

## **RISK MANAGEMENT GUIDELINES**

Management must study its operations to determine its potential for loss by identifying the hazards, exposures, and legal liabilities. The basis for information of comparison should be your firm's past claim experience, the loss problems of others in the industry, government safety data and your insurance carrier's guidance.

Areas of interest may include:

- General Safety Rules
- Personnel Safety
- Housekeeping
- Hangar Safety
- Hazardous Materials Safety
- Ground Support Equipment
- Electrical Safety
- Pollution Potential
- Occupational Health and Safety Problems
- Fueling Operations
- Fire Hazards
- Airport Maintenance
- Aircraft Maintenance

Review your company's recent claims over the past three years to evaluate their types, trends and severity. This will permit you to align your priorities by spotlighting the most important causes of loss. Survey the operation's hazards and exposures to identify potential loss sources.

Select the best risk management alternatives to improve your operation.

1. Avoidance - Can the risk be reasonably eliminated? If so, do it.
2. Retention - Certain circumstances require acceptance of the risk. In this case, look at alternatives to reduce it.
3. Transfer - Often the risk may be completely shifted or partially diffused to others through mechanisms such as “hold harmless agreements.”
4. Loss Control - The risk may be improved through a combination of management techniques, protective measures, legal strategies and compliance with regulations to minimize inherent vulnerabilities of the operation. This is a very practical means of interdicting claims.

A final point to remember is that risk management is an ongoing integral function of the operation. It requires continual review and constant updating to maintain the required level of progress needed to minimize the unproductive cost of claims.

Phoenix Aviation Managers, Inc. provides and maintains an Inspection Services Department to service our policyholders on matters of risk management. For further information please contact:

Inspections Service Department  
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## INSURED ACCIDENT COSTS – THE TIP OF THE ICEBERG

Quite often the severity of an accident varies from a near miss to a major loss, which snowballs into a catastrophe. The reimbursed insured costs of accidents are only a portion of the actual direct and indirect costs incurred in the claim. The latent effects of a single accident can result in such unforeseen problems as:

Expenses above the policy limits.

Underinsurance of the loss.

Failure to insure contingency or property.

Increased retro adjustments to insurance costs.

Question of future insurability.

Punitive damages directed by the court against you.

Fines and loss of licenses to operate.

Environmental clean up and restitution liabilities.

Uninsured business interruption.

Loss of customer good will.

Diminished operational capacity.

Lowered credit rating.

Reduced investor confidence.

Labor problems.

Regulatory investigations or charges.

Loss of key personnel.

Unfavorable publicity.

The most cost effective alternative to accident costs is a viable risk improvement program.

## RISK MANAGEMENT PLAN

The purpose of this “Risk Management Plan” is to provide policyholders with basic information on how to reduce actual and potential insurable losses to protect their employees and assets from the effects of preventable accidents.

This plan has been simplified to permit a maximum impact on a firm’s loss potential at a favorable cost benefit ratio. It emphasizes the need to integrate loss control or safety at all levels as a basic function of the operation.

The key to a successful program lies in dispelling the myth that accidents are unforeseen events that result in unavoidable losses. In fact, most so called “accidents” are common operational errors which appear as costly inefficiencies and chronic interruptions. The primary advantages of implementing a loss control program are improved operations and the potential savings from lower accident costs.

## RISK MANAGEMENT PLAN GUIDELINES

Planning a safety program consists of ten basic steps which provide elementary, but effective means of treating risk at a minimal cost that can yield significant benefits.

1. Safety starts at the top. Management must adopt the position that accidents are caused and; therefore, can be prevented. This commitment should be reflected in a written statement of safety policy which is distributed to each policy.
2. A responsible individual should be appointed to coordinate risk management activities within the organization. The selected representative will be required to coordinate the program through the staff.
3. Prevent accidents before they happen. Periodic surveys of the operations should be conducted by management to identify hazards, exposures, and loss sources. The purpose of such inspections is to seek improvements, which should be formulated, recorded and acted upon in a timely manner.
4. Accident control equals lower costs. All accidents must be reported, recorded and analyzed. Corrective action, based upon loss experience, can then be taken to prevent similar recurrences.
5. Loss accounting gets results. Accident costs should be charged back to those who caused them to avoid diffusion of responsibility. In this way, the actual profit or loss of an operation can be measured.

6. Focus management's attention on the safety program. A periodic report to top management should be generated covering recent accident experience, risk survey findings, progress made and suggestions on future improvements. You will get as much safety as management wishes.
7. Labor-management teamwork means cooperation and should be encouraged through a safety committee. Incentives may be considered for money saving suggestions.
8. Employee involvement in the safety program should be stimulated, developed and maintained through the use of training, education and recognition programs. High morale and risk improvements go hand in hand.
9. Get advice from the experts. When special technical problems arise such as occupational disease, pollution, environmental situations, product evaluation, etc., be prepared to call upon assistance from qualified consultants who have the credentials to meet the challenge.
10. Liaison is required with your insurance carrier, governmental regulatory agencies, associations and professional safety groups to keep informed of any changes, which might impact your firm's program.

## SUPPORT MATERIALS

Risk Advisory Bulletins

Safety Booklets

Slide Programs

Video Tape Presentations

Film Library

Self-Audit Safety Checklists

Research Profiles

Safety Textbooks

Industry Periodic Publications

Reference Lists

## CONSULTING RESOURCES

Insurance Loss Control Department

Risk Management Consultants

Agent Loss Control Assistance

Safety Staff

Trade Association's Loss Control Programs

Testing Laboratories

Academic Programs

Research Groups

Safety Professionals

National Safety Organizations

Licensing Authorities

Municipal Agencies

State Agencies

Federal Departments – OSHA, DOT, etc.

International Regulatory Bodies

Libraries