PROFILE GUIDELINES - PRODUCTS LIABILITY

Basic Activity Level

1. Management Policy Issued: (30 points)

   a) A clear written management policy on the company's commitment to products loss control (letter, policy statement, etc.) by the chief executive or top operating member of management at corporate and local levels. (50% or part thereof)

   b) A policy which is widely and effectively distributed to all departments and employees thereof. (50% or part thereof)

2. Products Loss Control Committee Organized: (30 points)

   a) A key member of the management team (department head or assistant department head) from each of the involved departments has been given the responsibility of representing that department on the Products Loss Control Committee. (Representation should include at least (1) design engineering or new product development, (2) manufacturing, (3) quality control, (4) service and installation, and (5) legal.)

   In addition sales, advertising, insurance, personnel, public relations, plant safety, and purchasing serve as consultants when their expertise is needed. (40% or part thereof)

   b) The Chairman of the Products Loss Control Committee is a key executive (member of corporate management) of the company. (30% or part thereof)

   c) The Products Loss Control Committee has formulated and recommended general policy to top management and then to the involved departments. (30% or part thereof)

3. Design of Safe Products: (40 points)

   a) The design (or new product development) department operating philosophy is that product loss control shall be an important part of design. Designers have been trained to design safety, reliability, and maintainability into the product. (This is a judgemental consideration) (20% or part thereof)

   b) Products are designed to at least the accepted industry or national safety standards, or higher where necessary. (20% or part thereof)

   c) Products are evaluated for "critical" parts or components by system analysis, failure analyses, reliability studies and prototype testing. This information should be furnished to the other involved departments. (20% or part thereof)

   d) A "safety audit" is made of each new design to detect hazards, unreliability and poor maintainability overlooked in design. The "safety audit" team includes members of at least the (1) design or new product development department, (2) manufacturing, (3) quality control, and (4) service and installation. (20% or part thereof)

   e) An evaluation is made of product hazards and the necessity for (1) warning labels on the products and/or the containers (2) warnings in the operating and maintenance books. These warnings should include the warning of the hazard, the procedures or precautions to take to avoid injury, and the possible consequences of ignoring the precautions. (20% or part thereof)
Intermediate Activity Level

Products Produced to the Standards Set By Design: (40 points)

(a) Manufacturing employees are adequately skilled, stable, and are motivated to have pride in the quality of their work. (40% or part thereof)
(b) The quality control department should be independent of manufacturing and should report directly to top management. It should have the authority to stop the use and/or distribution of non-specification materials and products. (30% or part thereof)
(c) Quality control has a statistical sampling plan to ensure a minimum Quality Acceptance Level. Sampling inspections are made on (a) incoming raw materials, (b) component parts manufactured by others, (c) in-process work, and (d) finished product inspections. (30% or part thereof)

2. Representation of Products to Customers and Users: (30 points)

(a) Advertising, sales, operating and maintenance book writers, etc., have been instructed by the legal department in the legal liability exposures and warranty costs possible from overstating the product's performances and giving undesired express warranties on the products. The design department has been instructed by the legal department in the necessity of giving adequate warnings on the products or their containers, and safe operating procedures in sales brochures, operating books, and maintenance books. (50% or part thereof)
(b) All advertising and sales brochures, operating books, and maintenance books should be reviewed by the design and legal departments for overstatements of performance, undesired express warranties, and adequacy of warnings. (50% or part thereof)

3. Complaint/Incident/Accident Reporting, Investigation and Analysis: (30 points)

(a) Procedures set up for salesmen, servicemen, dealers, etc., to report product complaints/incidents/accidents promptly to a designated department, with reporting forms provided. (25% or part thereof)
(b) Complaint/incident/accident reports reviewed by a qualified person who makes decisions whether an investigation should be made. (25% or part thereof)
(c) Complaints/incidents/accidents are then investigated by qualified persons to determine basic causes. (25% or part thereof)
(d) Results of complaint/incident/accident investigations are reviewed and analyzed by the Products Loss Control Committee to determine if:
   (1) changes are required in design, manufacturing, quality control, service, etc., or;
   (2) product recall or field modification programs are necessary. (25% or part thereof)

Advanced Activity Level

1. Product Recall or Field Modification Procedures: (30 points)

(a) Adequate records are kept for the life of the product so that defective products and their purchasers can be identified.
   (1) Identification of defective products; design, manufacturing, quality control records. (30% or part thereof)
   (2) Identification of purchasers of defective products: sales and service records. (30% or part thereof)
(b) Product field modification or product recall procedures are set up and ready for use. (Consider who recommends the action, who makes final decision, procedures for carrying out the decision, etc.) (40% or part thereof)

2. Management Usually Acts Affirmatively on Recommendations of Product Loss Control Committee: (30 points)

(Past history and judgemental considerations)

3. Co-ordination of the Products Loss Control Program: (40 points)

The Products Loss Control Committee co-ordinates and stimulates the product safety activities of the involved departments, and ensures adequate flow of information on product loss control between departments. (100% or part thereof)

Overall Objectives and Practical Suggestions

Our objective is to provide our client with the essential elements of a Products Loss Control program. In view of the changing legal climate surrounding the products situation, we must be fully aware of the involved problems and consequences. Our intent is not to represent ourselves as Product experts. Problems of a specialized nature should be channeled through our home office unit. We should, however, be capable of recognizing program deficiencies and aid our clients in upgrading this vital aspect of their overall loss control program.

The Defense Research Institute's pamphlets on "Products Liability" do an excellent job of defining the scope of the problem. Our "Products Loss Control Guide" covers, in outline form, all the essential elements of a products loss control program. It is intended to be utilized as an aid in guiding our insureds in the establishment of their own program.