



Property Risk Consulting Guidelines

XL Risk Consulting

A Publication of AXA XL Risk Consulting

PRC.1.0.1

A MANAGEMENT PROGRAM FOR THE PROTECTION OF PROPERTY, PRODUCTION AND PROFITS

This Property Risk Consulting Guideline introduces the *OVERVIEW* Program and covers some of the philosophical concepts of the program. It is addressed to top management of a corporation or facility.

Management commitment to an aggressive program of loss prevention and control is the foundation of all serious efforts to reduce loss. Management is charged with the responsibility of producing a product or providing a service at a profit. However, when a facility or its equipment is seriously damaged by fire, explosion, mechanical or electrical breakdown or other peril, even the most effective management effort may fail to maintain profitability. Therefore, loss prevention and control activities must be managed as skillfully as production, inventory, quality, finances and resources.

A written statement of corporate management policy is of fundamental importance in making a commitment to properly manage loss prevention and control these problems. This statement, carefully worded, signed by the highest members of management and widely published throughout the organization, gives clear testimony that management has made loss prevention and controls a corporate objective worthy of everyone's attention and concern. (See PRC.1.0.1.A for suggested language.)

Once this solid foundation of management commitment is in place, loss prevention and control may be effectively managed through a series of interlocking programs that manage the interaction of people, hazards, and loss prevention and control activities.

One way to visualize these interlocking programs is to think of the defense against loss as a wall (see Figure 1) that stands between your facility and destruction. This wall is composed of separate blocks laid on a foundation and joined together with mortar to form an effective barrier against disaster.

While the absence of one block may not lead to a disaster, it can result in an opening that weakens the facility's defense against loss. The greater the number of blocks that are missing, the greater the probability that a major loss will occur. The mortar that holds the blocks together is an effective management of change program. Without this adhesion it is difficult to hold the blocks in place. The slightest disruption or change in the facility or its processes can displace the blocks. Most importantly, if the foundation of management commitment is missing, the entire barrier may collapse leaving the facility completely vulnerable to loss.

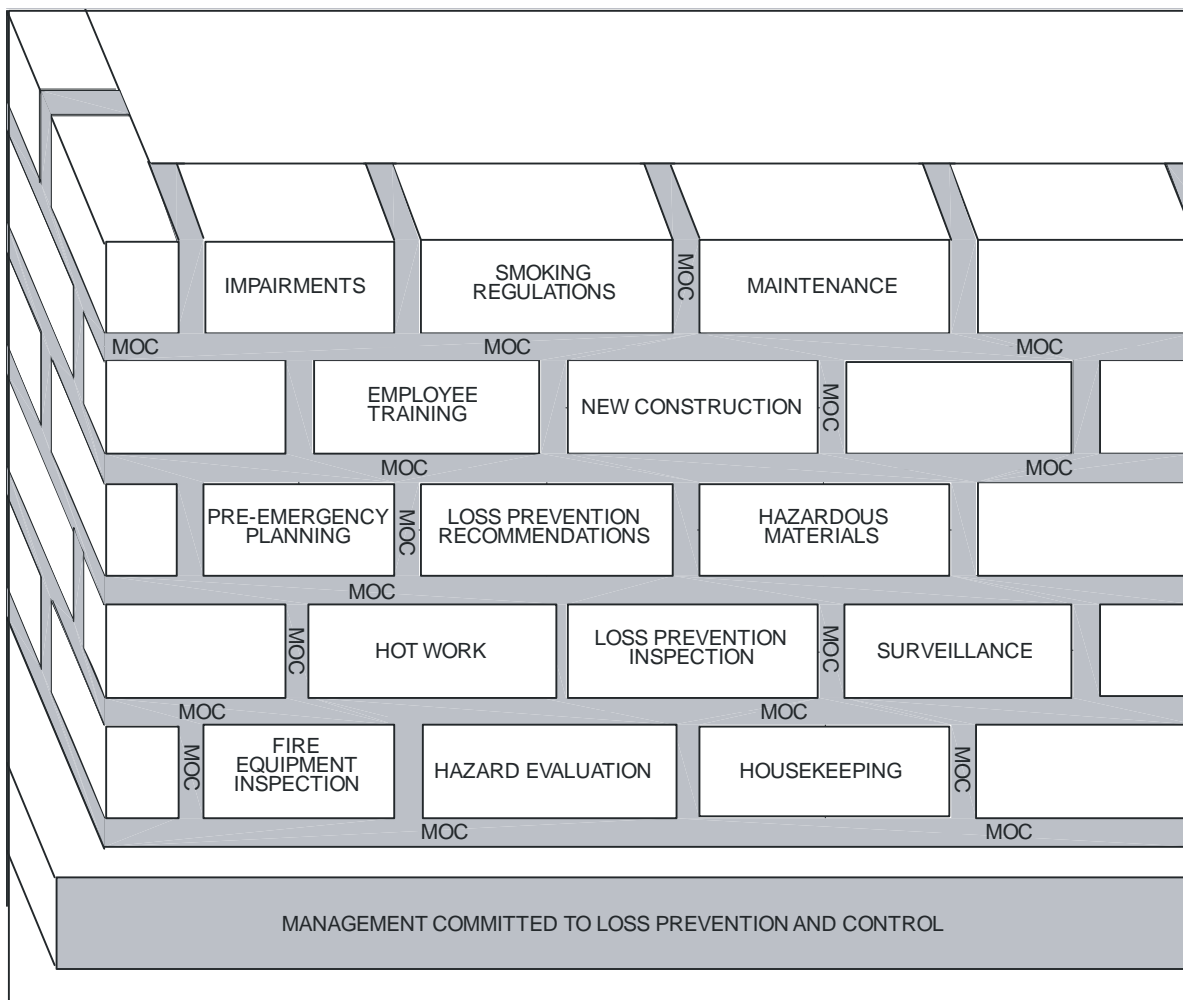


Figure 1. OVERVIEW Wall.

AXA XL Risk Consulting has developed *OVERVIEW* as a means of consulting with our clients and helping them measure the effectiveness of their existing loss prevention and control programs. *OVERVIEW* is a total management program for loss prevention and control. It provides for the foundation, the mortar and the blocks in the barrier against disaster.

OVERVIEW includes the following 14 programs:

1. Impairments to Fire Protection Systems (PRC.1.1)
2. Smoking Regulations (PRC.1.2)
3. Maintenance (PRC.1.3)
4. Employee Training (PRC.1.4)
5. New Construction (PRC.1.5)
6. Loss Prevention Recommendations (PRC.1.6)
7. Pre-Emergency Planning (PRC.1.7)
8. Hazardous Materials Evaluation (PRC.1.8)
9. Cutting, Welding, and Other Hot Work (PRC.1.9)
10. Loss Prevention Audit (PRC.1.10)

11. Fire Protection and Security Surveillance (PRC.1.11)

12. Fire Protection Equipment Inspection (PRC.1.12)

13. Hazard Identification and Evaluation (PRC.1.13)

14. Proper Housekeeping (PRC.1.14)

Each management program section in this Property Risk Consulting Guideline is presented in three parts: Introduction, Position and Discussion. Some of these sections also have appendix material or subsections to aid in program evaluation and development.

The Introduction sets the tone for each section and gives a summary of possible loss scenarios and suggested solutions. The Position provides AXA XL Risk Consulting suggested approach to setting up an effective program. The Discussion provides additional details to support the Position.

PRC.1.10.0, Loss Prevention Audit, provides a feedback mechanism that allows management to determine the effectiveness of the overall program for loss prevention and control. This is important since these individual programs must keep pace with changes in the facility. These programs must not be written, filed, and forgotten. If they are to accomplish their goal, they must be implemented and constantly revised and updated. The Management of Change Program covered in PRC.1.0.2 should be used to keep the other *OVERVIEW* programs current.

To implement an effective interlocking system of programs for loss prevention and control, management must convince all employees of the value of such a system. In doing this, the degree to which management is committed to these programs will strongly influence employee commitment. Managers should be aware of the effect their actions have on employees' support of the programs. If managers tolerate unsafe conditions or work practices, employees may actually believe that such conditions or practices are condoned.

Interactive (two-way) communication is a valuable tool in selling these programs. It is highly desirable for managers to tour the facility occasionally to talk to employees about preventing and controlling losses so they will see that management is serious about such issues. Such a tour can also give the manager firsthand knowledge of the effectiveness of these programs.

All employees should be encouraged to report unsafe conditions that indicate weaknesses in your loss prevention and control programs. Particularly important is the support of first-line supervisors, since they must disseminate information and carry out corrective actions in their areas of responsibility. Also, they should make appropriate parties aware of information about problems that they do not have the authority to correct. (A suggested organization chart that helps stimulate a free flow of information is shown in Figure 2.)

To supplement the material presented in *OVERVIEW*, AXA XL Risk Consulting, through its network of global Loss Prevention Consultants, is willing to aid in developing and implementing custom-tailored programs for loss prevention and control at our customers' facilities. Please do not hesitate to contact us for assistance.

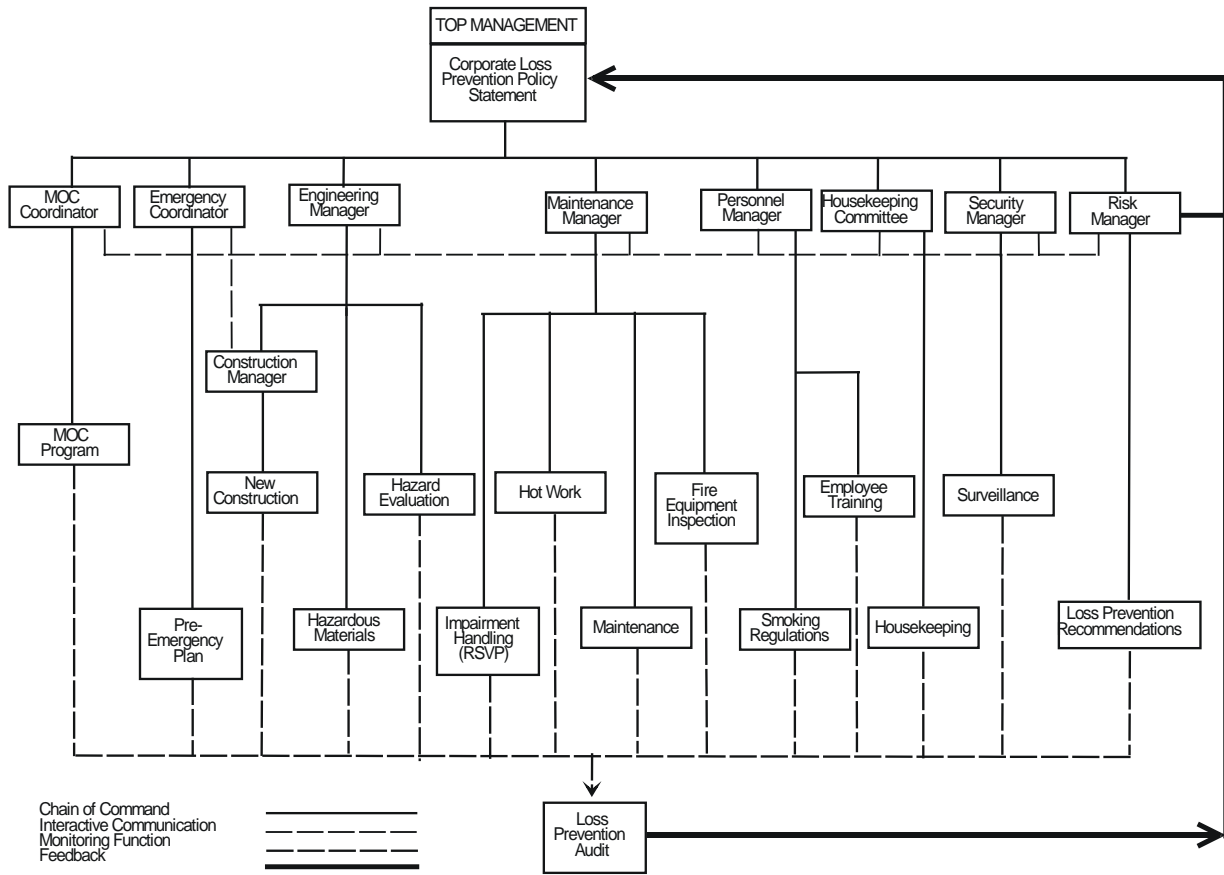


Figure 2. Organization Chart for Loss Prevention and Control Communication.

SUGGESTED WRITTEN STATEMENT OF CORPORATE MANAGEMENT POLICY REGARDING LOSS PREVENTION AND CONTROL

XYZ Corporation

1222 Madison Avenue
New York, NY 10048
(212) 555-1234

MEMORANDUM TO: All personnel

The Executive Committee, at its meeting of April 7, 1998, unanimously voted to present an objective statement of corporate policy regarding property loss prevention and control to the full Board of Directors for ratification at its meeting of May 2, 1998. At that meeting the Board of Directors unanimously ratified the following statement, and directed that the Executive Committee implement it immediately:

The Board of Directors and Executive Committee of ***XYZ Corporation*** in carrying out its responsibility to preserve corporate resources – for the benefit of both stockholders and employees – recognizes that we must aggressively manage the prevention and control of property losses. To do this, we must give the same attention and dedication to managing these elements that we give to the management of the many other elements that contribute to our success as a manufacturer of a line of products of the highest quality.

We hereby make the prevention and control of property losses an integral part of the overall objectives of the ***XYZ Corporation***. We intend to identify and evaluate all property hazards so that we may provide carefully designed, installed, and maintained protection features to offset each hazard. We also intend to develop and implement programs designed to oversee those elements that impact on the prevention and control of property losses.

To accomplish this, we hereby direct the Divisional Vice Presidents to develop a written corporate program for each of the 14 intervening elements identified in the *Overview Manual* supplied by our property loss control provider, AXA XL Risk Consulting. Within 90 days of the issuance of this memorandum, the Divisional Vice Presidents should submit the details of these programs to a Corporate Property Safety Committee for review. The President shall appoint the members of this Committee and it shall report directly to him.

Once the Committee approves the programs, the Divisional Vice President of each profit center shall assume the responsibility for maintaining the accuracy and thoroughness of each program's content, as well as for the effective implementation of the 14 programs throughout all facilities under his or her control. The annual performance appraisal for each Divisional Vice President shall henceforth include a critique of the success in fulfilling this objective.

Further, the Position Description of every employee of the ***XYZ Corporation*** shall include this duty: "To make a positive and continual contribution to the success of the corporation's efforts to prevent and control property losses, recognizing that every loss has a detrimental effect on the ability to meet both our corporate and personal objectives."

Signed this 3rd day of May, 1998

P. Jay Taylor
President

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