

IQRM™...a Quantifiable Assessment Tool Leading to Risk Profile Improvement

By: F. Scott Addis, CPCU, CRA, CBWA, TRA

A few years ago, I was asked to speak at an Executive Leaders Forum about the state of the insurance industry. The audience consisted of 120 or so middle-market chief financial officers. Before I began my presentation, I asked for permission to ask two questions:

Question 1:	To what degree do you, as the CFO, have the time and ability to identify the exposures facing your organization?
Question 2:	To what degree do you believe that insurance agents and brokers have a process to uncover and address these exposures?

When I collected the response cards, I was shocked. These highly competent CFOs readily admitted that they did not have the time or ability to properly perform risk identification (score 1.8 out of 5.0). As concerning, they gave their agents or brokers a score of 1.3 out of 5.0. It was their opinion that the agent or broker was not demonstrating value in the discipline of risk identification.

My eye-opening experience inspired me to write an August 2009 *Rough Notes* column, entitled, "The World of the CFO." In the article, I evidenced research that supported my findings, including

a 2006 *Los Angeles Times* article that stated that fewer than 20% of CEO's believed that their CFO was doing a good job in managing risk.

Today's multi-tasked C-suite executive is starving for an insurance agent or broker who has the desire to go beyond insurance to become their organization's outsourced risk manager. These business leaders:

1. Want you take the time to understand their business and industry.
2. Need your help in identifying, prioritizing, measuring and mitigating risks that confront their business.
3. Covet an insurance agent or broker who has the ability to design strategic risk mitigation strategies to impact the bottom line of the organization.
4. Detest the traditional insurance bidding process. They are looking for a more strategic and disciplined approach to insurance and risk management.
5. Desire a simplistic and efficient mechanism to quantifiably assess risk issues.

Intelligence Quotient for Risk Management (IQRM™)



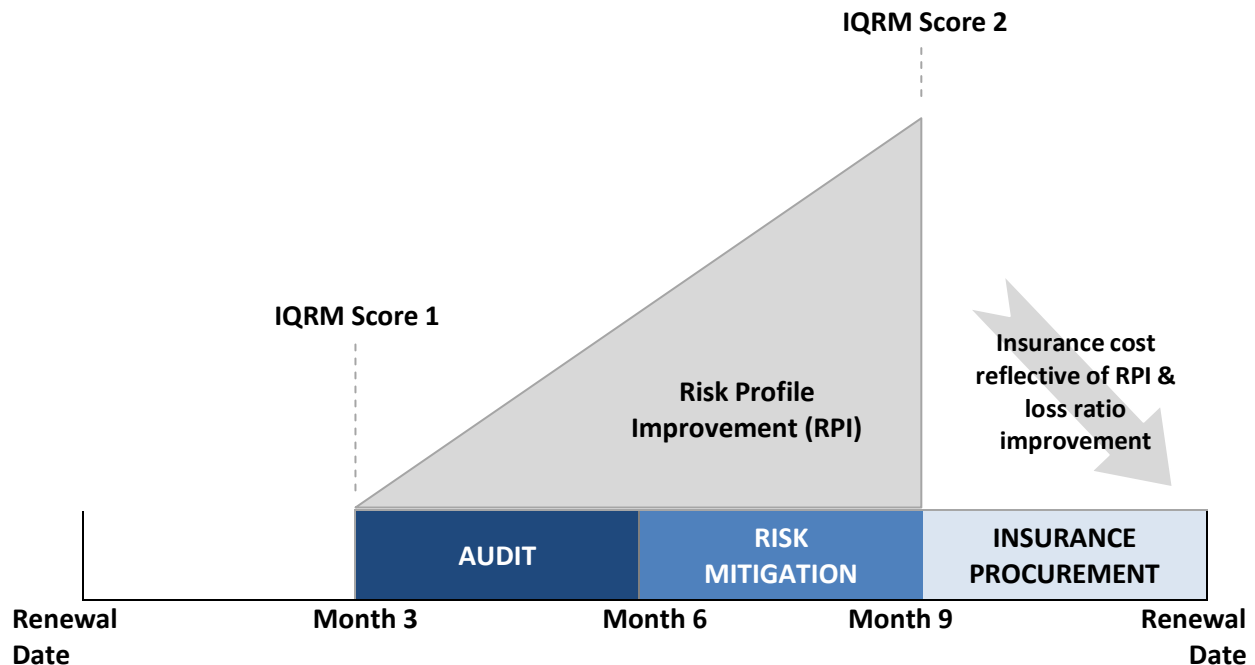
Following the CFO Forum, my intuition led me to design and build the Intelligence Quotient for Risk Management (IQRM) – a quantifiable risk assessment tool consisting of a systematic method to better understand the issues facing an organization. It was my hope that the IQRM would respond to the “wish list” of the C-suite executive listed above. Specifically, my vision was that the IQRM would empower the agent, broker, carrier, and consumer to:

1. Become better educated about risk issues facing the organization;
2. Benchmark performance against ideal industry standards;
3. Consider “Best Practices” to control and mitigate risks;
4. Access reference resources to gain further knowledge of the implications of the risks;
5. Design an Action Plan to improve the IQRM™ Score;
6. Have a positive impact on business performance by taking an enterprise-wide solutions approach; and
7. Leverage the IQRM improvement process to achieve positive results in the insurance marketplace.

To add credibility and intellectual depth to the tool, I identified subject matter experts (SMEs) to stand behind each one of the IQRM risk verticals. The SMEs played a vital role as they crafted an explanation of the risk issues in layman's terms, introduced best practices for risk mitigation, created response rationales, and offered additional resources to advance the business leader's understanding of risk. The Beyond Insurance team supplemented their efforts with the creation of an IQRM template which included a scoring system supported by a risk profile improvement action plan. As I had hoped, the IQRM has proven to be an integral component of the Beyond Insurance process as it measures exposures and determines the general effectiveness of

strategies to manage risk. Most importantly, the IQRM facilitates one's ability to improve an organization's risk profile.

Risk Profile Improvement (RPI) Illustration Utilizing IQRM



Scoring Process

The IQRM scoring system determines effectiveness through the assessment of policies, procedures, and controls. The following factors determine effectiveness:

- **Activities** – tasks and actions that create or implement risk management policies, practices, procedures and programs.
- **Behaviors** – actions and conduct that affect performance -- positively or negatively.
- **Internal Assessments** – risks that have the potential to cause loss, peril, or vulnerability; or that create opportunities for organizational success.
- **Internal Controls** – internal processes, assessments and framework for ensuring compliance with program goals.
- **Outcomes** – qualitative and quantitative measurements and metrics that assure the achievement of risk management and organizational goals and objectives.

The IQRM is taken seriously by the underwriting community because it documents an understanding of risks and activities that improve an organization's risk profile, thereby reducing claim frequency and severity. The following represent a few quotations from regional and branch managers of insurance companies:

"Because of the IQRM, we can quickly make informed decisions on risk selection and pricing; and offer the insured our most favorable terms and conditions."

"The IQRM offers a more in depth understanding of an insured's operations and exposures. It also enables us to gain comfort with the risk, and more of a willingness to accept the risk."

"The comprehensive risk strategy employed through the IQRM embodies the concepts of intimacy, intensity and integrity. The process greatly clarifies risk acceptance and pricing decisions by us and allows more comfort and flexibility in program design."

"We have great faith in the IQRM approach. It leverages all elements of the Risk management Process (diagnosis, design, implementation and monitoring) which invariably leads to a more rational and efficient allocation of our financial and human capital."

"The IQRM quantifies both the hard and soft costs affecting customer margins, provides a much higher degree of satisfaction and retention, and greatly clarifies risk acceptance and pricing decisions by us."

IQRM Modules

At present, there are 21 stand-alone IQRM risk verticals that have been built and developed. They include:

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|-----------------------------------|--------------------------------------|
| 1. Business Continuity | 12. Product Contamination & Recall |
| 2. Claims Management | 13. Products Liability |
| 3. Cyber Liability | 14. Professional Liability |
| 4. Directors & Officers Liability | 15. Recruitment, Selection & Hiring |
| 5. Discipline & Termination | 16. Substance Abuse in the Workplace |
| 6. Employment Practices Liability | 17. Wage and Hour |
| 7. Environmental Liability | 18. Workers' Compensation |
| 8. Fleet Safety | 19. Workplace Discrimination |
| 9. General Liability | 20. Workplace Sexual Harassment |
| 10. Medical Malpractice | 21. Workplace Safety |
| 11. Pre-Employment Screening | |

There are eight additional IQRMs under development, including accountant's professional liability, buy/sell, crime, investment advisors' professional liability, lawyers' professional liability, key person, schools, and succession planning.

Utilization and Impact of the IQRMs

Introduced in 2011 to members of the Beyond Insurance Global Network (BIGN), the IQRMs are now part of the DNA of all 70 or so members as well as their chosen clients. While the IQRM is a potent business development tool, it is also a vital component of pre-renewal meetings, risk management service plans, and stewardship reviews. Importantly, IQRMs are shifting the focus

of the consumer from product to process. It is interesting to note that consumers embrace the scoring system in support of risk profile improvement.

Below are a handful of case studies:



“The power of the Intelligence Quotient for Risk Management (IQRM) is unparalleled. I had a meeting with a large lumber company yesterday. As the firm was within the 90-day renewal cycle, I suggested that they renew with their current broker, and we would start the Beyond Insurance risk profile improvement process after the renewal. To my surprise, they called me in a panic 45 days before they were set to renew, letting me know that they received a non-renewal notice. I recommended that they meet directly with the underwriter, and I should be invited to the meeting. They agreed. At the meeting, it was obvious that fleet safety was the carrier’s biggest concern, so I grabbed my iPad and showed the underwriter the Fleet Safety IQRM we had just completed. He was so impressed that he agreed to renew as long as Ottawa Kent was the agent and the Beyond Insurance process was in place.”

Randy Boss, CRA, CBWA
Ottawa Kent | Jenison, MI

“Marsh came in and did their dog-and-pony show on a mid-size client of Highpoint. They did their presentation and explained how they have 20+ staff risk control team. As Marsh had a long-standing relationship on the surety portion of the account, it was a given that the ‘team of safety/loss control’ experts would win the rest of the business. As I knew the IQRM was so unique and potent, I was confident that it would give Marsh a run for its money. Once the customer saw the IQRM as well as the capabilities of the subject matter experts, they were sold! We received a BOR the next day. The IQRM process totally kicked butt!”



Brandon Smyrl
Highpoint Insurance Group | Friendswood, TX

The IQRM...enabling you, the carrier, and your clients to confidently answer the question, “To what degree do we have the time and ability to identify exposures facing the organization?”

About the Author

Scott Addis, CPCU, CRA, CBWA, TRA is the CEO of Beyond Insurance and is recognized as an industry leader having been named a Philadelphia finalist for *Inc. Magazine’s* “Entrepreneur of the Year” award as well as one of the “25 Most Innovative Agents in America.” Beyond Insurance is a consulting firm that offers leadership training, cultural transformation, and talent and tactical development for enlightened professionals who are looking to take their practice to the next level. Since 2007, the proven and repeatable processes of Beyond Insurance have transformed individuals and organizations as measured by enhanced organic growth, productivity, profitability, and value in the marketplace.