



Los Angeles Chapter of RIMS Quarterly Newsletter

Summer 2010

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President's Message



Kurt Leisure

We are halfway through 2010, and we have seen some significant activity from a Risk Management perspective, including: How Facebook is Redefining Privacy; Toyota's Recall Nightmare; Haiti's 7.0 Earthquake; the Recovery of our US Economic Environment; and, of course, The Catastrophic Oil Spill in the Gulf;. As we head into Hurricane season, the clean up crews struggle to understand the impact to the wetlands and coast lines should a sizable hurricane strike while the waters are covered in oil.

Whatever industry you represent, this year so far has provided unique challenges to keep most Risk Management professionals closely tuned into these news events. Our recent educational seminar on planning for "Black Swan" events, which are events that are unlikely to occur but if they occur can be devastating, leaves us wondering if Toyota could possibly have anticipated back to back recalls on their automobiles. As a restaurant Risk Manager, I find myself thinking of the obvious risks against our brand, but find myself more anxious about the risks I have not yet thought of that could strike our industry. The emerging risks we have seen this year obviously do not help my anxiety level, but networking with professionals in the Risk Management community offers comfort that I am not in this alone.

On a more positive note, in the last newsletter, we promised to enhance the annual golf tournament, hold a *Day at the Races* event, modify our educational luncheon series, and do more to support the Risk Management community in the Southern California area.

As many of you know, we moved the annual golf tournament to Brookside Golf Course on May 12th in Pasadena and allowed our sponsors to "own a hole" as part of their sponsorship. The tournament was a sell out, and the hole sponsorship was a huge success. We will continue to build upon this new foundation and "raise the bar" in 2011.

On March 21st, we held our *Day at the Races* event at the Santa Anita Race Track in support of the Spencer Foundation. Attendance was double what we anticipated and exceeded 400 risk professionals and their families. The weather was fantastic and, of course, the horse racing was spectacular. Feedback on this event was extremely positive and we will look to hold our next *Day at the Races* in the Fall of 2011.

Finally, the educational luncheon meetings were moved to the Beverly Garland Hotel in North Hollywood this year. Our thought process was simple, if the Risk Managers were not willing to come to the meetings downtown, we would bring the meetings to them. Every meeting has been sold out and we are encouraged by the new faces that are making it to these meetings. We are constantly looking for dynamic speakers so please let us know if you have a speaker recommendation that you would like us to consider.

On a closing note, I want to thank all of those that have supported the Los Angeles RIMS Chapter this year. Your generous support of our events allows us to continue the educational, networking events and scholarship grants that we provide throughout the year. We build these programs in a way that provides a mutual benefit between the Risk Managers and those companies that support the risk and insurance industry. Without everyone's participation, our chapter would not be able to provide the programs you have seen so far this year.

Upcoming Events

August 18, 2010 Monthly Luncheon

Beverly Garland Holiday Inn

Speakers:

R. Jeffrey Evans Gilbert, Kelly, Crowley & Jennett LLP

Teddy Snyder, Esq., C.S.S.C., Ringler Associates

Topic:

Using Structured Settlements to Close Workers Compensation Claims.

September 15, 2010 Monthly Luncheon

Beverly Garland Holiday Inn

Speaker:

David Halbreich, Reed Smith, LLP

Topic:

Product Recalls: Important Steps to Recover All of Your Insurance Coverages

October 20, 2010 Education Day

8:00 a.m. – 1:30 p.m.

Beverly Garland Holiday Inn

Goodell Award for Disney's Wilder



Mr. Wilder

BOSTON—The Risk & Insurance Management Society Inc. last week presented its highest honor, the Harry and Dorothy Goodell Award, to Stephen M. Wilder, vp of risk management at Burbank, Calif.-based The Walt Disney Co.

The Goodell Award is named for RIMS' first president and is awarded annually to an individual who has advanced risk management as a discipline and has furthered the goals of RIMS.

“This is truly an incredible moment for me,” said Mr. Wilder in accepting the award last Monday at the general session of the Risk & Insurance Management Society Inc.'s annual conference in Boston.

“I'm joining a who's who of risk management and insurance, the giants before me who've won the Goodell Award....I've been surrounded by the best and the brightest in the industry my whole career, and for that I am truly grateful,” said Mr. Wilder, who is a former *Business Insurance* Risk Manager of the Year.

RIMS presented several other awards during its awards luncheon last Monday, including the Richard W. Bland Memorial Award, which was given to Lance Kayfish, risk manager at the City of Kelowna, British Columbia. The award recognizes efforts in the areas of legislation and regulation.

In addition, the Ron Judd Heart of RIMS Award was presented to Mark Ryan, director of casualty insurance at Occidental Petroleum Corp. and member of the Dallas-Fort Worth Chapter of RIMS. The award, which was established in tribute to the legacy of former RIMS Executive Director Ron Judd, recognizes achievements in furthering risk management at the chapter level.

The Arthur Quern Quality Award, which honors innovations in risk management, was given to Paychex Inc. for its predictive model within its enterprise risk management program, RIMS said.

RIMS also presented the Cristy Award to Stanley Jurewicz, director of risk management at Florida State University in Jacksonville. The award recognizes the individual who scored the highest on the three exams required to earn the Associate of Risk Management designation.

Also at the luncheon, RIMS and *Business Insurance* presented the 2010 Risk Manager of the Year Award to Debra L. Rodgers, vp of global risk management at Philadelphia-based ARAMARK Corp.

RIMS and *Business Insurance* also announced the members of the 2010 Risk Management Honor Roll: Scott Borup, director of corporate risk management at Johnson & Johnson in New Brunswick, N.J.; and Christine Eick, executive director of risk management and safety at Alabama's Auburn University.

“Reprinted from Business Insurance.”

Broker's Corner

Managing the Risk of Employment-Related Claims

By Linda T. Pierce, Sr. Vice President, Arthur J. Gallagher Insurance Brokers of California, Inc.

For many risk managers, employment risks are often the most difficult to identify, address, and manage. This difficulty often arises when companies separate human resources from traditional risk management departments. Moreover, because human resources professionals, rather than risk managers, are charged with responsibility for keeping on top of the ever-changing laws and rules affecting employers, risk managers often find themselves out of the loop until a claim situation arises.

Employment-related claims continue to be a major risk area for many organizations. Because insurance may not respond to many employment claims, the financial impact of these claims is often significant. Following are some areas of inquiry for risk managers to become familiar with areas of exposure to frequent types of employment-related issues.

1. Are independent contractors really employees?

Especially in times of economic downturn and hiring freezes, many organizations turn to alternative workforces, including engaging “independent contractors.” Often, independent contractors perform the same function as employees and, when their job functions are analyzed, should be properly classified as employees.

Independent contractors who are determined to be misclassified can leave the organization vulnerable to audits by workers' compensation insurers and several federal and state agencies, including tax authorities. Employees who have been classified as independent contractors can also bring civil suits for unpaid wages, unreimbursed expenses, and related claims. In California, the statute of limitations for these claims can be as long as four years.

Determining that misclassification denies employees of benefits such as minimum wage and overtime, benefits, and protection under employment laws, Congress is currently considering legislation to provide protection for these workers. Although prior efforts on similar proposed legislation did not go far, the current economic downturn may favor passage of the Employee Misclassification Prevention Act because of the potential tax revenue that is lost to both federal and state governments when workers are misclassified.

2. Are exempt employees actually exempt from overtime?

California businesses continue to face claims for overtime brought by employees claiming to be owed overtime wages as a result of being misclassified as “exempt.” Frequently, issues of entitlement to pay for missed meal breaks and rest periods, as well as issues of proper pay stub reporting, are brought in connection with unpaid overtime claims.

California’s wage laws, including the determination of exempt status, are complex and unique. Particularly for businesses with operations or headquarters in other states, California overtime rules may be misunderstood or misapplied.

3. If a reduction in force is contemplated, have steps been taken to minimize the risk of loss?

Reductions in force, if not handled carefully, may lead to various risk exposures. Under both federal and/or state law, notifications to agencies and affected workers may be required prior to a contemplated reduction in force.

Reductions in force should also be well-planned out in order to minimize the chances of discrimination claims based on theories of disparate impact. In addition, organizations should work with qualified labor counsel to develop severance agreements that eliminate or reduce the risk of post-termination claims.

Reductions in force should also involve the organization’s IT department in order to reduce the risk of data security compromises after a reduction is implemented.

4. Are Risk Management and Human Resources working together to identify insurance issues before they arise?

While Employment Practices Liability Insurance offers protection for many employment-related claims, many claims are denied for late reporting under claims made and reported forms. Traditionally, human resources personnel are not as involved with insurance matters as risk managers. In order to avoid coverage denials, risk managers need to communicate with HR to identify policy defined “Claims” that must be reported during the time specified in the policy.

LA RIMS Golf Tournament

The Los Angeles Chapter of RIMS would like to thank all participants, sponsors, and volunteers for their generosity and support of the annual Golf Event! The Golf tournament was a great success.



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The Los Angeles RIMS Chapter Welcomes New Members

Matthew Covey
Orion Risk Management

Leon Gladstone
Gladstone, Michel, Weisberg, Wilner & Sloane

Connie Taylor

CAN

John DeFazio, CPCU, ARM

Heffernan Insurance Brokers

Adjuster's Corner

Insurance Needs for the Property Owner

By ROBB GREENSPAN

The Greenspan Co/ Adjusters International
"Claims Consultants for the Policyholder"

*Robb Greenspan, SPPA is a senior partner of The **Greenspan Company/ Adjusters International**, a public adjusting firm established in 1946 in Los Angeles. Greenspan/AI is dedicated to representing the policyholder's interest in property claims only. Robb has written numerous articles and papers on insurance and has been teaching continuing education classes for agents and brokers as well as other professionals for over 20 years. Robb Greenspan is currently serving as a member of the Curriculum Board for the California Department of Insurance and was a past member of the Insurance Commissioners Consumer Complaint and Unfair Claims Practices task force. He holds the Senior Professional Public Adjusters accreditation issued by the National Association of Public Adjusters.*

Visit www.greenspan.com for more information.

As a Claims Consultant representing the policy holder's interest only, I am in a unique position to evaluate my client's insurance needs with the benefit of hindsight. You, on the other hand, are called upon for advice by your company and may not ever have dealt with a major claim before which destroys the business. What are some of the property endorsements needed and why will be addressed in this article to protect your company in case of a major fire, flood or other peril. I will address the endorsements to the policy that you should be aware of to enhance the coverage you purchase from the insurance company. This is based upon my 35 years handling claims for property managers, risk managers, owners of businesses and the problems I see so often in preparing claims for the policyholders.

When insuring a building you must be careful to deal with the needs of your company fully, taking into consideration the type of structure, its use and current status, as well as what will be done to rebuild the building in the event of a total loss from an insured peril. One of the most important coverage's to purchase after Replacement cost coverage is *Increased Cost of Construction* or *Building Code Upgrade* endorsement. This will insure that in the event current code or building department regulations requires additional work to the property which will increase the cost of rebuilding your structure (over the cost of the damage caused by the fire or other loss) these additional costs will be covered. You will receive the increased cost to comply with the building code requirements from your insurance company, enabling you to rebuild and avoid out of pocket costs. Of course you must increase the insurance purchased to cover these costs. Any building over one year old should have this coverage. When a building is older than

1986 when the UBC (universal building code) was adopted it is a sure bet you will need big dollars available to comply with the new code requirements, unless the building has been brought up to code in the last dozen years. Will you rebuild? Where will you rebuild? These questions will have to be considered at this time as well.

Stipulated Value or Agreed Cost endorsements helps avoid the *Co-Insurance* problems I see so often. We at **The Greenspan Co / Adjusters International** deal with the Co-insurance problem on a daily basis and see the effect it has reducing payments received on claims. This endorsement is an agreement between you and the insurance carrier that the coverage amounts you purchased are accurate, but in the event of a total loss, this agreed amount will be the most you can collect, not necessarily what you need if you did not insure to full value. This effectively waives the co-insurance requirements though.

Extra Expense coverage can be useful to cover the costs over your normal operating expenses in the event of a loss and will help the company get back to normal. This insurance differs from the *Expediting Cost* coverage you might have under Loss of Income insurance because you do not have to demonstrate a savings to the insurance company when incurring these costs like you do under expediting expenses. In your business plan one should consider in the event of a major shut down how quickly your operation can get back into business. Thinking about what you will do immediately to resume operations will help guide you as to what you should buy, Extra Expense or Expediting Expense.

If the nature of the building and its occupancy might cause a large expense for *debris removal*, you may want to supplement the coverage afforded in the policy with an additional amount. This would be useful if there are large quantities of merchandise or “stuff” to be removed. There might be an issue of contamination of debris due to the nature of the “stock and inventory” in the building. Remember your building may not be “toxic” but if the contents have the potential to contaminate the building debris or other contents after a fire, you need to consider boosting the available debris removal coverage to cover these additional costs of handling toxic materials.

If your property is vacant for over 60 days (policies vary on the time period and the normal definition of vacant is less than 31% occupied) you will need permission from the carrier to continue coverage for areas such as theft, malicious mischief or vandalism. Fire claims will have a 15% vacancy penalty subtracted from the payment of loss if vacant. By purchasing a *Vacancy Permit* endorsement, which for a small consideration you can buy, the insurance company will continue coverage but may require you to employ a guard service or add an alarm service.

Sprinkler Leakage with Earthquake Extension (EQSL) is a must for sprinkled buildings. You are very likely to have a loss from water damage due to leaking sprinklers in the event of an earthquake. Even though you may not be able to purchase *Earthquake Insurance* you can protect your property from this type of water loss caused by the earth movement.

Earthquake Coverage is recommended if you can find a company willing to write it. Be aware of the higher deductibles this insurance carries and know it is difficult to ever reach those high deductibles unless the EQ event is catastrophic and near your location.

Do not forget to insure your detached *Signs and Marquees* if they are not attached to the building. These can be added by an *Outside Sign* endorsement.

Most insured's who have not suffered a fire or other major claim can only guess as to what the affect of a disaster would be. It is only after one destroys a building and affects the business operations can the Risk Manager fully appreciate the needs of the various types of coverage and know how they will work. Only by considering what the worst case scenario can be to your operation can the risk manager really know how the insurance will work. You can however consult with a claims consultant or public adjuster to review coverage's in place and what the business real needs are from a property perspective.

The Value of RIMS Membership



RIMS membership costs your company less than \$1.35 per day for full membership for up to two of your corporate risk professionals and provides benefits and services valued at more than \$3,000 per year. Please see below for an outline of these benefits and services.

- **RIMS Career Center** offers free searches and substantial discounts on postings for the industry's most targeted, cost-effective recruiting website.
- Our **Risk Management Benchmarking Survey** is the single source of comprehensive insurance premiums and ERM data generated from over 1300 independent policies from the small business to the Fortune 500 Company. The intelligence saves both contributors and buyers a huge amount of money each year. If you aren't a contributor, you can still save 33% over the non-member book price and 20% on the online version.
- Our **2008 Compensation Survey** allows your company to assess its risk management compensation program by comparing itself to companies in the same industry, geographic area and of comparable size. Over 2,000 RIMS members provided input to formulate and validate the RIMS 2008 Compensation Survey. Data contributors receive the publication for free while non-contributor members save 60%.
- **RiskWire** delivers an executive summary of the most important risk management stories to your computer's inbox each morning. Over 8,000 members have consistently registered to receive daily industry news updated from our RiskWire service which saves them a tremendous amount of research time.
- **\$315 discount** on full-conference registration to the world's largest and best attended risk management conference—RIMS 2010 Annual Conference & Exhibition in Boston, MA.
- More than **60 professional development workshops annually** that provide in-depth instruction on how to apply new skills back on the job. RIMS facilitates 90 minute "coursecasts" to provide requested training on relevant topics our members need to be proficient in a particular discipline.
- Subscriptions to **Risk Management magazine** included with membership. On

average, Risk Management Magazine reaches 87% of risk management executives in Fortune 500 companies.

- **Financial Services** – RIMS members now have their own credit union. RIMS has partnered with OASFCU to provide RIMS members with financial services ranging from employee and executive benefits to individual retirement and investing services.
- **Completely Revamped RIMS Buyer's Guide** – We have revamped and upgraded our Risk Management Buyer's Guide, a unique online resource that enables users to search for the products they need from suppliers like you – which is why your basic information will automatically be included in the directory database **at no cost as a benefit of your RIMS membership**.
- **Selecting and Working with a Broker** – a completely updated edition for 2009 with forms in downloadable, revisable formats.
- **RIMS ERM Center of Excellence** – your constantly updated source for state-of-the-industry news, tools and networking on all topics related to enterprise risk management!
- **Risk Insights** – RIMS and Ernst & Young present a series of white papers titled Risk Insights. Risk Insights deals with current issues that impact the risk management profession and are available exclusively to RIMS members at no cost through 2010.

Top 10 Reasons to Join RIMS

Career Services

- For job seekers, employers and recruiters
- Newly-introduced Student Resource Center

Professional Development Courses

- These "hands-on" workshops and courses will benefit those who want to update their knowledge on current thinking in risk management.

Local Chapter Meetings

- Chapters offer educational and informational opportunities, special events, community involvement projects and local networking with fellow risk manager and service providers.

RiskWire

- An exclusive news service for RIMS members, provides an executive summary of the most important risk management stories of the day.

E-Groups

- An online networking forum, a great way to share solutions and network with the experts; over 10,000 of your peers are accessible .

Risk Professionals Directory

- Provides members with great networking opportunities, blogging capabilities, etc.

Risk Management Magazine

- Membership includes a free subscription to Risk Management Magazine

RIMS Annual Conference & Exhibition

- From presentations by top industry leaders to community service events, lively entertainment to face-to-face networking opportunities, RIMS Annual Conference will inspire you to energize your RM Strategy.

Discounts on RIMS Products & Services

- Receive discounts on all items in the RIMStore, PD courses, and registration fees to Annual/Regional Conference

Professional Certifications

- Includes RIMS Fellow (RF) designation, ARM, and CRM