



**THE STORM AFTER THE STORM**



**LUMBER LIQUIDATORS LINKED TO HEALTH AND SAFETY VIOLATIONS**

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You may recall Hurricane Sandy which hit the northeast region of the United States in late October, 2012. It caused over \$60 billion in damages, mostly in New Jersey, New York, and Connecticut.

Insurance adjusters and FEMA (Federal Emergency Management Administration) have apparently short-changed residents and businesses by greatly underestimated structural damage and delaying reimbursements. Tens of thousands of people are little better than the day after Sandy hit.

**QUESTIONS**

1. Should we expect an insurance company to act in an honest fashion when it is hit with billions of dollars of claims?
2. If an insurance company does not have the money to pay off all claims made against

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Much of the flooring that the company Lumber Liquidators sells in the United States is manufactured in China. The finished product has stamps on it saying that it meets the environmental guidelines of California, the state with the toughest guidelines in the U.S. However, testing by “60 Minutes” and others has shown that the floor contains up to twenty times the legal amount of formaldehyde, a [known cause of cancer in human beings](#).

**QUESTIONS**

1. Do you think that the owner of Lumber Liquidators should have known that he was importing flooring that did not meet environmental standards?
2. At what point did his actions become

<p>it, what should it do?</p> <ol style="list-style-type: none"><li>3. If an insurance company is honorable and pays off all legitimate claims in full, what is the impact on shareholders of the insurance company?</li><li>4. Is there any excuse for FEMA to not act honorably with disaster victims?</li><li>5. Should we expect insurance companies to act in a corrupt fashion?</li></ol>	<p>corruption? Examples:</p> <ol style="list-style-type: none"><li>a. When he signed his first contract with the Chinese manufacturer.</li><li>b. When he accepted the first shipment of finished goods.</li><li>c. When he first found out that he was violating environmental standards.</li></ol> <p>3. Do you think that it is more difficult to have honest dealings when more than one country is involved?</p>
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