



TOLMAN & WIKER
INSURANCE SERVICES, LLC
INNOVATIVE RISK ADVICE SINCE 1923™

BAKERSFIELD | SALINAS | SANTA MARIA | VENTURA

L.A. Story: Managing Risk in the City of Angels

April, 2013

Property Casualty 360

Insurance-renewals week has arrived in the City of Los Angeles, one of the most stressful times of year for any risk manager—but Victor Parker exudes calm.

It's a formidable task that entails Parker to reacquaint himself with a list of exposures so varied and so vast that it would make most risk managers' eyes water: Police and firefighting forces large enough to serve the second-biggest city in America, covering an area of 469 square miles. The largest water and power municipality of its kind in the country. The city's cargo port and world airports (including Los Angeles International Airport), two of several potential key targets for terrorism. A squadron of helicopters valued at \$86 million. The owner-controlled insurance program for L.A.'s massive wastewater-tunnel projects. Auto liability insurance for the city's fleet of trash haulers. The zoo. Elections insurance. Cost allocation for Workers' Comp and General Liability. Increased Cyber Liability considerations since most of L.A.'s city agencies outsourced their e-mail and other applications in 2010 as part of a five-year, \$7.25-million contract with Google.

Not to mention a massive wild card that's still in play: a possible new NFL stadium project in downtown L.A. (Farmers Field), which would include the demolition and rebuilding of part of the existing L.A. Convention Center (the P&C program for which Parker is also responsible, natch).

And at this moment, reviewing the city's coverage needs isn't the only thing on his mind.

Down the hall, an independent group of risk management consultants is on site to help develop best practices for administering the city's Outside Attorney Conflict Panel Fund, a new function for which Parker's office is now responsible. (The fund was developed out of a regular need to hire outside counsel to handle conflict-of-interest matters that preclude the City Attorney's Office from handling defense for the City.) A city controller audit of how they've performed so far—which isn't long, as they took it over just last October—has landed on his desk, and he'll have to respond.

The L.A. Fire Department is eager to take over, by opening day, the EMT functions at Dodger Stadium, as opposed to just responding to emergencies—and has already offered several proposals that must be addressed.

One of the city's senior risk managers, Rick Gough, a man with 40 years in the business, is retiring this week; Parker will need to hire a worthy successor, and fast.

On the phone is a major carrier that wants to meet with Parker, offering a proposal to lock in a three-year deal with a fixed rate in an insurance market he knows is hardening. With roughly \$4 billion in insured property, the potential for savings over even just a few years could be huge.

Also on Parker's quickly-filling dance card: a meeting with the newly installed, first civilian risk manager for the LAPD—a police force that at more than 10,000 officers rivals the size of the army for the Republic of Ireland and ranks as the city's No. 1 cost driver, in terms of Workers' Comp and third-party liability losses.

Yet Parker, who cuts an athletic figure and can reflexively adopt a professional's poker face, doesn't break a sweat. He's been in this position before, and knows the territory well. He has served as risk management director for the City of Los Angeles for nearly 11 years now, a position in which he and his team need to know the subtleties, exposures and coverage needs of 35 different municipalities, including the city's parks & recreation, fire, police, sanitation and transportation departments.

Those departments—which Parker describes as semi-autonomous—all boast their own risk-management teams, as well as their own proprietary budgets and revenue-generating capacity. Parker liaises with all of them, coordinating policy and working together to develop best practices for containing costs across the board.

While Parker oversees his department in a big-picture role, a one-man risk-mitigation squad he is not. His team includes 13 staffers (12 until Gough is replaced), all with different specialties that range from risk financing to bond and insurance compliance for the city. Parker hired nearly all of them personally.

Even with all its pressures—and 20 years of experience in mitigating risk for his city—Parker sees his job as an ongoing learning process. “I’m a facilitator. I’m not the be-all, end-all know-it-all,” he says. “I learn something new about my department and about risk management every week, which always keeps it interesting. That’s why it’s such an incredible job.”

The Things that Matter

Much of Parker’s work places him in and around the city’s iconic, 1928 Art Deco City Hall building, which has been immortalized on TV shows from “Dragnet” to “The West Wing” and countless films including the original 1953 “War of the Worlds” (a still from which hangs in one of the security nerve centers in the building’s depths, showing a ray from an alien spaceship blasting the building’s facade).

Parker’s office, however, is on the 12th floor in what is known as City Hall East—directly across the street. His office is strikingly unremarkable when one considers the magnitude of the decisions that are made here. In any case, it’s a juxtaposition that surely wouldn’t matter to him.

“I don’t have a kingdom; I don’t have a second to think I’m above *anybody*. There’s so much to do, and the job is so dynamic, that I can’t get arrogant for a second,” he says. “The city’s bigger than everybody—I’m never a big fish in a small pond, I’ll never have that feeling. You never get overconfident.”

It’s a telling statement, for overconfidence would quickly lead to ruin in a job like Parker’s. When taking into account all of its insurable assets, Los Angeles is a \$7 billion risk management operation. Add in the city’s other departments, such as the Department of Water & Power—the largest municipality of its kind in the United States, with more than \$6 billion in assets—and that figure rises to more than \$20 billion. And operations of that size aren’t exactly known for their agility or speed to change.

“A large organization doesn’t move...nimply, shall we say,” he smiles. “But despite that, we’ve been able to make changes and be innovative. It’s not a cookie-cutter job.”

The sheer expanse of the assets covered by Parker’s program becomes even clearer from the observation deck outside the Tom Bradley Room, on the top floor of “old” City Hall. A panoramic view of the city brings into sharp focus just how big the City of Angels actually is, nearly stretching to the horizon in every direction: Downtown. Chinatown. Little Tokyo. Hollywood. East L.A. The San Fernando Valley. Venice Beach, which one would not automatically assume is part of the city.

Second only in size to New York City, Los Angeles enjoys a tremendous amount of racial diversity, some of the greatest in the U.S.; but Parker’s role in it all comes down to engendering a safer community for L.A.’s citizens, and an aim to enhance those lives by putting public funds where they belong—not squandering them on insurance claims.

“The main thing we never forget in risk management is that we’re trying to save money,” he says. “If we spend less on claims, we can put that money toward vital things for taxpayers. Libraries. Parks. Recreational areas. The things that matter.”

Threats, Solutions and the Good Day

Parker learned early in his risk management career how things could go seriously pear-shaped on any given day. He was working for the city at the Department of Water & Power in 1994 when the 6.7-magnitude Northridge earthquake wreaked havoc across the entire city. With L.A.’s water supply deemed unsafe to drink, he was called in on MLK Day to help distribute water at the Northridge Meadows Apartments, one of the hardest-hit areas, where 16 people were killed when the building collapsed.

The City Hall building was just one of many landmarks damaged in the quake, and required enough repairs and restoration to justify a \$115-million seismic retrofit in which massive base isolators were installed adjacent to each of the building’s underground support columns. And that project was peanuts compared to the \$20 billion in claims that resulted citywide from the temblor.

The City of Los Angeles does not, in fact, purchase earthquake insurance: It would simply be cost-prohibitive to do so (and good luck finding several major carriers who would together underwrite such a risk), and should another massive earthquake ever create a state of emergency, FEMA grants would be made available to defray the cost of rebuilding, as it did after the Northridge quake. The city does, however, maintain a reserve fund for catastrophic incidents.

“We do go to the marketplace, periodically, to test the market to see if there’s capacity, and generally we find out [earthquake cover] is cost-prohibitive,” he notes. “For the most part, we don’t go the route of commercial insurance [for that], and it’s purely because there either isn’t the capacity or it’s absolutely too much money to spend on an annual-premium basis.”

While FEMA typically requires those who receive grants to become insured against the same losses going forward, the city applied for and was granted a waiver allowing it to make its own calls on earthquake coverage.

These days, Parker would much rather take a proactive tack and stay ahead of the curve—a strategy that has worked thus far—than to set himself up as a reactive savior. “Some public-sector risk managers walk in to a crisis and they save the day and they look really good doing it, but I don’t manage that way,” he says. “I try not to put myself in crisis situations so that I can solve them.”

Not every potential five-alarm fire that crosses Parker’s desk is fraught with risk of a financial nature: There is also the political landscape to navigate. Mayors and other elected officials have come and gone in his years working for the city, and in that time he’s developed some strategies for adapting to changing political climates.

“We live in such a political environment that you get criticized a *lot*,” says Parker as he offers a personal tour of the city in one of the city’s fleet of white Hondas (unlike the seeming majority in L.A., he typically does not drive to work). “You have to realize that you work for the city council, and the mayor, and you have to know what their objectives are.”

And in those instances when politics trumps logic?

“Accept it and move on to the next thing,” he offers.

Quite often, he points out, one of the most critical skills in Parker’s chosen profession is the ability to say yes. “It’s the total opposite of the ‘that’s not my job’ mentality,” he says, merging onto Interstate 10. “It’s just a question of how we’re going to get it done. I run into people who say ‘no’ all the time. You have to come up with solutions.”

Instantly he recalls the extensive permit process and insurance contracts that had to be sorted in order for the Space Shuttle Endeavour to be transported, along city streets, last October from LAX to the California Science Center at Exposition Park—a laborious process that required trees to be trimmed back and street signs, streetlights and power lines to all be taken down or moved along the 12-mile route to accommodate the girth of the retired spacecraft. It is now on (what he silently hopes is) permanent display at the Samuel Oschin Air and Space Center.

With many such logistics and countless details to manage on a daily basis, it’s easy for Parker to stay chained to City Hall, and he clearly relishes being out in the field. It begs the question, how does he define a “good day” in his position?

Parker pauses for a few heartbeats to consider the question.

“What do you mean?” he asks.

The point is clarified further. A good day. On the job.

“Any good day is a day when things get accomplished. It takes a lot of skill and persistence. Every day can be full of frustration.

A few seconds later, the admission comes: “When I can get out and see the city, when you can see the fruits of your labor. *That’s* a good day.”

Destination: Public Service

Life wasn’t always about citywide risk concerns for this self-professed California boy. An Orange County native, Parker grew up in suburbia, going to see friends’ up-and-coming punk and ska bands and cruised about town in his lava-red 1962 Cadillac convertible, which he still proudly owns. Keeping said vehicle “was in the ‘marriage contract,’” he jokes over tacos at Cabo Cantina, a block from the beach in Marina Del Rey. When one gets married, he sagely points out, the muscle car of one’s youth “is usually one of the first things to go.” He currently makes his home in the OC community of Rossmore, with his wife, Juliana, and three boys, aged 1, 6 and 8.

Parker attended the University of California at Riverside as an undergrad, and earned his master’s in International Affairs at American University in Washington, D.C. “I was interested in international economic policy,” he recalls. “I thought I’d work for the Trade Administration.” One thing, though, was certain: A life devoted to public service was already in the cards. It was just a question of how, and where.

The answer came in an entry-level management position in the Employee Protection division of the Department of Water & Power, where he began working on safety & health budgets and project management in 1992 and was quickly put in charge of a major security-systems project after the consultant in charge of it—whose role was getting a bit too big for the tastes of the security officers’ union—got bounced.

Next, Parker went to work as a risk management analyst for what was then known as the Department of Airports (now known as Los Angeles World Airports, which includes LAX, along with the Van Nuys, Palmdale and Ontario airports). There, his palette expanded to handling property programs, liability-claims management, and loss control and prevention, among other duties.

In 1998 he moved downtown to the office of the City Administrative Officer, where he started as a risk manager in his current department. (There are different levels of risk managers in the office, with appropriate pay grades.) In 2001, following the departure of head risk manager Richard Welch, who had served in that capacity for nearly 20 years, Parker assumed the position on an interim basis while other candidates were also considered. He assumed the role permanently a year later as the youngest person to serve in the position.

The Road to Self-Sufficiency

Parker sees his department's work as a means to turn citywide risks into opportunity; he views risk management as a revenue generator, not a cost center. His long-term goal is to have his department generate enough income for the city that it can support itself, and not rely on city money. "If I can generate enough revenue to cover the cost of my program, we can fall off the General-Fund grid," he says. "The next thing for us is to someday get to a place where we're 100% self-funded."

To that end, one of the revenue-building innovations rolled out under Parker's watch is Track4LA, a PRIMA award-winning online insurance-compliance system accessed through the city's Web site that uses the standard insurance industry form—the ACORD 25 Certificate of Liability Insurance—in electronic format, facilitating insurance and bonds compliance for contractors, vendors and permittees on a citywide basis via Parker's department. Two key advantages of this software-as-a-service: standardized forms and paperless approval transactions that can be performed 24/7.

"It's what's being termed 'self-service government,'" he says of the system, which he noted has been utilized by more than 4,000 brokers since its introduction in 2010 and has slashed waiting times on approvals. He estimates Track4LA—which has been purchased by L.A.'s harbor department and in July by its airports—has saved the city \$250,000 annually and the business community twice that amount per year when factoring in the amount of time saved in processing compared to the tedious, time-consuming manner in which this process was previously handled.

"Before, it sometimes took six months or even a year to get approvals, which is absolutely ridiculous," he says. Special events can occur, he says, and last-minute requests are not uncommon. In such circumstances in particular, speed is of the essence. "Now, a broker goes online and the transaction is approved in minutes."

Indeed, many of the innovations introduced under Parker's leadership have been about streamlining processes and helping contractors and other parties obtain the necessary coverage and certification required to become compliant and work legally, enabling them to bid on public-sector jobs—paying dividends to the city on the back end. The Los Angeles Bond Assistance Program (BAP LA), for example, aids local contractors eager to bid on city contracts and subcontracts by helping them get the proper technical and financial assistance to obtain bonding—in many cases, their first bond, through Merriwether & Williams (which, based in the San Francisco Bay Area, Los Angeles and San Diego, provides commercial property & casualty brokerage services in addition to surety and risk management services).

"We've seen contractors who do great work but who can't get bonding, can't get insurance," says Parker. "Our bond-assistance program came out of this need."

The city's risk management staff will often administer that same bond assistance to outside clients, including other public entities even in its own city; for example, Los Angeles' Sanitation Department has a fund for executing public projects, and Parker's team can perform bonding assistance for vendors looking to bid on those projects.

As each of the city's public municipalities can choose to either do its own bonding or outsource it, Parker explains, they can select whomever does the job best. When other city agencies opt to enlist his office's bonding services, it's often not a chargeback, he says, in the truest sense of the word; the other departments all have budgets, and if they want to spend it contracting his team's services, so much the better. "They don't have to come to us for that [assistance]," he stresses. "They value our service."

Similarly, the city also offers required certificates of insurance through its Service Providers, Artisans, and Tradesman (SPARTA) insurance program, which helps those professionals obtain pre-approved Commercial General Liability cover (as well as non-owned and hired Auto liability and miscellaneous Professional Liability coverage, pending further review) through Merriwether & Williams. The advantage to the client is that the city does all the paperwork and makes the approvals happen for those who have never had professional coverage—a particular draw for small and minority tradesmen who might not otherwise be able to afford the insurance limits required to successfully bid for public-entity business opportunities. The advantage to the city is that it cleverly expands its pool of reliable contractors, opening up public projects to lower bids among a wider field of reliable candidates. The city, Parker says, will even occasionally go so far as to put up taxpayer money to help ensure surety for certain contractors that graduate from this program.

While the logic is difficult to argue, isn't putting up citizens' money to subsidize largely unproven contractors a bit... risky?

"It comes back to, do you want to be risk-adverse, or do you want to take the risk?" he says, noting that the city hasn't had a single default on any projects contracted by those city-enabled vendors.

"Some risk managers are risk-adverse," he says, flatly. "I've got everything to lose in sticking my neck out. But I do. If we don't provide value to our customers, we shouldn't exist."

The 'Good Day' Ends

Returned to the office, Parker checks to see what new additions have been made to his plate during a rare few hours spent in the hazy glow of L.A.'s sunlight. A non-profit has contacted him, wishing to have inner-city youths visit Orcutt Ranch Horticultural Center, one of the city's parks & rec facilities, to pick oranges; an assessment of the risks for minors—as ladders would be involved—must be done. LA-RICS (Los Angeles Regional Interoperable Communications System), an inter-agency communications network that keeps the city's police and fire departments on the same radio frequency, is requesting a risk-management review and has insurance questions as it shops for better rates. A list of other unopened e-mails beckons like a silent string of lurking threat.

The to-do list seems endless, but Parker exhibits the same Zen calm he showed eight hours prior—and the same degree of determination.

"No matter what environment you're in, no matter how daunting it seems, you can get things done," he says. "Don't think risk management doesn't provide value or cost savings. Keep your head up. It may just take a little bit longer."

And if it does, so what? Such is the life of the risk professional. Parker wouldn't have it any other way.

"I don't want to be *bored*," he says. "I want to be passionate about what I do until the day I retire."

© 2013 PropertyCasualty360, A Summit Business Media website

National Underwriter

[Return to Article Index](#)

Forward this article to a colleague

Address To	<input type="text"/>	Recipient Name	<input type="text"/>
Subject	<input type="text"/>		
Message	<input type="text"/>		
<input type="button" value="Send"/>		<input type="button" value="Reset"/>	