



Property Risk Consulting Guidelines

XL Risk Consulting

A Publication of AXA XL Risk Consulting

PRC.1.6.0

LOSS PREVENTION RECOMMENDATIONS

INTRODUCTION

Recommendations made by loss prevention providers are aimed at reducing loss potential. Uncompleted recommendations reflect deficiencies. A plan for their review and resolution is needed.

Recommendations made by AXA XL Risk Consulting in the interest of reducing loss potential from a property protection standpoint have no value unless the actions recommended are completed and the deficiencies eliminated. There may also be jurisdictional implications in the case of some boiler and pressure vessel recommendations. While it is necessary to determine the cost of implementing a recommendation, this information alone is not necessarily a measure of a recommendation's worth. No matter how inconsequential or expensive a recommendation may seem, it must be taken seriously. A recommendation cost benefit analysis can provide a true measure of a recommendation's worth.

POSITION

When acting on a AXA XL Risk Consulting's recommendation, management should:

- Review the recommendation to make sure it is understood. If a governmental authority (jurisdiction) is involved, as may be the case with boiler or vessel recommendations, then ensure that this information, the mandated time frame, inspection and reporting requirements are included.
- Assign someone the task of making engineering and cost analyses. AXA XL Risk Consulting can provide a cost benefit analysis of each recommendation.
- Review the results of these analyses. Obtain the concurrence of AXA XL Risk Consulting before proceeding.
- Have specifications prepared and reviewed by AXA XL Risk Consulting. Once specifications have been finalized, obtain quotations for the work.
- Establish a suitable time frame for the completion of the recommendation.
- Make sure that proper construction and maintenance practices are followed.
- Arrange for an AXA XL Risk Consulting's representative to be present when the contractor conducts acceptance tests.
- Establish a policy whereby corporate management and AXA XL Risk Consulting account personnel annually review all unresolved or deferred recommendations.

DISCUSSION

AXA XL Risk Consulting's recommendations are generated in several ways. The greatest number result from surveys conducted by AXA XL Risk Consulting's loss prevention representatives. They visit the facility, consult with top management, review existing conditions, and prepare advisory recommendations outlining what is needed to improve substandard conditions.

The second greatest number of recommendations is developed in conjunction with and prior to new construction or a major renovation. The AXA XL Risk Consulting's representative reviews the proposed project, including the specification, and prepares the necessary recommendations.

Recommendations are also developed as a result of loss investigations. These recommendations are aimed at correcting such deficiencies as may have led to the loss or contributed to its extent or deficiencies that may exist as a result of the loss. They may document preferences when more than one repair method is possible and jurisdictional requirements when these apply.

Finally, recommendations are prepared as a result of special visits made to the facility to review various projects, operations or tests.

Regardless of the way in which the AXA XL Risk Consulting's representative develops the recommendation, it should be reviewed with the management of the facility at the time it is made.

If a recommendation is not understood during a subsequent review, the AXA XL Risk Consulting's representative should be contacted for clarification. Similarly, any alternate solutions suggested by the engineering analysis should be reviewed with AXA XL Risk Consulting.

This is particularly important with recommendations that involve boilers and pressure vessels because these may have legal implications to be considered. The governmental authority may require feedback within a specific time frame. In any case, failure to comply with the recommendation and properly advise the jurisdiction may result in loss of certification of the equipment.

The engineering and cost analyses should be reviewed at a management level which has the authority to approve the expenditure. When local management does not have this authority, the analysis should be forwarded to higher management with appropriate comments. It is vital that the timely completion of a recommendation not be delayed simply because local management does not have the authority to implement it.

The recommendation cost benefit analysis (RCBA) is usually accomplished by establishing a conceivable loss scenario that involves the specific recommendation. RCBA consists of four tasks:

- Estimating the cost of doing a particular recommendation.
- Determining the potential loss estimate if the recommendation is not done.
- Determining the potential loss estimate if the recommendation is done.
- Analyzing the cost-benefit of doing the recommendation.

Once this information is determined, the potential savings and recommendation-specific cost benefit ratio can be determined. This service is available from AXA XL Risk Consulting.

When obtaining quotations, contractors should be advised that AXA XL Risk Consulting is the property loss control provider and that working drawings should be forwarded to AXA XL Risk Consulting for review and comment. For boiler and vessel work, other credentials may need review and approval. It is therefore advisable to begin work only after AXA XL Risk Consulting has completed its review.

If it is necessary to impair fire protection systems to implement the recommendation, follow proper impairment handling procedures (see PRC.1.1.0).

Acceptance tests conducted by the contractor help determine that the equipment will perform as intended. AXA XL Risk Consulting welcomes the opportunity to witness these tests in order to compare the completed job with the AXA XL Risk Consulting reviewed drawings and to make certain the installation is acceptable from a property protection standpoint. To be certain that all necessary

minor adjustments have been made to the equipment prior to the actual acceptance test, the contractor should run a preliminary test.

These detailed procedures primarily address the proper handling of major recommendations. Other recommendations may not require such thorough review; however, they must be handled in a timely manner. To take care of maintenance items properly, the necessary work orders should be promptly prepared. After all, the fire door that does not close could allow a fire to spread quickly beyond the area of origin. Or, the loose bus bar joint in the main switchgear could fail, shutting down operations at the entire plant.

If the recommendation concerns a management loss prevention or control program, it should be brought to the attention of the people who implement the program. This type of recommendation usually requires very little expenditure of money and often can be promptly completed.

A similar plan can be employed to handle recommendations made by other outside agencies.