

ITEM NUMBER: C 14/05/16

RECOMMENDATION FROM THE EXECUTIVE MAYOR: 17 MAY 2016

MC 31/05/16 INSURANCE RENEWALS 2016/2017

It is **RECOMMENDED** that:

- (a) the payment of the insurance premiums totalling R58 876 577 to Marsh (Pty) Ltd be authorised
- (b) having regard for the period between the obtaining of these terms and final placement of the Fund's requirements, the Chief Financial Officer be authorised to accept firm quotations not exceeding 10% greater than the recommended provisional premiums in the event of Marsh (Pty) Ltd being unable to obtain cover at the provisional terms indicated.



REPORT TO MAYCO

DATE 2016 -05- 17

1. ITEM NUMBER: MC 31/05/16

2. SUBJECT

INSURANCE RENEWALS 2016/2017
UKUHLAZIYWA KWE-INSHURENSI 2016/2017
VERSEKERINGSHERNUWINGS 2016/2017

LSU :G0739

3. STRATEGIC INTENT

- Opportunity City
- Safe City
- Caring City
- Inclusive City
- Well-run City

4. PURPOSE

To advise on Council's Insurance Programme for 2016/2017 only and to obtain authority for the payment of premiums.

5. FOR NOTING BY / FOR DECISION BY

- This report is for noting only/information only.
- This report is for consideration/decision by:
 - The Executive Mayor together with the Mayoral Committee
 - Council

6. EXECUTIVE SUMMARY

The purpose of this report is to obtain approval for the payment of premiums for 2016/2017 only for the re-insurance of the City's General Insurance Fund's programme as well as for the payment of premiums for ancillary insurance covers not carried in the Fund.

OT

7. RECOMMENDATIONS

Not delegated: for decision by Council:**RECOMMENDATION:**

- a) That the payment of the insurance premiums totaling R 58 876 577 to Marsh (Pty) Ltd be authorised.
- b) That having regard for the period between the obtaining of these terms and final placement of the Fund's requirements, the Chief Financial Officer be authorised to accept firm quotations not exceeding 10% greater than the recommended provisional premiums in the event of Marsh (Pty) Ltd being unable to obtain cover at the provisional terms indicated

Aziqunyaziswanga: iSiggibo seseBhunga**ISINDULULO:**

- a) Sokuba ukuhlawulwa kwezavenge ezingama - R 58 876 577 – kwi Marsh (Pty) Ltd makugunyaziswe.
- b) Sokuba ngokupathelele nesithuba sexesha eliphakathi kokufunyanwa kwezi zavenge kunye nokumiselwa kokugqibela kweemfuneko zale Ngxowa-mali, iGosa eliyiNtloko lemiCimbi yeziMali liXeshana maligunyaziswe ukuba lamkele ingxelo yamaxabiso eqinisekisiweyo engadlulanga kwi-10% ibe ingaphezulu kwezavenge zexeshana ezinduluweyo kwimeko apho i Marsh (Pty) Ltd ingenakho ukufumana imali yembekelo yezi zavenge zexeshana zichaziweyo.

Nie Gedelegeer nie: vir besluit deur die Raad:**AANBEVELING:**

- a) Dat die betaling van versekeringspremies ten bedrae van R 58 876 577 aan Marsh (Pty) Ltd gemagtig word.
- b) Dat, met inagneming van die tydperk tussen die verkryging van hierdie bepalinge en die finale plasing van die fondsvereistes, die hoof-finansiële beamppte gemagtig word om vaste kwotasies van nie meer as 10% as die aanbevole voorlopige premies te aanvaar nie vir ingeval Marsh (Pty) Ltd nie dekking teen die voorlopige bepalinge soos aangedui, kan verskaf nie.

8.1. Introduction/ Background

- 8.1.1 Following a formal tender process (Tender No. 211C/2014/15) the Supply Chain Management Bid Adjudication Committee at its meeting on 9 February 2015 accepted the tender submitted by Marsh (Pty Ltd, for a two-year period commencing 01 April 2015.
- 8.1.2 In accordance with the formal tender specification Marsh (Pty) Ltd was mandated inter alia, to secure the General Insurance Fund's re-insurance requirements.
- 8.1.3 Because all the current contracts of insurance cover expire on 30 June 2016, Marsh (Pty) Ltd was requested to obtain quotations for renewal of the covers for 2016/17 only. Quotations received together with those in respect of the current (2015/16) year are shown on Annexure "A" for ease of comparison.
- 8.1.4 In submitting the premium rate quotations Marsh (Pty) Ltd has drawn attention to the fact that in common with that applicable to other local authorities the quotations are provisional terms. The terms being provisional arise from the fact that the re-insurance process is a two-step procedure whereby benchmark terms are obtained from certain underwriters which the market acknowledges as "leaders".

Consultations on these benchmark ("provisional") premiums and terms are then conducted between the broker and the client (local authority).

- 8.1.5 Because of the time-lag between obtaining of the benchmark premiums and final acceptance of same, underwriters qualify the premiums as provisional to guard against any unfavourable change that may occur in market conditions during the time-lag period.
- 8.1.6 In considering a comparison of the aggregate quotations received for 2016/17 with that of 2015/16 attention is drawn to the following:
- 8.1.6.1. The aggregate overall premium cost to Council for 2016/2017 amounts to R 38 970 577 compared to that of R 38 525 953 applicable to the current year (2015/2016) which is a minimal increase. Marsh (Pty) Ltd was able to negotiate favourably with the market in order to achieve equal or lower premiums on the majority of covers. This premium is payable out of the General Insurance Fund.
- 8.1.6.2 The above premium excludes that applicable to the IRT Bus Fleet premium (R 12 306 000). It also excludes the Home Owners premium (R 7 600 000), of which premiums are debited to the various accounts of Home Owners. Both the Home Owners and the IRT Fleet are insured independent of the General Insurance Fund under stand-alone policies.

8.1.6.3 Increase in the Home Owner's Premium is mainly due to both an increase in the total insured value of over 9%, and a substantial ongoing increase in the number of housing claims experienced and handled by the Insurer during the current financial year (2015/2016).

8.1.6.4 In terms of the dispensation in accordance with the Marsh (Pty) Ltd tender proposal which provided for a rebate to Council of brokerage on premiums, the aggregate brokerage rebated (saving) to Council for the 2016/2017 financial year amounts to R 10 630 165.

8.2. Sustainability Implications

Does the activity in this report have any sustainability implications for the City?	No <input checked="" type="checkbox"/>	Yes <input type="checkbox"/>
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8.3. *Financial Implications

All premium quotations pertaining to this report are applicable to the 2016/2017 financial year only, as the premiums are renewed annually.

Operating Budget Provisions (2016/2017):

8.3.1 Payment i.r.o. Council's Assets and Liabilities – ex the General Insurance Fund for which premiums have been derived from the various Operating Services.

Cost Centre:	1511 0013
Cost Centre Description:	Risk Management (Partial VAT)
Cost Centre Element:	415 340
Budget Provision 2016/2017:	R 45 440 335
Spent to date/Committed:	R 0
Balance Available:	R 45 440 335
Funds Required (this report):	R 38 970 577

Finance Directorate
 Manager: Finance
 D.Clegg
 City of Cape Town

8.3.2 Payment i.r.o. Home Owners Schemes – ex the accounts of various Home Owners.

Cost Centre:	1904 0008
Cost Centre Element:	412 550
Cost Centre Description:	Home Owners & Policy Management
Budget Provision 2016/2017:	R 7 655 305
Spent to date/Committed:	R 0
Balance Available:	R 7 655 305
Funds Required (this report):	R 7 600 000

Bomer
 26/04/2016

W. Jacobs
 Operating Budget
 26 APR 2016
 Checked by:.....

BA

8.3.2 Payment i.r.o. IRT Busses

Cost Centre:	1112 0010
Cost Centre Element:	412 550
Cost Centre Description:	IRT Operations
Budget Provision 2016/2017:	R 15 515 886
Spent to date/Committed:	R 0
Balance Available:	R 15 515 886
Funds Required (this report):	R 12 306 000

[Handwritten Signature]

Operating Budget
26 APR 2016
Checked by:.....
[Handwritten Signature]
28/04/2016

8.4. Legal Implications

The Local Government Municipal Finance Management Act, No. 56 of 2003.

8.5. Staff Implications

Does your report impact on staff resources, budget, grading, remuneration, allowances, designation, job description, location or your organisational structure?

No

Yes

8.6. Risk Implications

Re-Insurance premiums are always payable annually in advance. The risk associated with this is the (Re)Insurers solvency and ability to honour its obligations in global economically challenged environment.

The City mitigates this risk by negotiating only with core Insurers that bear maximum underwriting capacity (measured by capital) and which are A rated by a recognized credit rating Agency.

8.7. Other Services Consulted

Not applicable

ANNEXURES

1. Annexure "A"

FOR FURTHER DETAILS CONTACT:

MANAGER	Surita Odendaal
SIGNATURE	 26/4/2016
CONTACT NUMBERS	(021) 400-3653
E-MAIL ADDRESS	Surita.odendaal@capetown.gov.za
DIRECTORATE	Treasury: Finance
FILE REF NO	
DIRECTOR	David Valentine
SIGNATURE	

COMMENT:

CHIEF FINANCIAL OFFICER (EXECUTIVE DIRECTOR: FINANCE) – where the report has financial or budgetary implications
[Compulsory to Insert name]

(Author to obtain signature before submission to Executive Support)

NAME KEVIN JACOBY

DATE 28/4/2016

REPORT COMPLIANT WITH THE PROVISIONS OF COUNCIL'S DELEGATIONS, POLICIES, BY-LAWS AND ALL LEGISLATION RELATING TO THE MATTER UNDER CONSIDERATION.

NON-COMPLIANT

LEGAL COMPLIANCE
[Compulsory to Insert name]

NAME CHARLYNNE ARENDE

TEL 021 400 1265

DATE 03 - 05 - 2016

COMMENT:

Certified as legally compliant:
Based on the contents of the report.



A

CRAIG KESSON (STRATEGIC POLICY UNIT)

- SUPPORTED FOR ONWARD SUBMISSION TO MAYCO / COUNCIL :
- PC RECOMMENDATION
- RECOMMENDATION AS CONTAINED IN ORIGINAL REPORT
- ALTERNATIVE RECOMMENDATION (TO BE REFLECTED IN COMMENTS SECTION BELOW)
- NOT SUPPORTED

DATE

COMMENT:

A. G. Rowe

EXECUTIVE DIRECTOR: COMPLIANCE AND AUXILIARY SERVICES (ED: CAS)

SUPPORTED FOR ONWARD SUBMISSION TO MAYOR / MAYCO / COUNCIL

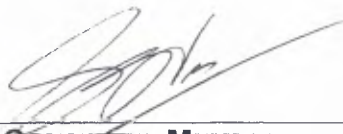
NOT SUPPORTED

REFERRED BACK

DATE

5/5/2016

COMMENT:



MAYORAL COMMITTEE MEMBER
(Author to obtain signature before submission to Executive Support)

COMMENT:

NAME JD NELSON

DATE 6/5/16



EXECUTIVE MAYOR

- SUPPORTED FOR ONWARD SUBMISSION TO MAYCO COUNCIL
- PC RECOMMENDATION
- RECOMMENDATION AS CONTAINED IN ORIGINAL REPORT
- ALTERNATIVE RECOMMENDATION TO BE REFLECTED BELOW
- APPROVED I.T.O. DELEGATED AUTHORITY
- NOTED
- REFUSED
- REFERRED BACK

DATE 6/5/16

COMMENT:

