



**Risk and
Insurance
Management
Society, Inc.**

L.A. RIMS NEWS

Los Angeles Chapter

The Newsletter for Risk and Insurance Management Professionals

December 2001

PRESIDENT'S CORNER

The holidays are already upon us, and as I focus more of my attention to my family and friends and all the wonderful things of this time of year, I can't help but reflect on LA RIMS successes of the past year. Before I say goodbye to 2001, I'd like to share some of my thoughts on the year.

During 2001, we consistently had excellent speakers because of the hard work and energy of Henry Andreuccetti, the Director of Risk Management of the Long Beach Unified School District. I would like to extend my sincere appreciation and thanks to Hank for making our luncheons so successful. An additional thanks to Diane Wren for all her efforts behind the scenes in coordinating and providing over-site with the luncheon facility and registration. Even though we do not thank Diane enough, her efficiency and thoroughness in resolving the issues at our luncheon meetings without most of us even knowing about them, is very much appreciated. Diane has devoted a tremendous amount of time and energy to our organization and has always been extremely reliable and diligent in her efforts.

We also had our annual Port of Los Angeles boat tour and board meeting the 1st week of August. Each year, Kathy Merkovsky organizes a wonderful tour of the Port of LA aboard the Angelina II, a boat used by visiting international dignitaries. We are able to see first hand the tremendous amount of activity that occurs at the Port. We generally have about 40 folks that enjoy an afternoon of sites, food, and usually great California weather. Many thanks to Kathy for just one of her many contributions to LA RIMS.

I would also like to acknowledge the efforts of Bill Witt, our current Treasurer and past Programs Director. Bill's devotion to the organization is shown in many ways including being present at almost all board meetings and monthly luncheons and always volunteering for our annual golf tournament and education day.

As long as I am on the subject of Bill Witt, I would like to extend my sincere thanks for his accomplishments as Treasurer which have included improving our payable procedures, establishing a new cash management relationship with Morgan Stanley, and improving the board's fiscal responsibilities in maintaining and meeting our annual budget. For these reasons, Bill Witt has been nominated and awarded the LA RIMS 2001 Star Award.

It is always difficult writing about an individual board member's accomplishments because the mentioned accomplishments are just a few of the many successes of the entire board. I would like to extend my sincere gratitude and appreciation to the board for their devotion and commitment during 2001.

Personally, as the year comes to a close I'll be thinking about what I can do to make the coming year a great one for my family - I would hope everyone would do the same.

Wishing everyone a very happy and safe holiday season.

Michael Carlin
LA RIMS President

FRIENDS OF RIMS CORNER

Commercial Property Policies May Provide A Valuable Resource To Insureds Faced With Mold Damage

the following article was submitted compliments of Whitney E. Stein, Insurance Law Group, Inc.

If the recent press touting mold as the next asbestos is any indication, many insureds may soon be looking to their commercial property insurers to pay for losses associated with mold in

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their commercial buildings. The following is an overview of some of the coverage issues that insureds might face when pursuing coverage for such losses.

As an initial matter, the presence of mold in a building at a concentration requiring remediation and/or creating a "sick building" reflects a physical alteration of the property and should constitute physical loss or damage, thereby triggering coverage under a commercial property policy (for property and time element losses). Even though coverage should be triggered, typical exclusions to coverage may present some hurdles.

Mold problems often arise out of a condition that permits the intrusion of water or development of excess moisture in a building. As an example, mold may develop because windows are installed improperly, permitting the intrusion of rainwater in the structure. Commercial property policies, however, typically exclude coverage for loss caused by "faulty workmanship, material, construction or design" or deterioration, ...wear and tear, inherent vice or latent defect." Pointing to such exclusions, a commercial property insurer may argue that the mold damage is not covered because it resulted from an excluded cause.

The key to confronting such exclusions is to explore the "resulting damage" and/or "ensuing loss" exceptions often contained in such exclusions. Looking at the example of the improperly installed windows, you can argue that the improperly installed windows permitted water to leak into the building and then, as a result of the excess moisture, mold developed. In other words, the mold damage is a resulting or ensuing loss. In this example, the cost of replacing or repairing the windows might be excluded under the faulty construction or latent defect exclusions, but the costs of remediating the mold should be covered.

(this article in its entirety can be found on the RIMS website at www.larims.org)

*Happy Holidays and all the best
in the New Year*

from RIMS L.A. Chapter

CHAPTER CLIPS

L.A. Chapter of RIMS Announces its Annual Holiday Dinner, Dance and Installation of Officers and Directors for 2002

We are pleased to announce our annual Holiday Dinner, Dance and Installation of Officers and Directors celebration at the Jonathan Town Club **Wednesday, December 12, 2001**. Please join us for great prizes, good fun and holiday cheer! Back by popular demand will be *Leroy Ball and the Do Got Band*. Due to limited space, reservations will only be accepted if payment is made at the time of reservation. Reservations are required by November 30th. We hope to see you there! The Jonathan Town Club is located at 545 South Figueroa Street in downtown Los Angeles. Please call our office at 818.842.6096 if you have not received an invitation.

LEGISLATIVE UPDATES

FEMA PUBLIC BUILDING INSURANCE RULE

The House of Representatives has expressed strong opposition to the President's budget proposal provision to require state, local and private nonprofit entities carry building insurance. House report language states, "The Committee remains concerned that requiring insurance as a condition of receiving public assistance exceeds the direction provided to FEMA under the Stafford Act, discourages attempts to mitigate damage and the availability, affordability and adequacy of coverage for such insurance. The Committee strongly believes that imposing additional disaster cost burdens on states, municipalities, and private nonprofit hospitals and universities is ill conceived. The Committee reminds FEMA that denying disaster assistance to underinsured or uninsured entities that suffer catastrophic losses as a result of a disaster could result in significant consequential losses of public services, medical care, and education. Furthermore, the Committee remains concerned that FEMA has not conducted a thorough cost benefit analysis or conducted extensive outreach with potentially affected entities, particularly those entities that are susceptible to catastrophic earthquakes. The Committee directs FEMA not to initiate a

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rulemaking process until comprehensive analysis has been conducted which concludes that insurance is available and affordable for all types of perils.”

AMENDED REPORTING REQUIREMENTS FOR ANALYSES OF DRINKING WATER SAMPLES

The Department of Health Services has amended the reporting requirements for the results of drinking water sample analyses.

In accordance with federal regulations, California requires public drinking water systems to sample their sources and have the samples analyzed for inorganic and organic substances in order to determine compliance with maximum contaminant levels (MCLs).

The amendments require water suppliers to have a contact person available to receive analytical results twenty-four hours a day. The Department must be notified immediately if the laboratory cannot make direct contact with the designated water supplier personnel within twenty-four hours.

Analytical results must be reported to the Department by the tenth calendar day of the month following the calendar month in which the sample analysis was completed. Analytical results must be reported to the Department electronically.

The notification and reporting requirements have been extended to all laboratories conducting drinking water analyses. Laboratories must immediately notify the water supplier's designated contact person in instances in which a nitrate sample exceeds the specified MCL.

Regulatory Action: Changes affect title 22, sections 64423.1, 64432.1, 64451 and 64819; and title 26, sections 22-64423.1 and 22-64451.

Agency Contact: Charles Smith 916.657.0730

EMERGENCY READOPTED OF QME CONTINUING EDUCATION PROVIDER REQUIREMENTS

The Industrial Medical Council has readopted emergency amendments pertaining to continuing education requirements for Qualified Medical Examiners (QMEs). The amendments require a physician to complete a 12-hour course in disability

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evaluation report writing prior to appointment as the procedures for accreditation of course providers. The regulations include accreditation application form and a form for the disclosure of commercial interests of provider faculty members.

This action constitutes a readoption of emergency regulations already in existence

Regulatory Action: Emergency regulations. Changes affect title 8, sections 1, 11.5, 118 and 119.

Agency Contact: James D. Fisher 650.737.2049

MEMBERS ON THE MOVE

RIMS Board Member **Barbara Anderson** recently left her position at the Metropolitan Water District to join CKE Restaurants (Carls Jr.). On November 26, 2001, Barbara will start her new position as their Director of Risk Management. To our benefit, Barbara will continue to serve on the Board of the L.A. RIMS Chapter. Please join us in wishing her the best of luck in her new position.

2001-2002 CALENDAR OF EVENTS

December 2001

12th Holiday Event
Jonathan Town Club

January 2002

16th Education Day
The New Otani Hotel

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L.A. RIMS is published monthly. Please send address corrections or articles and photos to LA RIMS office at:

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**News articles must be received by
the 15th of each month.**