

UNIVERSITY OF TOLEDO INTERNAL AUDIT DEPARTMENT

MANAGE PHYSICAL RISK

Control practices

The following control objectives provide a basis for strengthening your control environment for the process of managing physical risk. When you select an objective, kcnni ob27-6 (j). TJ 0 Tc 0 Tw 0 -1.156 To

Compliance with applicable laws and regulations

- A. Applicable Occupational Safety and Health Administration laws and regulations are observed.

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Effectiveness and efficiency of operations

A. Risk of accidents is reduced by providing a safe working environment.

Business risks

- Out-of-date production facilities will cause accidents.
- Employees will be injured.
- Plants and equipment will be damaged.
- Production will decline.
- Employee morale will decline. Employee actions will be brought against the company.

Control practices

1. Ensure that capital expansion plans address safety objectives.
2. Identify hazardous jobs, activities, or locations and develop a plan to address them.
3. Provide employees with training about the dangers involved and the safety procedures that must be followed to reduce occupational risk.

Compare them to claim experience industry 2 -30.7 (v)-6 (e)0.5 (r)-16.8 (a)0.5 (g)-6 (e)-30.7 (s)39.2/T.
Regular maintenance program for machinery and equipment and investigate,
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C. A strong working relationship with brokers and insurers is developed.

Business risks

- The company will use too many insurance providers, resulting in higher costs and poor service.
- The loss prevention program will not respond to company needs.

Control practices

1. Consolidate the number of insurance providers to concentrate on one or two lead insurers.
2. Monitor underwriting markets to assess both availability and cost.
3. Involve brokers and insurers in assessing exposures and designing the company's insurance plan.

D. The risks of incurring significant losses in physical assets are evaluated.

Business risks

- Management will remain unaware of significant risks that could adversely affect the company.
- Inaccurate, insufficient, or untimely information regarding risk-related costs or accidents will give rise to insurance claims.
- There will be no process for updating management's assessment of insurable risks.

Control practices

1. Analyze operations, business plans, and historical events periodically, in association with insurance carriers, legal counsel, and other appropriate parties, to ensure that all risks and contingent liabilities are managed properly.
2. Configure information systems to provide information on all risk-related costs including insurance premiums, self-insured losses, and risk management personnel costs.
3. Engage third parties, such as actuaries, to review the adequacy of established reserves.

