



GOLD MEDAL VINTAGE

INSURANCE

ICIB LTD

RISK MANAGEMENT REPORT

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INTRODUCTION

Risk Management may be defined as the process of planning, organising, leading and controlling the activities of an organisation in order to minimise the adverse effects of accidental losses of that organisation, at reasonable cost.

It requires the ability to:

- ◆ Identify exposures to accidental loss which may interfere with an organisation's basic objectives
- ◆ Examine feasible alternative risk management techniques for dealing with these exposures
- ◆ Select the apparently best risk management technique/s
- ◆ Implement the chosen risk management technique/s
- ◆ Monitor the results of the chosen technique/s to ensure that the risk management programme remains effective

This report is principally designed to identify exposure of risks and hazards which, if not rectified, may increase the frequency and severity of losses.

The report should be used as a basis of implementing a Risk Management Programme with the objective of minimising the risk of loss and maintaining competitive insurance premiums.

The matters dealt with in this report are in the form of suggestions and guidelines and can be either rejected or developed further as you see fit. We are available to assist you with this development when required.

MANAGEMENT LOSS CONTROL PROGRAMME

INTRODUCTION

It is important that Management establish a programme for the identification, evaluation and control of hazards in order to eliminate or, at least minimise, loss and damage.

The precise form of any Management Loss Control Programme will vary to meet the Company's particular circumstances but it should take the form of a written procedure which includes the undernoted disciplines. Responsibility for each of these items should be delegated to specific response employees to ensure adequate practice.

- ◆ Basic Fire Protection
- ◆ Plant Security
- ◆ Self Inspection
- ◆ Emergency Planning
- ◆ Smoking Regulations
- ◆ Preventive Maintenance
- ◆ Cutting and Welding
- ◆ Impairment Identification
- ◆ Fire Safety Training
- ◆ Contingency Planning

All Companies should have a Fire and Safety Executive who should be given full managerial backing. Where the size of the company precludes a full-time employee, a member of the Management should be made responsible for the creation and operation of suitable loss prevention programmes.

The purpose of this Report is to stress the need for loss prevention programmes, the importance of written procedures and adequate practice and to explain in broad terms the disciplines listed above.

BASIC FIRE PROTECTION

“Basic Fire Protection” is a general term including many of the items covered by this Report but is concerned here with the evaluation of the hazards and outline of policy and particularly with the provision of suitable fire equipment.

The equipment needed will vary from one Company to another as do the risks of fire and explosion, the likely extent of physical damage and the consequences of business interruption. The best approach is to attempt to foresee the kind of fire to be expected under adverse conditions and thus determine the manual and automatic equipment needed to combat such a fire.

Factors to be taken into account are the nature of your business, the combustibility of the contents, construction and height of the buildings, common and special hazards, extent an area of fire spread, the location, attendance time and manning public fire brigade and the probable outcome if swift action is not taken.

The various common forms of fire equipment available are mentioned below. It is, of course, important that a written procedure and adequate practice exists for the periodic evaluating, location, use, inspection and maintenance of all equipment.

Fire Extinguishers

Needed in sufficient numbers and of suitable types at clearly marked and accessible positions.

Fire Doors and Walls

To prevent the spread of fire and limit the extent of damage and consequential loss. Production, storage areas and special hazards should be separated in this manner.

Private Hydrants

From towns main supply or own pumped system where the former is inadequate for use by Public Brigade or own fire team. Need and numbers depend on values at risk and probable consequence of delay in fighting fire.

Needed in main production areas and particularly in storage areas where extinguishers are of limited use.

Automatic Sprinklers

To provide protection during and outside working hours and in unoccupied areas and raise alarm. Need depends on values at risk and consequences of business interruption. Special spray systems are particularly useful for protecting flammable liquid storage tanks, liquefied gas tanks and oil filled transformers. Properly designed sprinklers are probably the only method of preventing large uncontrolled fire in high bay warehousing.

Foam Installations

For bunded or enclosed flammable liquid storage or process hazards.

CO₂/Gas Flooding

Flooding or spot protection for special hazardous operations and to computers, transformers, switchgear and specialised production machinery.

Automatic Detection Equipment & Manual Alarm System

To raise the alarm and activate extinguishing systems other than sprinklers.

Explosion Detection & Suppression Systems

For equipment where suitable venting cannot be arranged.

PLANT SECURITY

Suitable security measures should be adopted to safeguard the Company's property from loss or damage by fire, theft, etc.

The nature and extent of the measures undertaken will vary from the Company's experience of intruders, the nature of the contents and values at risk, the site location, hazards and other circumstances and should finally take the form of a written procedure with responsibility for review and supervision delegated to a specific person.

The Security Programme should include a procedure for the locking of all buildings outside business hours, for the provision and inspection of the perimeter fence and the periodic maintenance of any burglar alarm installation.

However, the security system should go beyond measures designed only to detect and prevent entry of intruders by including, within the programme, a site security patrol with pre-planned objectives.

The duties of a patrolman should include the reporting of unusual or abnormal conditions, supervision of repair and alteration work by employees and contractors, observation of Company's safety regulations, checking of doors, windows, fences, calling and directing the Fire Brigade, etc.

These patrols should take place during all idle times and outside normal business hours whether or not overtime or shiftwork is taking place.

All parts of the Premises, both inside and out, should be visited and checked immediately after the close of normal hours and at predetermined intervals afterwards. Extra attention should be given to hazardous parts of the Premises, areas where overtime, shiftwork or cleaning operations have taken place and places where repairs or alterations are being undertaken.

Patrols should be supervised through a clocking system and clocking points so located to ensure a complete inspection of the Premises is undertaken.

SELF INSPECTION

A weekly inspection of the Premises by a responsible employee, familiar with the usual conditions on site should form part of the Management Loss Prevention Programme.

This inspection should take the form of a simple walk through all parts of the buildings and yards to check for abnormal or unusual conditions. It is important that the same person does this each week and a simple report is completed for perusal by the Safety Manager who should supervise his activities. The inspection is not intended to be a maintenance check although testing of some items such as fire doors, sprinkler alarms, manual alarms, etc. may be incorporated.

An example of a suitable report form is shown opposite and a similar form to meet your own particular circumstances could be devised.

This sample form covers essential items such as fire equipment, housekeeping, heating, lighting and electrical wiring, and the storage and use of flammable liquids and gases but it could be extended to include other matters of special concern and importance.

There are many items of importance which would benefit from a periodic inspection and the suggested self inspection programme could be designed to provide for weekly, monthly, quarterly and half yearly inspection and reporting.

WEEKLY SELF INSPECTION REPORT

SPRINKLERS	1	Weekly valve test(s) and test card fully completed by contractor?	YES/NO
	2	Weekly pump test(s) and test cards fully completed by contractor?	YES/no
FIRE HYDRANTS	3	Clear and accessible?	YES/NO
	4	Are standpipes, hose and nozzles in good condition?	YES/NO
HOSE REELS	5	Clear and accessible?	YES/NO
	6	In good condition?	YES/NO
	7	Indicator signs in place?	YES/NO
FIRE ALARMS (To be done in conjunction with Contractor)	8	Bells/sirens working?	YES/NO
	9	Mains power supply healthy?	YES/NO
	10	Indicator board lamps all working?	YES/NO
	11	Fire Brigade or central station connections in order?	YES/NO
EXTINGUISHERS	12	All present and correct?	YES/NO
	13	Not obstructed?	YES/NO
	14	In good order?	YES/NO
	15	Indicator signs in place?	YES/NO
FIRE DOORS	16	Not obstructed?	YES/NO
	17	All self closing devices working?	YES/NO
BOILERS	18	Weekly and daily safety checks made and test cards completed?	YES/NO
SMOKING	19	Are smoking rules observed?	YES/NO
FLAMMABLE LIQUIDS	20	Excessive quantities in working area?	YES/NO
	21	Any damaged/loose earthing and bonding?	YES/NO
	22	Any accumulations of empty cans?	YES/NO
	23	Any waste or water in tank bunds?	YES/NO
	24	Any accumulations of soiled rags or waste?	YES/NO
GAS CYLINDERS	25	Any idle cylinders in buildings?	YES/NO
	26	Any cylinders not secured?	YES/NO
	27	Any fittings or hose damaged?	YES/NO
HOUSEKEEPING	28	Any accumulations of rubbish in buildings or yard?	YES/NO
	29	Any area untidy or congested?	YES/NO
	30	Any sprinkler heads obstructed?	YES/NO
	31	Any combustibles adjacent switchgear, heaters or battery charging?	YES/NO
MAINTENANCE	32	Any temporary wiring?	YES/NO
	33	Any damaged electrical fittings?	YES/NO
	34	Any heater fuel leaks?	YES/NO
	35	All oil tank catchpits clear and drain valves closed?	YES/NO
GENERAL COMMENTS	36	Any other items requiring comment?	
RECOMMENDATIONS	37	Any recommendations or suggestions?	

SIGNED: _____

DATE: _____

EMERGENCY PLANNING

However good a Company's fire preventing system, fire can and does occur and it is important to have an Emergency Planning Procedure.

Fire safety planning involves the identification and evaluation of fire and explosion risks in the fullest possible way, the creation of a formalised fire precaution system and the maintenance of that system by means of regular checking procedure and practice.

Some of the points to be covered are discussed elsewhere but here we are concerned with the action to be taken at the outbreak of fire, during the course of the fire and after the fire has been extinguished.

A written procedure containing clear instructions with delegation to suitable personnel regarding the action to be taken in the event of fire should be established concerning the following:

- 1 Activation of manual fire alarm.
- 2 Calling the Public Fire Brigade without delay.
- 3 Fighting the fire pending the arrival of the Brigade.
- 4 Calling key or essential personnel familiar with the hazard and the buildings.
- 5 Evacuation of the Buildings.
- 6 Removal of parked vehicles or vehicles being loaded.
- 7 Access for fire fighting tenders.
- 8 Security of site during fire.
- 9 Suitable action that could be taken during the fire to minimise smoke and water damage and after extinguishment has taken place.

Action under 9 above could include closing fire doors, covering property with tarpaulins, removing some goods, shutting down processes, activating smoke venting systems, closing down air conditioning systems, stopping conveyors, turning off flammable liquid pumping systems, turning on drenchers and special spray systems, etc. Such action requires prior consideration, a pre-planned procedure and delegation to suitable personnel.

Examples:

Emergency Organisation should be upgraded by assigning the following duties:

- a) Valve and Fire Pump Attendant: To ensure that the equipment is open and operating. Their function also involves maintaining vigilance over the operating equipment (if safe to do so) until the arrival of the Fire Brigade.
- b) Gas Valve Operator: In the event of a fire, this person must shut off supplies of flammable gases.

- c) Flammable Liquids Valve Operator: In the event of a fire, this person must shut off supplies of flammable liquids.

Regular training should be given to the people assigned to the above roles.

Comments: It is imperative that all staff are trained in their roles. When an employee leaves the company, it is vital that the Emergency Organisation role is filled and the person is adequately trained. The prompt and proper response by a well trained Emergency Organisation can effectively reduce the extent of Property Damage and ensuing Business Interruption in the event of an emergency.

SMOKING REGULATIONS

After malicious ignition and the careless use of electrical equipment, **smokers materials are the third leading cause of the larger fires.** **The temperature of a burning cigarette** can exceed 900°C; during a puff the surface reaction temperature can reach 1200°C. A burning match head has a temperature of 1500°C. These temperatures far exceed the ignition temperatures of most combustible materials and gases.

Cigarettes can normally start fires in solid materials by initiating a glow and the solid must be capable of supporting progressive flameless combustion (smouldering). Some materials such as cardboard, fibreboard and dust layers have the ability to smoulder slowly for hours – even days – after smouldering is initiated; and sawdust, paper and textile fabrics are particularly vulnerable. Most flammable gases, vapours and explosive dusts can be ignited by burning tobacco.

Too often fires are discovered at night having been caused by carelessly discarded smoking materials during the day and it is at this time that **your premises are vulnerable** – If smoking is permitted on the shopfloor it is important that waste swept up during the day is removed from within the building before the close of business.

Where should smoking be prohibited? Some locations are obvious from a health or environmental point of view but specifically relating to fire risks the following are potentially dangerous:

- 1 Where flammable liquids, gases, combustible dusts and fibres are present.
- 2 In production areas and workshops where readily combustible materials are used or produced or where the waste product is easily ignitable.
- 3 In all storage areas, packing and despatch departments and in areas where there may be accumulations of waste and in loading bays.
- 4 Areas which are visited infrequently – e.g. archives stores.

Where possible rules regulating smoking should be worked out with employees co-operation; reasons must be fully explained by management. There must always be firmly enforced and receive the backing of all senior management personnel. **Notices** inside the area concerned and on all approach routes **must be displayed.**

Where smoking is allowed there must be an abundant supply of safely designed non combustible receptacles for cigarette ends and matches. They must be emptied safely (not into plastic bin liners, for example) and frequently. Smokers should be reminded not to use waste paper baskets as ash trays and as a precaution all waste bins should be of metal. If your “No Smoking” rule applies only for the last hour of work, a routine check for fire or smoke should be made before the Premises are closed for the day.

You may find it practical to prohibit smoking in production or warehousing areas for example, and provide special areas where people can smoke freely and safely – viz smoking rooms or booths. These should be partitioned off, contain non-combustible furniture, be provided with an adequate number of safe ashtrays and be equipped with a suitable fire extinguisher. A notice reminding employees to extinguish cigarettes upon leaving should be clearly displayed year the exit.

The argument is often presented that to prohibit smoking will encourage surreptitious smoking. If you have a fair and carefully thought out smoking policy explained to all employees including new recruits, then you should not get illicit smoking.

PREVENTIVE MAINTENANCE

Buildings and machinery should be kept in good condition and safe working order, free from defect and ready to function when needed. Periodic maintenance is therefore essential. The frequency and extent of preventive maintenance will vary according to Company attitudes and needs, manpower and resources and should be kept under constant review.

However, preventive maintenance cannot be avoided and in some circumstances the following should form part of a pre-planned maintenance programme:

- 1 Exterior cladding of buildings, roofing, gutters, downpipes, tanks, pipelines, tank bunds and other stationary structures and equipment should be inspected at least once a year and repaired, cleaned and painted as often as necessary.
- 2 Fire and Safety equipment such as portable extinguishers, hose reels, private hydrants, sprinklers, fire alarms, automatic and manual CO², Halon and other fixed extinguishing systems, breathing apparatus, stretchers, first aid equipment, etc. Such items are not in frequent use and unless regularly maintained defects will not become apparent until they are needed in emergency conditions. Similar remarks apply to more specialised safety equipment such as pressure relief venting, bursting discs, flame arrestors, etc.
- 3 Boilers, pressure vessels, lifting tackle and other equipment which must be examined by law at predetermined intervals.
- 4 Services are particularly important as their failure can cause prolonged interruption of production. Switchgear, electrical wiring, cooling towers, compressors, pumps, boilers and other service equipment should be included in a regular inspection and preventive maintenance system.
- 5 All production plant and equipment.
- 6 Motor vehicles, forklifts, stacking and storage equipment.

The use of computer driven programmes is becoming more prevalent for the monitoring of preventive maintenance, with the advantage of other attributes, such as;

- Plant Inventory
- Condition Monitoring
- Shut Down and Project Planning

These programmes can be tailored to suit the operation, and it is desirable to incorporate and have available local back-up support from the supplier.

The needs of each particular Company or Premises will vary considerably but the regular inspection of equipment seems to be even more important in these times when replacement parts are often difficult to obtain at short notice.

REMEMBER MURPHY'S LAW

Left to themselves, things always go from bad to worse.

Mother Nature is a bitch, and unfortunately so is the "lack of preventive maintenance".

Unscheduled production outages always results in lost production, the loss of employees due to the plant being shut down, and the most important of all, loss of customers by not being able to meet contractual agreements.

CONTROLLING HOT WORK OPERATIONS

There have been a number of serious fire losses caused by inadequate control of cutting and welding operations. These may be more appropriately titled “Hot Work” operations, as control needs to extend beyond cutting and welding operations, to soldering, paint stripping, roof repair (bitumen boilers), grinding and similar operations, all of which may present a fire hazard due to use of naked flame and/or production of sparks. A good “Hot Work” discipline should be established to reduce the risk to the minimum.

Control of “Hot Work” operations is best achieved by means of a “Permit to Work” system, but prior to issue of a permit alternative methods of work should be considered such a removal of a component to a safe place for welding and cutting.

Control of “Hot Work” should be delegated to a responsible person conversant with the hazards of the operation and of the Premises. The Company fire or safety office, or similar, is probably the best choice but failing this, or in addition, departmental managers may be considered as they will be fully aware of the hazards in their department, and may be made conversant with the hazards of Hot Work operations. It is equally important to ensure that persons proposing to carry out Hot Work operations are fully aware of the need to obtain a permit prior to commencement – this applies not only to your own staff but also to contractors, who should be advised at the quotation stage of this requirement.

(Contractors should have adequate Liability Insurance.)

Permits should be issued prior to commencement of work and should not extend beyond one shift, to ensure that good control is maintained throughout the operation. It is preferable for the Permit to take the form of a stiff cardboard card or tag using a wording similar to that shown on the next page – although the precautions listed need not be considered exhaustive as special risks may be present which require additional or different precautions.

Equipment should be in good repair – this applies particularly to contractors equipment which should be thoroughly checked. It should be in good condition and fitted with safety equipment, e.g. flashback arrestors, non-return valves, etc. in accordance with recognised standards. Gas cylinders should be secured in the **upright** position in storage and in use.

The need for a fire watch throughout the period of work is self evident – welders used to glare and concentrating on the job in hand cannot be expected to see where sparks are going. As sparks can create fires which do not show themselves immediately, the fire watch should continue for **at least** one hour after the operation has ceased. After this period, the person who issued the permit should satisfy himself that there are no incipient fires before “clearing” the permit, and ending the fire watch.

IMPAIRMENTS TO FIRE PROTECTION SYSTEMS

It is a condition of most fire insurance policies that fire protection systems are kept operative and in good condition at all times. It is an impairment if it is necessary to shut off, or if failure has occurred to part or all of a fire protection/detection system such as sprinkler installation, gaseous extinguishing system, hydrant main, alarm system, etc.

In order to avoid confusion one person, with deputies, should be responsible for control and notification of impairments. When contractors are to perform work which requires an impairment to a fire protection system they should first obtain permission from your representative. Contractors should never be allowed to impair your fire protection systems without your permission.

The impairment of even a small part of a fire protection system can leave your business very vulnerable to fire loss. However, there are some steps which can be taken to minimise the danger:

- 1 For planned impairments allow only one impairment at a time.
- 2 Cease hazardous operations in the affected area. These include production hazards, the use of flammable liquids and hot work (cutting, welding, etc).
- 3 Remove, whenever possible, combustible materials from the affected area.
- 4 Inform the Public Fire Brigade, plant fire team and all operatives in the affected area that the fire protection system is impaired. If relevant, notify your central station alarm service.
- 5 Check that fire extinguishers and hose reels in the affected area are available. Connect hose to outside hydrants ready for immediate use by your plant fire team if necessary.
- 6 Ban smoking throughout the affected area.
- 7 Take emergency measures to limit the area of impairment as much as possible. For example, make temporary connections into impaired sprinkler systems from hydrants or adjacent sprinkler systems. or if only a small part of a sprinkler system is being worked on, disconnect the relevant part, plug the remainder and restore protection to the rest of the system pending completion of the work and connection.
- 8 Ensure that the impairment lasts for as short a time as possible. All materials, equipment and labour should be on hand, ready to complete the work quickly. If it is necessary to leave the work, endeavour to recommission the system during idle periods.
- 9 Maintain continuous watchman cover during the period of impairment.
- 10 After completion of work, ensure the contractor has restored the complete system and tested it.

FIRE SAFETY TRAINING

Training has a most important bearing on the safety of Company property and on the safety of the occupants of the Premises.

Induction and long term or periodic training in both work and safety aspects should form part of the Company's overall loss prevention programmes and procedures. Overall responsibility should be delegated to the personnel or training manager to whom departmental heads will report.

Every employee should understand what is required of him and be thoroughly conversant with the work to be done and his duties. There should be an induction course and suitable period of close supervision before he is permitted to work on his own. Management control should continue thereafter and further training should be provided as necessary.

Fire safety training should be included in the overall training given to all employees, including Security Patrolmen. Clear and precise instructions should be given regarding the action to be taken in the event of fire including those concerned with raising the alarm, calling the fire brigade, tackling the fire and evacuating the Premises.

Personnel should be made aware of the position of fire equipment and alarms, escape routes and what they must do before leaving their place of work in the event of a fire; such as shutting down their machines, closing fire doors, windows, etc.

When reporting fires they should be instructed to sound the alarm and trained to advise the location and extent of the fire before any other action is taken.

The written procedure and training should include clear instructions for employees allocated special duties and for the benefit of these persons periodic training exercises and drills are essential.

Even if the Company has a specialised fire fighting team, all employees should know how to use a fire extinguisher and be aware of the purpose of different types available. Annual demonstrations should be arranged.

A PRODUCTION RECOVERY PROGRAMME

However well organised a Company is, a major fire can have a devastating effect on its profitability and even its future prospects. Experience shows that the traumatic effects of such an incident are increased where there has been no preparation to counter such a disaster or where there are clearly no laid down procedures, pre-planned, to enable management to arrange at least a partial rehabilitation of the more critical sections of their business without inordinate delay.

Establishing a Disaster Plan

Before a disaster plan can be established, management needs to recognise that effective disaster and contingency plans can reduce possible losses. Once the principle has been accepted, a member of management and a deputy should be designated to hold preliminary discussions on the various problems involved with senior line personnel in all the management disciplines concerned. In this way a complete picture of the possible effects that any particular loss or interruption could have can be ascertained. Part of these discussions should also consider the effects on the Company of a major loss at a vital supplier's premises, and the possible 'knock-on' effect both within their own group of companies and particularly to their more important customers.

Vital Plant & Processes

With the above completed, the team should look more closely at the buildings, the vital services, and the types of plant and processes in order to judge more accurately the degree of hazard and/or the loss risk involved.

The investigations should start with the source(s) of supply of the necessary raw materials and brought-in-parts, their transport (and internal material handling to the various points of storage and use), and the necessity to maintain buffer stocks of raw materials and work in progress for the more important processes. The objective must be to detect all critical processing and finishing operations through to assembly, testing and packaging.

Finally, any special handling problems in bulk storage areas and/or despatch points should also be identified. After identification, the probability of loss must be assessed and consideration given to the justification for the cost of risk improvement measures which may be desirable.

Once this loss evaluation of property, goods and processes has been done, it is possible to list the key elements involved should a serious incident affect the activity concerned, e.g. vital processes, plant, patterns, tools, records and services.

By discussions with the specialist managers, it is possible to determine the more serious problem areas and the probable time-scales involved in arranging for the more critical aspects of the activity to be recommended without undue delay, and for the most vital contracts to be honoured.

Contingency plans must consider the possible emergency re-siting of a process – or even a complete production flow line – to another building or factory. This could require the need to use alternative plant and services, couples with the necessary arrangements to transport employees to the new location(s) and the availability of important amenities and catering facilities.

The Emergency Manager's Authority

In order for an appointed executive to carry out promptly many of the changes that would be necessary following a major fire, he must have full authority to negotiate with loss adjusters, suppliers, customers and subcontractors, and be able to make the necessary decisions and financial arrangements for the acquisition of buildings, new plant, tools and other essential supplies.

The appointed executive must have sufficient authority as the emergency might possibly occur when it would be impracticable to contact the Company's chief executive(S) in order to obtain authority by the normal channels.

The Emergency Recovery Plan

To assist in the earliest possible recovery of production or services, it is essential to have a detailed **Emergency Recovery Plan**. Some suggested key stages for such a plan are given on the following pages. These stages, however, are only intended as a guide, as in all cases plans should relate to the specific requirements of the Company concerned, and should periodically be reviewed to ensure their relevance to the activities involved.

One benefit of implementing a loss evaluation exercise and preparing an emergency recovery plan is that management will be more able to define the critical features in its activities and assess the probability of a major loss occurring. This knowledge may also enable them to implement specific risk improvements to remove or reduce the vulnerability of the operation concerned.

Maintaining Customer Needs

The current market for most business activities makes it even more important for companies to ensure they can maintain their supplies and services to their major customers. If they are to retain their more important contracts and be able to keep their business and share of the market in the future, companies should demonstrate their ability to survive a serious loss and maintain vital supplies to their customers.

Such a demonstration can increase their customers confidence in them to complete their contractual obligation, thus turning a potential disaster into a future asset.

Identifying the Problem

What should be done therefore to reduce the threat that a major disruptive incident can present? Like most challenges once the critical loss elements have been identified and quantified, the problem can be tackled in more than one way. Management can:

- 1 Remove or reduce the specific weaknesses identified and/or ensure that the precautionary and protection arrangements, as well as the routine and emergency working procedures, are adequate for the loss risk 'exposure' and/or hazards involved.

- 2 Establish disaster plans and procedures to ensure that whenever a major loss or business interruption occurs, prompt management action can be taken to minimise the possible resulting loss and to implement effective steps to recommence productive operations – albeit possibly on a reduced scale – at the earliest possible time.

The time to consider emergency plans and procedures is **now**, not during or after the event!! By considering the problems today, and particularly by the preparation of an effective emergency recovery plan, management may well be safeguarding its prosperity tomorrow.

REMEMBER MURPHY'S LAW

- In any field of scientific endeavour anything that can go wrong, will go wrong.
- If there is a possibility of several things going wrong, that which will go wrong is the one that will do the most damage.
- Nature always sides with the *hidden flaw*.

CONTINGENCY PLANNING - THE PRODUCTION RECOVERY PROGRAMME

Suggested key stages of an emergency recovery plan:

- 1 **Put into action laid down emergency call-out procedures**
(key managers and essential works personnel)

- 2 **Determine designated control and communication centre**
(complete with communication facilities and records)

- 3 **Notify those involved**
(chief executive(s), insurers, main customers and contractors)

- 4 **Determine basic recovery plan with loss adjusters**
 - demolition of unsafe structures and debris removal
 - temporary repairs to damaged structures and services
 - dismantling and relocation of essential plant and equipment
 - provision of effective security to idle or exposed plant

- 5 **Arrange damage control and salvage**
 - clean up partially damaged areas, plant and work in progress
 - protect vital plant, tools, patterns, stocks, records
 - salvage essential stores, work in progress, finished stock

- 6 **Agree initial re-start proposals**
 - with chief executive (if practicable), loss adjusters, senior line management and employee representatives

- 7 **Negotiate alternative facilities**
 - suitable premises, services, supplies, etc
 - adequate employee transport and amenities
 - arrange for subcontract work, where necessary

- 8 **Inform people of intended emergency plan**
 - supervisors
 - employees
 - main suppliers
 - important customers

- 9 **Prepare**
 - statement(s) for news media
 - information letter and/or notices for employees
 - interim report for main board

MOTOR VEHICLE RISK MANAGEMENT

We have included within this Report a draft Company Policy for Motor Vehicle use.

This management policy also includes a section on Insurance. The excess section is optional depending on the accident circumstances and employee.

In conjunction with this policy, the Company should also incorporate within the Management Loss Control Programme additional Risk Management Facilities or Activities, i.e.

- a) Complete a Fleet Assessment Loss Control Report.
- b) When employing new drivers, maintain a system to:
 - i) Check their driving records of offences and accidents;
 - ii) Check with their past employers as to their conduct, sobriety, offences and accidents.
- c) Do or will you employ drivers under 25 years, or with less than 2 years experience with the type of vehicle they will control.
- d) Implement Defensive Driving and advanced driving courses.
- e) Have completed Individual Driver Profiles for repeat claimants.
- f) Health and Safety Audit.

All the above items would be completed in conjunction with the Lumley Insurance Loss Control Department.

COMPANY POLICY FOR VEHICLE USE

Fuel

Fuel used on annual or long service leave or on extended public holidays is the employee's expense. Under no circumstances is it to be charged to a Company account or otherwise reclaimed from the Company. Reasonable fuel usage on days off is permitted. Fuel chargeable to the Company is to be purchased from the Company's authorised service station or purchased and reimbursed on a receipted docket.

Private Use

Prior approval must be received from the employee's Manager before any private journey is made that will exceed 500 kilometres.

Insurance

Excess

- a) All vehicles carry insurance with an excess of \$..... This may be subject to change from time to time as the company reviews its vehicle insurance cover.
- b) An under-age excess may apply in addition to the standard for drivers under 25 years of age.
- c) The excesses will be payable by the employee under the following circumstances:
 - i) For all at fault accident claims;
 - ii) All claims whilst the vehicle is not being used for business purposes;
 - iii) All claims whilst the vehicle is being driven by drivers other than authorised employees.

Conditions

- a) the driver is an employee of the Company or an authorised driver as specified below;
- b) the driver holds a current driver's licence;
- c) the driver is not under the influence of alcohol or prohibited drugs.

Authorised drivers of a Company vehicle are:

- a) the employee;
- b) spouse of the driver;
- c) stable de facto partners;
- d) in exceptional circumstances, another person authorised by the employee, e.g. for the purposes of transporting the employee to/from the airport or a Company sponsored function;
- e) Other Company employees with permission, for business purposes.

No other personnel are authorised to drive Company vehicles. Any employee who allows unauthorised personnel the use of a Company vehicle or otherwise breaches Company or insurance policy conditions does so at their own risk. In this event, employees accept personal liability for damage incurred in any accident and a review of their personal use of a Company vehicle will also be undertaken.

Accidents

All accidents, no matter how minor, must be reported to the Managing Director, with a full report being completed in the Company Motor Vehicle Accident Register. Attached to this Company Vehicle Policy is a checklist for accident procedures and should be kept in the glovebox of your vehicle. It is essential that these procedures are followed in the event of any accident AND that the attached form is completed at the scene of the accident, irrespective of the fault for the accident.

Condition of Vehicle

The vehicle is to be kept in a clean, tidy and polished condition. This applies to both the inside and outside of the vehicle. Priority is to be given to the vehicle being garaged at the employee's home. Employees must not allow dents and scratches to reduce the overall standard of appearance of their vehicle.

Authorised Staff Driving Vehicles

Company vehicles are to be made available to other staff members for authorised Company business. However, it must be made clear that they are not to be used for the personal business of those staff members who do not themselves have the use of a Company vehicle.

Parking & Traffic Offences

Parking tickets and traffic offences remain the responsibility of the employee.

Warranty

It is the responsibility of the employee to ensure that regular maintenance and servicing of the vehicle is carried out in accordance with the manufacturer's recommended service schedule. Warranty repairs are to be carried out by the supplier or authorised franchise holder of the vehicle and a careful check should be made just prior to the warranty expiring to have all outstanding repairs and adjustments carried out.

Vehicle Replacement

At the present time the policy of the Company is to review replacement of vehicles at the end of three years. This is not, however, a strict policy, and remains flexible according to current trading conditions and condition of the vehicle. Employees whose vehicles are to be replaced may not necessarily be supplied with a new vehicle. An interchange of vehicles may be considered. The past record of the employee and general vehicle care and appearance will be taken into consideration in any final decision.

Accident Record

Any employee involved in an at-fault accident will have the private use of the vehicle reviewed. In the case of repeated accidents, more stringent measures are possible.

Maintenance

Employees are responsible for checking the oil levels, tyres, water and battery on a regular basis.

Warrant of Fitness

It is the employee's responsibility to ensure that the vehicle always carries a current Warrant of Fitness.

Towing, etc

All vehicles are to be used within their capacity. Permission from the employee's Manager must be obtained before a towbar or any other extras are fitted to the vehicle (irrespective of who pays the cost).

ACKNOWLEDGEMENT

A copy of this policy is to be handed to all employees who have use of a Company vehicle. A signed copy of the Policy is to be obtained from each employee and held on the employee's personal file by the employee's Manager.

I acknowledge receipt of a copy of the
Company Vehicle Policy and agree to be bound by the terms and conditions therein.

Employee Name:

Signature:

Date:

MOTOR VEHICLE ACCIDENT PROCEDURE

C H E C K L I S T

1 DO NOT ADMIT FAULT/LIABILITY

Under no circumstances should you or any other employee accept or acknowledge responsibility for damage to the third party's vehicle/s or property.

5 OBTAIN OTHER VEHICLE'S REGISTRATION NUMBER

2 COMPLETE ACCIDENT REPORT – attached

3 If vehicle cannot be driven, arrange for it to be removed by truck not by towing.

EMPLOYEE MOTOR VEHICLE ACCIDENT HISTORY

Date	Vehicle Reg. No.	Company/ Personal Use	Fault	Damage Caused	Damage Cost	Insurance Claim?	Excess Amount	Excess Paid by	Days Car Out of Use	Hire Car?	Hire Car Cost	Total Cost to Company

FOR OFFICE USE ONLY

Repair Cost: Days vehicle off road: Hire car? YES/NO

Hire Company: Make: Cost:

Any additional costs:

Insurance Claim: YES/NO Excess: Paid by:

Personal/Company Use:

Any additional information:

CONTRACTUAL LIABILITY

The drafting and sign-off of the Company's standard "Terms and Conditions" should be in the hands of your Legal Advisers.

However, it is imperative that the Terms and Conditions must be acceptable to your Insurers.

This also applies to all one-off Contracts. The Insurance and Indemnity Clauses need to be acceptable to your Insurer.

Any acceptance of Liability under Contract could jeopardise any possible claims.

Key points to note:

- ◆ There should be no acceptance of responsibility for any goods under your Care, Custody and Control.
- ◆ No responsibility for the Insurance of Customers Goods to be undertaken.
- ◆ That the Company holds goods as Agent/Bailee only.
- ◆ The Goods stored at the Company's premises shall be done at the Customer's own risk.
- ◆ The Company accepts no responsibility for any consequential losses for the loss of or damage to the Customer's Goods.
- ◆ If deemed liable as a Bailee the Company's liability shall be limited to the cost of the Goods only.

MANAGING YOUR FRAUD RISK

The best time to do something about fraud is before it happens. Fraud is one of many business risks. But is this risk properly managed? Here are three important questions for directors and management:

- Has a fraud risk assessment been undertaken for your organisation?
- Has a fraud control plan been implemented?
- Is there a formal response plan for prompt and effective action when fraud is discovered?

If your response is “no” to any question, read further and take the recommended action.

Directors and managers should view fraud as a business risk and recognise that the means to control it are similar to other business risks.

Managers should regularly consider the following fraud-related issues and develop structured responses to them:

- Is your organisation at risk?
- If we are at risk, how do we prevent fraud from occurring?
- If we cannot prevent fraud, how can we minimise its impact?
- How do we detect fraud if prevention fails?
- How do we react when fraud is detected?

There are several techniques to deal with fraud risk:

- Terminate the activity which produces the risk;
- Transfer the risk to another party, i.e. get insurance or another contractual solution;
- Control the risk – implement strategies aimed at preventing the fraud risk from occurring, or at least minimising its impact.
- Take no action on the assumption that the consequences of the fraud risk are immaterial or are already sufficiently covered.

Not many organisations have a comprehensive fraud plan, let alone know whether they are incurring losses through fraudulent actions of their management, employees or others.

The following actions should be taken to manage your fraud risk:

- Perform a fraud risk assessment:
 - ▶ Identify where the specific fraud risks may occur;
 - ▶ Evaluate whether existing internal controls are effective;
 - ▶ Prioritise the risk where controls are not effective.

Develop strategies to eliminate or mitigate the identified risks.

- Develop a fraud control plan:
 - ▶ Define fraud and the attitude of your business towards it – a code of business conduct may be useful;
 - ▶ Establish the internal control strategies to prevent or minimise and detect fraud;
 - ▶ Establish response procedures when fraud is suspected or uncovered;
 - ▶ Document your organisation's policies and procedures.

- Conduct fraud awareness training:
 - ▶ Conduct workshops to create an awareness of the potential for fraud;
 - ▶ Highlight methods to detect and prevent fraud;
 - ▶ Train managers to perform their own fraud risk self assessment;
 - ▶ Raise awareness of ethical business practices and acceptable codes of business conduct.

The Institute of Internal Auditors (IIA) is the international professional association dedicated to the promotion of internal auditing. Its website www.theiia.org has information on preventing business fraud.

CARRYING OUT A PRODUCT RECALL

When you become aware of a possible defect in a product that may make it unsafe you will need to consider a recall.

To decide if a recall is necessary:

- Gather all available information on the defect. Arrange testing, talk to buyers/customers who have complained
- Find out the number of goods affected and where they have been distributed (warehouses, retailers, customers)
- Consider the degree of danger
- What sort of injury could be caused?
- How likely is it that people will be injured?
- Consult others who may have received complaints or who can offer advice on the need for a recall.

Voluntary and Compulsory Recalls

Most recalls are initiated voluntarily by manufacturers or importers when they become aware of a fault in a product.

Compulsory product recalls can be ordered by the Minister of Consumer Affairs under Section 32 of the Fair Trading Act if:

- The product does not comply with a prescribed product safety standard
- OR
- The Minister considers it will or may cause injury to any person, and the supplier has not recalled the product or taken satisfactory action to recall it.

The Minister may impose conditions on the way a compulsory recall is conducted.

Product Defects

The fault in a product could be

with the product itself

For example, a manufacturing fault causes a weld on a bicycle to fail and the bicycle collapses while it is being ridden

failure to meet a mandatory standard

For example, a product safety standard made under the Fair Trading Act, an electrical safety standard cited under electrical safety legislation, or a vehicle standard set out in the Transport Regulations is not met

with the packaging

For example, the glass bottle of a fizzy drink fractures if left in a warm place

caused by the use made of a product

For example, the fuel line in a motor vehicle fractures under extreme temperature and road conditions.

Aims of a Recall

The aims of a product recall should be:

- To minimise the risk of injury to the public by recalling the product as quickly as possible
- To get back as many of the faulty products as possible
- To minimise the cost and inconvenience for the consumer and the company.

Positive effect of a recall

A high profile, open and successful recall will give a strong positive message to your customers. Customers will see that your company is working in their best interests.

Checklist for Carrying out a Recall

Once a problem in a product has been identified, a recall should be carried out quickly and efficiently. This checklist will help you to organise a recall.

1	Nominate one person to co-ordinate the recall
2	Stop production and distribution of the product
3	Identify which models/batches of the product are affected (e.g. by serial numbers, batch marking). Find out when these were produced and where they have been distributed.
4	Notify distributors, wholesalers, importers, agents and retailers quickly and in writing.
5	If the hazard is particularly serious notice should be given by fax or telephone, followed by a letter (see "Content of Publicity").
6	Notify relevant Government departments that you are undertaking a recall (*see below checklist).
7	Make arrangements for providing refunds, replacing or repairing the recalled product.
8	Notify individual customers directly of the recall where records are available.
9	Prepare and undertake a publicity programme to ensure all users of the product are aware of the recall.
10	Arrange to destroy the faulty products or to store them securely until they can be made safe.
11	Keep a record of items returned. Record who returned the goods and the date. Keep a count of how many items are still outstanding.
12	Evaluate the success of the recall using the record of returns. If the recall has not achieved a satisfactory rate of return you will need to develop new strategies for publicising the recall. Analyse the record to see which groups of buyers or which regions have a low return rate and choose suitable methods to inform these groups of the recall.

***Government Departments to be notified**

Electrical Goods

Inform the Office of the Chief Electrical Engineer in the Ministry of Commerce.

Food, Foodware, Medicines, Medical Devices and Toxic Substances

Inform the Ministry of Health before you start the recall. The Ministry has specific information available on carrying out drug recalls and can also assist with food recalls.

Vehicles, Seatbelts, Child Restraints, Helmets, CNG and LPG Equipment and any other Vehicle or Vehicle-Operator Related Products

Inform the Ministry of Transport.

Other Products

Inform the Ministry of Consumer Affairs, Product Safety Section, Trading Standards Service. The Ministry can offer advice on carrying out the recall.

Publicity for the Recall

Recalls are traditionally publicised by advertising in newspapers.

However, there are other ways you can publicise a recall. You need to consider which is most likely to get the message to the people who are using the product concerned. Some groups in the population are not regular newspaper readers, others will read some papers but not others, e.g. community newspapers but not daily newspapers. Think about who you are trying to reach.

Here are some of the possible means of publicising recall:

- Display signs in shops that sold the product
- Ask relevant organisations to publicise the recall in their newsletters, e.g. Plunket might publicise the recall of a toy
- Advertise in magazines in which the product was advertised
- Advertise in daily or community newspapers
- Issue a media release to newspapers, radio and television
- Advertise on radio or television
- Advertise in retailers' mailers. Supermarkets, retail chains, department stores often send mailers to every household.

You need to decide which combination of methods will reach the most users of the product.

A media release can result in free publicity for your recall on radio, television and newspapers. Coverage of a recall on television news or programmes such as 'Fair Go' and 'The Holmes Show' can be particularly effective.

A media release should be short, frank and written in simple language. The main point should come first and quotes should be used if possible.

e.g. *Two Wheels NZ Limited today announced the recall of one batch of Bikerlite cycles. "We are concerned about the safety of the public", said Ms Forbes, Managing Director of Two Wheels.*

The media release should contain the information listed under Content of Publicity, and the names and phone numbers of two people who can be contacted for further information.

Newspaper/Magazine Advertisement

Place advertisements in newspapers published in the regions where the product has been sold. Advertisements should be placed in the news section not the Public Notices.

The information listed under Content of Publicity should be given and an illustration of the produce should be included. An eye-catching heading should be used, e.g. Safety Warning – Recall.

It should be obvious that the notice is about a recall for safety reasons.

The advertisement should be at least two columns wide with a suggested minimum of 11cm by 14cm. The advertisement will be more eye-catching if boxed.

Content of Publicity

Any publicity for the recall needs to include the following information:

- A clear description of the product including the name, make, model, colour, batch or serial numbers
- A clear drawing or photograph of the product
- The dates that the product was available for sale
- A statement of the problem and the associated risk
- Immediate action to take, e.g. cease use, safe storage instructions
- What action consumers should take in order to receive a refund or to have the product repaired or replaced
- A contact telephone number for further information, preferably a toll free number.