



Los Angeles Risk and Insurance Management Society

April 2015

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President's Message

From Vincent J. Monastersky



With a successful first quarter behind us, LA RIMS begins to focus on Spring to continue this positive trend. We have experienced better than expected turnout to our new venues in Pasadena and Redondo Beach. Special thanks are in order to our Director of Programs, Jeff Stolle for organizing unique and informative speakers and topics for these events. We also want to extend a thank you to our South Bay membership for attending the March Educational Event with speakers provided by the Society's [PERK](#) program. For those who could not attend, please check out the [photos](#) and review a copy of the [presentation](#) on Cybersecurity by PwC.

On April 9th, LA RIMS will be supporting the future generation of risk professionals at the Rising Risk Professionals Spring Mixer held at the City Tavern in downtown Los Angeles. Our Director, Gerrie Santos is leading this ever important charge. [Click here](#) for free registration.

Towards the end of April, we hope to see everybody at the RIMS National Conference to be held in New Orleans. This wide-ranging event is always a great opportunity to network and receive diverse and up-to-date educational content. Personally, I feel this is an excellent way to re-fuel our drive as risk professionals providing us with the tools to reach our goals.

Our Monthly Educational Events will resume on Wednesday, May 20th. We will be heading back to Pasadena. Stay tuned for more information on the topic and speaker.

On June 3rd, 2015, we will continue our tradition with our preeminent Golf Tournament presented by Zurich, held at Brookside Golf Club in Pasadena. If golf isn't your thing, we still invite you to [join us](#) afterwards for the dinner, prizes and raffle. Golf Chair, Chad Smith and our Members are working hard to deliver another stand-out event.

The next three months will be an exciting time for the Chapter. You will see that the focus of these events consist of promoting the future of our industry, networking, education and just plain fun. We hope you all can participate and benefit from these events. Of course, our success would not be possible without the support and hard work of our Board, our Membership and our Sponsors.

Thank you and see you in the Spring!

Vincent J. Monastersky, CIC, CRM, ARM
LA RIMS Chapter President

Meet our 2015 Board Members



President
Vincent Monastersky
Fox Entertainment Group



Vice President
Dennis Healy
BBSJ



Treasurer
Sharon Drabeck
Trader Joe's Company



Secretary
Maling Huang
Newegg, Inc.



Past President
Scott Ritto
Kilroy Realty



Membership
Rumana Yasmin
Neovia Logistics



Communications
Armando Beltran
Guess? Inc.



Golf Chair
Chad Smith



Special Events
Manny Chavez
Princess Cruises



Programs
Jeff Stolle
Dole Food Co. Inc.



Chapter Delegate
Kurt Leisure
Cheesecake Factory, Inc



Rising Risk Professionals
Gerrie Santos
Parsons Corp.

Upcoming Events!

Mark your calendars!

April 9, 2015

Rising Risk Professionals (RRP) Spring Mixer
City Tavern - Downtown LA

May 20, 2015

Monthly Educational Event
Brookside Golf Club - Pasadena, CA

June 3, 2015

LA RIMS Golf Tournament
Brookside Golf Club - Pasadena, CA

July 15, 2015

Risk Manager Round Table
Parsons Corp. - Pasadena, CA

August 12, 2015

RIMS Summer Mixer
Jonathan Beach Club - Santa Monica, CA

September 16, 2015

Monthly Educational Event
(Location TBD) - Downtown L.A.

October 21, 2015

Education Day
Brookside Golf Club - Pasadena, CA

November 18, 2015

Risk Manager Roundtable
(Location TBD)

March Educational Event

Cheesecake Factory - Redondo Beach



Welcome

New RIMS Members

Jennifer Brewer - Activision Blizzard

Jeff Brown - Activision Blizzard

Lance Cook - Toyota Motor Sales, Inc., USA

Ashely Deal - JLT Specialty Insurance Services

Ryan Demirjian - Live Nation Entertainment

Nicholas Echeverry - CVC Legal Solutions

Dawnee Frey - DineEquity Inc.

Marie Gutierrez - Port of Los Angeles

Sheryl Higa - City of Beverly Hills

Shaun Jackson - El Pollo Loco, Inc.

Sara Jana Jara - Red Bull North America, Inc.

Karl Kirkman - City of Beverly Hills

Yesenia Lopez - DIRECTV, Inc.

Robert Nelson - World Vision International

John Petersen - ACCO Engineered Systems

Matthew Rodriguez - Automobile Club of Southern California

Paul Vacheron - American Realty Advisors



Meet a Risk Manager



Oscar Flores Risk Manager Fresh & Easy Neighborhood Market

Why or how did you get into (Risk Management) in 2002?

After working for over 10 years as a hearing representative, I was given the opportunity by a broker to do Risk Management work and that's how it all started.

What are your main responsibilities?

At Fresh & Easy I handle the Workers' Compensation, General Liability, Property and Casualty and Auto claims. I interact with claims examiners and defense attorneys to close our cases as early as possible.

What biggest challenges you are facing today in your position?

The Workers' Compensation litigation. As the employer, we have all the information our injured workers need and when they end up getting legal representation, means we are not doing our job well to inform them of their rights.

What keeps you up at night?

Workers' Compensation Fraud. I wish the District Attorney and Department of Insurance would have more money to prosecute claimant fraud as it only keeps increasing.

What do you do for fun when you are away from work? I am a musician. I play different instruments and own a recording studio. I also love spending time with my wife Chika and my two dogs, Mimi and Toro.

Are you involved in any charitable events or causes? I am a dedicated contributor to the San Gabriel Mission for all charitable events and causes.

LA RIMS Golf Tournament June 3, 2015 Brookside Golf Club Pasadena, CA



[Click here to register/sponsor](#)



West Coast Port Disruptions

By  MARSH



WEST COAST PORT DISRUPTIONS: INSURANCE AND RISK MANAGEMENT IMPLICATIONS

For the second time in three holiday seasons, many businesses face potential economic damage if a labor dispute expands to disrupt the operations of US ports at one of the most important times of the year for retailers and others. A work slowdown, strike, or shutdown at 29 West Coast ports could cause financial harm to individual businesses and the overall economy through the effect of inventory depletion, rerouting, hoarding, and price speculation on supply chains.

More than 40% of all cargo shipped into the US comes through these ports, underscoring the need for global businesses to be prepared for potentially crippling supply chain disruptions. By understanding the risks and engaging the right strategies, organizations can more effectively protect themselves from possible port closure losses while simultaneously gaining market share from less prepared competitors.

SITUATION OVERVIEW

Some 20,000 dockworkers at 29 West Coast ports represented by the International Longshore and Warehouse Union (ILWU) are currently working without a contract (see Figure 1). The previous six-year agreement with employers, represented by the Pacific Maritime Association (PMA), expired on July 1, 2014. Although negotiations have been ongoing since May and a tentative agreement has been reached on certain aspects, the lack of resolution has raised the threat of imminent strikes or port shutdowns.

Slowdown accusations at four ports — including at the critical twin ports of Los Angeles and Long Beach — now have been leveled by the PMA against the ILWU. Slowdowns at those ports would add to congestion stemming from a surge of pre-holiday cargo, an increase in massive container ships unloading there, and a shortage of trailers to haul containers to their destinations. Similar slowdown accusations in 2002 led employers to lock out dockworkers for 10 days, which shut down ports along the West Coast, cost the US economy around \$1 billion each day, and created a backlog that took six months to clear.

Rising tensions in recent weeks have led potentially affected business groups, including the National Retail Federation (NRF), to ask President Obama to involve a federal mediator to help negotiate a final agreement. Complicating the situation is a strike by some port truck drivers that began in Los Angeles and Long Beach on November 13. These drivers are protesting their classification as independent contractors rather than employees, which they say affects their workplace protections and pay. There is concern that the truckers' strike could influence ILWU's negotiation strategy, should it demonstrate support for their strike.

West Coast Port Disruptions

Organizations that import or export products, semi-finished goods, foodstuffs, and/or components through West Coast ports could be challenged by a strike- or shutdown-induced disruption. After just one week of a port work stoppage:



- Manufacturing plants could be idled.
- Inventories could be rapidly depleted.
- Goods-in-transit shipments could be backed up at sea (leading to excessive inventory carrying costs).
- Supply chains could be disrupted.

Rerouting of complex marine-based supply chains could prove difficult and costly, as witnessed during Superstorm Sandy and the 2002 West Coast port closures. The NRF and the National Association of Manufacturers estimate that a five-day interruption of all West Coast ports would cost the economy \$2 billion each day, nearly double the cost from 12 years ago.

INSURANCE CONSIDERATIONS AND STRATEGIES

To protect goods and/or products in transit globally, many businesses purchase marine cargo insurance, the primary purpose of which is to protect against physical loss of or damage to cargo during transit. This means that marine cargo insurance generally will not respond in the event that a strike or other disruption at a port delays the arrival of insured cargo unless actual physical damage to the cargo occurs.

Similarly, traditional property insurance policies

and extensions for business interruption (BI) and contingent business interruption (CBI) sometimes provide coverage for strikes, riots, and civil commotion where there has been physical loss of or damage to property. Even in the event of such physical loss or damage, insurers may seek to limit any recovery to revenues lost until the property could be replaced or repaired, and rely on "idle period" exclusions to deny recovery for lost revenues seen as attributable only to the strike.

Some policyholders may have obtained endorsements to their insurance policies or purchased additional coverage to protect themselves from the effects of a port disruption. For example, a voyage frustration endorsement to a marine cargo policy can provide coverage for ground transportation costs and other extra expenses in the event that a shipment is diverted to an alternative port. Typically, however, such coverage would not provide indemnity for other financial losses, including lost sales or contractual penalties, associated with the diverted shipment. And, under the current threat of a strike, voyage frustration coverage may no longer be available.

In some instances, it may be possible to add to a marine cargo policy coverage for "seasonal merchantability," which can provide indemnification for actual loss in sales as a result of a delay in arrival of goods. Ordinarily, such coverage would only be triggered after a waiting period, usually 60 days, and only if the delay is caused by a covered peril. Delay caused by strike is typically not listed as a covered peril.

Trade disruption insurance (TDI), supply chain insurance, and specialty BI insurance may also provide coverage for the financial consequences of a port disruption. Combining elements of property, marine, and political and credit covers, these insurance products can protect an insured from a variety of disruptions along the supply chain as a result of embargoes, acts of terrorism, windstorms and other natural catastrophes, supplier bankruptcy, and other events.

In the event of a loss that may trigger insurance coverage, an insured should immediately notify its insurer and prepare for a potentially lengthy and complex claims process. Policyholders should collect any documentation related to extra expenses — for

West Coast Port Disruptions

RISK MANAGEMENT CONSIDERATIONS AND STRATEGIES

The most common port strike or shutdown mitigation strategy is port of entry diversification, particularly for critical raw materials. But diverting shipments around North American ports presents complex challenges. Transportation around the Americas remains difficult in the short term due to construction on the Panama Canal. In addition, alternative forms of transportation such as air cargo shipping could strain capacities at several hubs and, in many cases, significantly add to costs.

Other strategies to consider to mitigate the risk of a major port strike or shutdown include:

- Alternative sourcing and buying strategies:
 - Advance inventory buildup.
 - Diversified, localized sourcing of raw materials to decrease/avoid reliance on shipping.
- Substitution in manufacturing processes:
 - Building local.
 - Moving sub-assembly into target sales markets.
 - New/different product offerings that rely less on shipping- dependent materials.
 - Using raw materials that are less expensive to import or are more abundant.

When strategizing about a disruptive situation like a major port strike or shutdown, organizations should strive for the following:

- Increased data-driven visibility into the supply chain, which entails the evaluation ahead of time of key supply chain nodes used by the organization's direct and indirect suppliers and for distribution purposes. Such visibility can help direct mitigation efforts and contingency planning for a wide range of disruptive events.
- Strong data collection focused on:
 - Transparency
 - Seasonal/time-specific characteristics of the supply chain.
 - Profit margins and other company financial goals.
 - Knowledge of tax implications for each link in the supply chain.
 - Position of the organization within a global supply chain.
 - Understanding the organization's tipping points and which supply chain disruptions could cause significant or irreparable harm.

- Active monitoring that provides ample time to implement mitigation strategies effectively and maintain essential production and distribution flows.
- A detailed official mitigation strategy that ensures quick implementation of a strong business continuity plan.

KEY QUESTIONS FOR BUSINESSES PLANNING FOR A POTENTIAL PORT CLOSURE OR OTHER SUPPLY CHAIN DISRUPTION

- Is there an updated and available analysis as to how supply chain disruptions affect the bottom line?
- Does the organization have the data, decision models, and other information required to quickly determine which risk finance/transfer and/or mitigation option is best to use?
- Is the supply chain mapped with enough detail to see potential failures as they occur?
- Is there enough data available to properly grasp how disruptions in one supply chain link affect the bottom line?
- Have critical supply chain links been prioritized?
- What is the expected impact of the disruption (in this case, a US West Coast port strike) to the organization?
- How does the organization view and provide for risk mitigation?
- Active monitoring that provides ample time to implement mitigation strategies effectively and maintain essential production and distribution flows.
- A detailed official mitigation strategy that ensures quick implementation of a strong business continuity plan.

CONCLUSION

A West Coast port strike or shutdown could have broad consequences, impacting global trade, business, and economic conditions at an important time of year for many businesses. The potential consequences are straightforward: Increased expenses, decreased revenue and profits, longer recovery times, loss of market share, and reputational damage. Organizations with effective risk management and insurance strategies in place will be best prepared to manage and respond to situations that hamper their flow of goods and finances.

For more information, read [US Port Strikes — What's at Stake and How to Manage Your Risk](#), or contact your Marsh representative.