



ARE YOU A QUALIFIED **RISK** MANAGER?

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Whether you consider yourself to be a qualified risk manager (QRM) can often depend on how you perceive your training and work experience, as well as formal and continuing education. Employers may also have their own view as to what constitutes a QRM. As you might expect, the subjective nature of life experiences and education can make comparisons difficult, but thanks to the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), risk managers now, for the first time, have a yard stick to assess their qualifications.

Traditional undergraduate education in risk management has become common place, with several universities now offering it as a field of study. The rapid expansion of risk management as a course of study is not surprising given the increasing complexity of business and the degree of risk that companies now assume on a regular basis.

For those interested in working in the field of risk management, the opportunity to obtain a business degree with a risk management focus

is an ideal way to obtain a foundation that can serve as a launching pad to a career in this area. Some students may even elect to include finance, accounting or actuary science alongside their risk management studies as a way to bolster their business skills.

According to Jim Garven, a Baylor University risk management professor, Baylor and a number of other universities offer programs that provide an excellent foundation for those wishing to enter the field. "Since institutional details surrounding risk management and insurance markets and institutions are constantly evolving, it is important for students to acquire general concepts that can be applied to new sets of problems, new types of risk, and new institutional structures as they develop" says Garven. The undergraduate focus is on the development of skills that can be used to manage future challenges rather than focusing only on current issues facing the industry.

Experience is the best teacher has been the mantra for many who began their careers in other areas, but eventually found themselves working in risk management on a full-time basis trying to balance work duties with formal training. The training leader in this area has been The Institutes, previously known as the American Institute for Chartered Property Casualty Underwriters (AICPCU) and the Insurance Institute of America (IIA).

The Institutes offer pathways toward a wide variety of designations that can serve as a basis for a well-rounded risk management and insurance education while allowing individuals to tailor their education to their

particular professional needs. According to Mike Elliott, CPCU, AIAF, and Sr. Director of Knowledge Resources with The Institutes, “The Associate in Risk Management (ARM) program provides a rigorous, comprehensive course of study in a format that allows for independent learning; moderated online forums also allow for in-depth student discussions.” A recent addition to the traditional ARM program is the ARM-E, which adds a module on enterprise-wide risk management.

The Frank-Dodd Act has shed light on the issue of qualifications and does its best to weigh the value of formal training and work experience, with a person having significant related work experience (10 years) and significant education (graduate degree in related field). For those who do not presently qualify as a QRM, there are many pathways (see Figure 1) set forth in the Frank-Dodd Act. Ultimately, risk managers will need to assess their work experience and the workplace skills needed to perform their duties to determine the ideal training to reach QRM status and improve the skills needed to perform their duties well.

Uniform testing in the areas of law (by state), actuarial science and accounting has been in place for many years, but there has not been a similar uniform testing standard in the area of risk management. The recent legislation, for reasons unrelated to the establishment of uniform professional standards, has provided risk managers with an objective measure for determining what it takes to become a QRM under the act. The legislation allows, under certain conditions, an “exempt commercial purchaser” to buy insurance coverage in the non-admitted insurance market without having an insurance broker perform a due-diligence

search to determine whether the full amount or type of insurance sought can be obtained from admitted insurers. However, one of the requirements to become an exempt commercial purchaser is that the entity must employ or retain a QRM to negotiate insurance coverage.

The QRM criteria found in the act considers the risk manager’s education, relevant work experience, designations and certifications. Following are some examples of the various combinations which meet the criteria:

- an employee of a policy holder with a bachelor’s degree in finance and a CPCU designation;
- a third-party consultant retained by a policy holder with seven years’ experience in risk and insurance coverage analysis and an ARM designation; or
- an employee of a policy holder with a graduate degree in risk management from an accredited university.

The intention of the Dodd-Frank Act, in defining what constitutes a QRM, did not appear to be the establishment of uniform professional standards. Nevertheless, it does highlight an area where there has been a lack of uniformity. Thanks to the Dodd-Frank Act, we now have a basis from which to begin the discussion.



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FIGURE 1. PATHWAYS TO ACHIEVE QUALIFIED RISK MANAGER STATUS UNDER THE FRANK-DODD ACT.

