity. Risk Management is guided by the Risk Management Policy and Risk Management Strategy.

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4.1.1 Process Responsibility

4.1.1.1 In terms of Section 62(1)(c)(i) of the MFMA requires the following:

"The accounting officer of a municipal entity is responsible for managing the financial administration of the entity, and must for this purpose take all responsible steps to ensure-

- (c) *that the municipality has and maintains effective, efficient and transparent systems-*
- (i) *of financial and risk management and internal control..."*

Section 78 of the MFMA extends this responsibility of risk management to all levels of management, the Chief Risk Officer and Risk Champions.

4.1.1.2 The Chief Risk Officer is also responsible for coordinating risk assessments with the institution within the institution on a regular basis leading the creating and maintaining the risk register.

4.1.1.3 The Chief Risk Officer has overall facilitative responsibility for the risk management process to assist the institution to embed and leverage the benefits of risk management to achieve its stated objectives. Specific responsibilities will include the following activities which are set out in the Risk Management Strategy.

4.1.1.4 The Risk Champions is the person to whom the primary risk responsibility for mitigating has been assigned. A Risk Champion is usually an existing member of the senior management corps within the institution. Risk Champions support the risk management process in specific allocated areas or functions. A Risk Champion has sufficient authority to drive ERM as required by the institution's risk management policy and strategy. A key part of the Risk Champions responsibility involves escalating instances where the risk management efforts are stifled, such as when individuals try to block ERM initiatives. The Risk Champion also adds value to the risk management process by providing guidance and support to manage problematic risks and risks of a transversal nature.

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4.1.1.6 Senior Managers are also aligned with a risk of assuring adequate support.

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4.1.1.7 The municipalities Risk Management Committee has overall responsibility for ensuring assistance to the Accounting Officer in addressing its oversight requirements of risk management and evaluating and monitoring the institution's performance with regards to risk management. The role of the Risk Management Committee is to formulate, promote and review the institution's ERM objectives, strategy and policy and monitor the process at strategic, management and operational levels.

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Under normal circumstances Risk management involves four major phases, namely risk identification, risk analysis, risk response planning, and risk monitoring and control. In the short-term insurance side, it also includes reduction.

4.2. REDUCTION

In asset management risk management relates to the identification, analysis, and evaluation of potential losses 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 or 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 is undertaken then assets include both monetary assets and tangible assets. All municipal activities need to be evaluated 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 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.

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Specific objectives to be considered are:

- Ensure critical risks impacting scope, schedule, budget, business performance, and/or change management are proactively identified, communicated, mitigated, and escalated in a timely manner;
- Facilitate attention to key risks impacting the municipality and the client's business;
- Produce meaningful information that allows the risk management team to focus efforts on the "right" place (e.g., high likelihood and high impact) risks with an effective coordination of effort;
- Ensure appropriate stakeholders are informed and, if applicable, participate in the mitigation; and
- Record an audit trail of discussions and mitigation of municipality risks.

4.3. IDENTIFIED RISKS

4.3.1. 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.

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

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Table 1

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 <u>performing</u> of 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
Fire	Loss of/or damage to property 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
Power surge	Damage caused to property, plant, and equipment of the Municipality due to power surges
Theft	Loss or damage caused to property, plant, and equipment due to thefts
Subsidence & Landslip	Loss of/or damage caused to property, plant, and equipment due to subsidence and landslip

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4.4. RISK CONTROL

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

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

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4.4.3. To mitigate the events or incidents that do occur, the Municipality has established a Self-Insurance Reserve to which money is contributed in terms of the borrowing, funding and reserves.

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policy and from which the money is used to fund the cost experienced as a result of the
occurrence of any risk identified in clause 5.2 and not covered by another party.

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4.5. RISK PREVENTATIVE MEASURES

4.5.1. All Senior Managers must ensure that the preventative measures included in Table 2 are
implemented as far as possible given the available resources appropriate to their Directorates.

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Table 2

Risk	Preventative measures to reduce or mitigate the risk
Accidents	Preventative actions to be taken: 1. Ensure participation of all departmental Heads regarding Occupational Health & Safety to ensure reporting of all unsafe situations 2. Ensure training of employees to use the property, plant & equipment correctly 3. Ensure that disciplinary action is initiated when an incident <u>is</u> caused because of negligence by an employee.
Death/Disability	Preventative actions to be taken: 1. Ensure participation of all departmental Heads regarding Occupational Health & Safety to ensure reporting of all unsafe situations 2. Ensure training of employees to use the property, plant & equipment correctly to create an <u>accident-free</u> environment within the Municipality.
Dishonesty	Preventative actions to be taken: 1. Ensure strict enforcement of the code of conduct for councillors and <u>employees</u> . 2. <u>Developing</u> operating procedures 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 <u>regard</u> to the operating procedures.
Explosion	Preventative actions to be taken: 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: 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 <u>regularly</u> . 3. Ensure that a <u>properly</u> functioning fire department is established.

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Risk	Preventative measures to reduce or mitigate the risk
Lightning/Power surge	Preventative actions to be taken: 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 <u>surges</u> . 3. Ensure that all buildings owned by the Municipality <u>have</u> been fitted with power surge protection devices.
Malicious	Preventative actions to be taken: 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: 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.
Subsidence & Landslip	Preventative actions to be taken: 1. Ensure that the public is informed that all end users are liable for their own cover regarding the cost caused by subsidence and <u>landslides</u> . 2. Ensure that with any new town development application the developer is forced to perform proper and all <u>legally</u> required geological tests.

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4.5.2. The relevant Senior Managers must initiate an investigation to establish the cause of any damage which occurred within the directorate's functional area.

4.5.3. 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 complete the incident report, investigate for negligence on behalf of an employee and report to the Human resources section for action if necessary.

4.6. RISK TRANSFER (INSURANCE PORTFOLIO)

4.6.1. Given the risk assessments identified, and the preventative measures mentioned it is acknowledged 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.

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4.6.2. Table 3 below provides a list of risks that must be transferred to another party in the form of insurance. Risks not listed may be retained either due to the cost control or due to the inability to obtain insurance cover. All risks retained will be funded from the Self-Insurance Reserve.

Table 3

POLICY TYPE	COVER
Motor fleet 3rd Party	All Vehicles with a total limit of R 25 000 000
Public Liability	All claims with a total limit of R 100 000 000
Employers Liability	All claims with a total limit of R 50 000 000
Events liability	Overall limit per event R 10 000 000
Directors and Officers Liability	All claims with a total limit of R 10 000 000
SASRIA (Motor and non-motor)	All claims based on the latest available capital asset value

4.7. RISK RETAINED (SELF INSURANCE RESERVE)

4.7.1 All risks not transferred as per clause 4.6.2 are retained and covered by the Self - Insurance Reserve, which are created and maintained in terms of the Borrowing, Funding and Reserve policy of Mossel Bay Municipality.

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4.7.2 Apart from damage to property a defined event of bodily injury which is caused by an accidental, violent, external and visible means to any Official or Councillor, spouse of the Councillors or Voluntary worker must be covered either by transferring the risks or by the self-insurance reserve based on the advice of the appointed insurance broker.

5. SHORT TERM INSURANCE

5.1. APPOINTMENT: INSURANCE BROKER

- 5.1.1. The AO shall call for bids to appoint an insurance broker at least once every three years.
- 5.1.2. The appointment of an insurance broker must be performed via the normal supply chain management processes of Mossel Bay Municipality
- 5.1.3. The broker must as part of the supply chain management processes;as well as annually thereafter with the consideration of the insurable conditions; provide sufficient proof of its:
 - 5.1.3.1. Own Public liability and professional liability insurance cover;
 - 5.1.3.2. Registration with the professional body for insurance brokers; and
 - 5.1.3.3. Registration as a financial advisor.

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5.2. REVIEW OF PORTFOLIO

- 5.2.1. The AO, with the assistance of the Senior Managers, must annually review the insured conditions at least 60 days prior to the date that the insurance cover is required. Insurance cover coincides with the financial year of Mossel Bay Municipality.
- 5.2.2. Ad hoc cover during the financial year may be arranged on instruction of the AO by the CFO.

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6. **IMPLEMENTATION & MONITORING**

6.1. **CLAIMS**

6.1.1. **General Public Claims**

6.1.1.1. Any claim from the general public relating to personal injury or damage within the jurisdictional area of Mossel Bay Municipality or in the course of or in connection with the delivered municipal services for which the member of the public held the municipality liable should be directed and addressed as follow:

a) Physical address
101 Marsh Street
Financial Administration Section
Mossel Bay
6500

b) Postal address
Mossel Bay Municipality
Private Bag X29
Mossel Bay
6500

For Attention: Financial Administration Section

c) Email address
admin@mosselbay.gov.za

For attention: Financial Administration section

6.1.1.2. The claim must be in writing whilst delivered by hand, post, email, or fax.

6.1.1.3. The claim must at least provide the following details:

- 6.1.1.3.1. Surname, initials, and Identity number;
- 6.1.1.3.2. Contact details (Address, Telephone or Cell);
- 6.1.1.3.3. Date and time when Incident occurred;
- 6.1.1.3.4. Premises or Location where Incident occurred; and
- 6.1.1.3.5. Description of the Incident.

6.1.1.4. All claims will be referred to the appointed Municipal insurance broker as contemplated in Section 5 of this policy for investigation and outcome.

6.1.2. **Claims for Own damage in terms of identified risks.**

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- 6.1.2.1. Any internal claim should be reported within 10 working days of incident or when the incident came to the attention of an official.
- 6.1.2.2. All official claim template forms are available on the document system of the Municipality.
- 6.1.2.3. The claim must be lodged via the document system (Collaborator), when assistance is required the department can contact the Insurance section of the Sub-Directorate Financial Administration.
- 6.1.2.4. All claims must be accompanied by 3 replacements or repair quotes.
- 6.1.2.5. Claims will be referred to an appointed loss adjuster for investigation and final decision, if deemed necessary.

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6.2. RECOVERY OF COST

- 6.2.1 For any claim whether it is covered by self-insurance or a policy of an underwriter, the damage is only payable/recoverable if the cause of the damage is as result of an incident other than normal wear and tear. No claim will be considered by Self-insurance or the underwriter if there are signs of a lack of maintenance,
- 6.2.2 When damage occurs and it is not normal wear and tear, then it must be determined whether any person is responsible and whether the damage occurs due to negligence or not.
- 6.2.3 In the case of incident where a vehicle is involved, the vehicle accident committee perform an investigation and makes a ruling on negligence. In all other cases the responsibility is with the line manager/ head of department to perform the investigation.
- 6.2.4 It is the intention to recover the actual direct cost encounter by the Municipality, in the case where there is an underwriting policy in place the actual direct cost is the excess payable by the Municipality and in the case of any other damage it is the full direct cost.
- 6.2.5 Recovery from an employee found negligent will be an amount of 10% up to a maximum of R5000 be payable, since the Municipality operates a self-insurance reserve and has set aside enough cash back reserves.

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6.3. MONTHLY REPORTING

- 6.3.1. The Insurance section of the Sub Directorate Financial Administration must prepare by the 10th working day of the next month and table to senior management an insurance report that:
 - 6.3.1.1. Provide progress on each claim that was active in the previous month indicating the status of the claim as on the end of the

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month; and

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6.3.1.2. Provides updated financial information of all, premiums paid, brokers' fees paid, cost encountered on claims with an indication of the settlement amount by the insurer in terms of the outsources cover. The summaries of damage to own property must be classified by per risk identified in Section 5.2

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7. REVIEW OF POLICY

7.1. The AO, with the assistance of the CFO and other Senior Managers, are responsible for the implementation of this policy and must take reasonable steps to ensure that the policy is reviewed annually as part of the review of the other budget-related policies.

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DOCUMENT AND VERSION CONTROL

Version: Revision 9

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Date: MAY 202~~5~~

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Summary: This document describes Short-term Insurance that will be applicable to the Mossel Bay Municipality, with effect from

1 July 202~~5~~

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Signature:
Municipal Manager
(Accounting Officer)

Date: 31/05/202~~5~~

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Signature:
Executive Mayor

Date: 31/05/202~~5~~

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