

**MINUTES**  
**CAS BOARD OF DIRECTORS MEETING**  
**MARCH 2-3, 2005**  
**Boston, MA**

**Present**

Board Members: Regina Berens, Christopher Carlson (by teleconference part of Wednesday morning; present Thursday), Robert Deutsch, Sholom Feldblum, Gary Josephson, Allan Kaufman, Andrew Kudera, David Oakden, Karen Terry, Patricia Teufel, Oakley Van Slyke, and Robert Wolf (present from Wednesday Executive Session through end of meeting).

Immediate Past President: Mary Frances Miller.

President: Stephen D'Arcy.

President-Elect: Paul Braithwaite.

Vice Presidents: Amy Bouska, Donald Mango, Thomas Myers, and Deborah Rosenberg.

Executive Director, Cynthia Ziegler; Assistant Secretary - Board of Directors, Kenneth Quintilian.

Vice Presidents not present: Beth Fitzgerald, Joanne Spalla.

Other Attendees: Michael Boa – Director of Communications and Research, CAS Staff; Todd Rogers – Director of Finance and Operations, CAS Staff.

Observer in attendance: Clive Keatinge.

Mary Frances Miller called the meeting to order at 8:10 a.m. on March 2, 2005.

**1. CONSENT ITEMS**

**There was a motion to approve the following items on the consent agenda:**

- (a) Minutes of November 17, 2004 Board Meeting and February 7, 2005 Board Teleconference  
The minutes of the November 17, 2004 Board Meeting and February 7, 2005 Board Teleconference were approved as written.
- (b) 2005 CAS Election  
The following items were approved as presented:
- 2005 E-Procedures for the Election of Officers and Directors (including Timeline).
  - 2005 Nominating Committee Procedures (including Timeline).
  - 2005 Nominating Guidelines for President-Elect, Vice Presidents and Directors.
  - 2005 Election Candidate Information to be included on the Web Site.
  - 2005 E-Telling Procedures.
- (c) Audit Committee Staffing  
The proposal on Audit Committee staffing was approved.
- (d) Expenditure Authorities  
The proposal on expenditure authorities was approved.

The motion was seconded and approved unanimously, with 14 members voting.

## **2. BOARD GOVERNANCE (AGENDA ITEMS 8, 9, AND 10)**

Steve D'Arcy introduced this discussion item, and expressed as his goal a free flow of ideas regarding ways in which CAS Board governance could be enhanced. To this end he commended to the Board's attention the three agenda items along with the "Leadership Issue" of *Association Management* magazine, which had been distributed to the Board prior to the meeting.

Steve D'Arcy described the Vital Statistics (Item 8) as a core set of critical statistics that could be updated quarterly and provided at the front of the agenda material for the Board's review and comment. The goal would be to keep the Board more current on measurable diagnostics regarding the CAS's status in a number of key areas. Currently, these reports are updated only once or twice a year, and are separated in a series of detailed reports by different Vice Presidents. Steve D'Arcy indicated that the Vital Statistics would make the information more timely and easy to digest.

There was general approval of including such information in the Board packet, perhaps as an Appendix. Several Board members, however, commented that it would be unnecessary for the Board to spend a large amount of time on these statistics every quarter, especially since such numbers do not change rapidly. It was also mentioned by Board members that the Board should not spend its time on managing internal issues because such issues are the responsibility of the Executive Council (EC). These members wanted to see more time spent looking outside the CAS, in accordance with the objectives of the Centennial Goal. Therefore, it was argued that the charts and graphs could be included, but not be the focus of Board discussion. There were a number of comments on specific graphs that might be included, or regarding the format and appearance of the graphs that were presented.

Steve D'Arcy turned the discussion to the Board Meeting evaluations (Item 9). There was some discussion of the recent increase in the amount of time spent by the Board on "blue-sky" sessions such as Actuarial Credibility and Enterprise Risk Management (ERM). This was seen as a salutary change, to move the Board from details into high-level decision making in accordance with the Board's appropriate function.

Potential areas of improvement were noted. It was suggested that there should be more diligent follow-up on key issues after the Board has passed resolutions on them to ensure that the Board's directives were being carried out sufficiently. In addition, it was generally agreed that the reaction time on the several major current issues, such as actuarial credibility, ERM, and reserve ranges, has been quite slow, while other organizations have seemingly moved more nimbly to react to such issues. A number of suggestions were offered that would help the CAS address issues more quickly, such as hiring a full-time staff actuary and forming a "Crisis Response Team," perhaps coordinated with the AAA Casualty Practice Council.

On Item 10 (Board Position Descriptions), there was discussion of whether the Board should include non-actuaries as members. It was suggested that the Executive Director might be added as a Board or EC member. Others suggested adding representatives of compliance or scientific organizations, and employers of actuaries. There was general approbation regarding the current "separation of powers," wherein the Vice Presidents on the Executive Council are not members of the Board.

**There was a motion to establish a Task Force to consider the role of outside representation in the CAS governance process, and to report back to the Board in September 2005.**

The motion was seconded and approved unanimously, with 14 members voting.

There was discussion of how to more actively engage the membership in the deliberations of its Board, and a number of suggestions were offered. A proposal was made for a “Breakfast Q&A with the Board,” to be held periodically at CAS meetings with a teleconference option, to enable members to gain greater access to the Board without having to come to CAS Board meetings. It was also suggested that more information regarding the content and agenda of Board meetings be announced to the membership in advance of the meetings, so that members can make an informed decision whether to attend the meetings. It was suggested that the Board members’ Regional Affiliate presentations be extended to encompass upcoming hot-button topics to help the members remain informed.

It was suggested that a deliberate review of the position descriptions be conducted every few years. While the Board approves the position descriptions annually, it is usually as part of the consent agenda, and there was agreement that it was worthwhile to periodically spend time discussing the position descriptions.

In the context of the discussion of *Association Management*, there was general approval of the recent changes to expand the consent and information agenda items, since these changes have made the Board meetings more efficient.

It was stated that the Nominating Committee should ensure that there is a reasonable diversity of representation within its nominees of actuaries from various practice areas, non-U.S. actuaries, and other similar sub-groups. It was suggested that the qualifications of potential nominees could be better evaluated if the Nominating Committee were provided confidential evaluations of the effectiveness of the volunteers before it selected its nominees. This idea, and its associated liability concerns, is being investigated by the EC.

There was some discussion of Committee staffing and the CAS policy that states that every effort should be made to allow a volunteer to serve in a Committee selected as a “1” was reemphasized.

### **3. EXECUTIVE SESSION**

At 11:15 a.m. Wednesday, March 2, the Board went into Executive Session until 12:15 p.m.

### **4. AUDIT COMMITTEE REPORT**

Pat Teufel introduced this item and presented the Audit Committee report. She reported that the CAS again received an unqualified opinion from the independent auditor with no conditions or material weaknesses identified. There were no items indicated by the auditors as requiring the attention of the Board or the Audit Committee.

The Audit Committee recommended that the current auditors be re-engaged for another three-year term, without going out to bid, due to the ongoing satisfaction with the auditors’ work.

In terms of “best practices,” the auditors recommended that the CAS extend its conflict of interest policy to require Board members to annually sign a statement, and that Board candidates be advised of the existence of this obligation. The Board amended this proposal to encompass the Executive Council as well.

There was concern by several attendees that such a statement could run afoul of corporate policies against employees signing such statements for any entities other than their employers. It was also indicated that most Board or EC members would very frequently encounter situations that could be perceived as a conflict, given the nature of the relationship between the CAS and the members’ source of employment.

**There was a motion to approve the FY 2004 Audit Committee Report, including the recommendations therein, with the exception of Item D; and to direct Staff to work with CAS legal counsel and various affected employers to find acceptable wording for the proposed conflict of interest statement. This proposed statement should be returned to the EC, the Audit Committee, and then the Board for their approval.**

The motion was seconded and approved unanimously, with 14 members voting.

## **5. EXAM 2 SYLLABUS CHANGES**

Tom Myers introduced this item and outlined the syllabus changes proposed in the Board materials. He also discussed some recent information about this topic that was not included in the agenda packet.

As stated in the Board materials (Item 7), Finance is no longer a tested item on the SOA or CAS syllabus, but is tested by VEE (Validation by Educational Experience). Because Financial Economics (as distinct from Finance) is critical to Enterprise Risk Management, the SOA has been considering adding a new exam on the former subject to the ASA syllabus, which the CAS would be approached about co-sponsoring. (The CAS would be unlikely to approve a new exam, since the CAS already covers Financial Economics on Part 8.)

The SOA also intended to add a short overview Study Note on the topic to Part 2, which the CAS was requested to approve because of its current joint sponsorship of that exam. There was also a request from the VEE Administration Committee requesting latitude to waive “options” as a learning objective when necessary to help candidates achieve their VEE for the Finance topic. The Executive Council, by a close vote, recommended that the Board approve both of these requests, subject to the SOA’s final action on the same issues.

Subsequently to the publication of the Board materials, the SOA Board disapproved the new exam, and shifted (for travel time considerations) to adding a two-hour section on Financial Economics to Part 3 or Part 4, which they are now proceeding to study for 2007 implementation. This would duplicate existing material already on CAS Part 8. The study note’s fate is left undecided for the time being. Therefore, Tom Myers stated that it would be appropriate to withdraw all action items from the table at this point in time, until the SOA’s proposals are more clearly defined.

He also stated that such a change to Part 4 will lead the Education Policy Committee to reconsider the joint sponsorship of Part 4. However, an advantage of the SOA plan is that it might help the CAS to shorten the Fellowship syllabus, in line with the goals of the Task Force on FCAS Education. More than one member expressed concern regarding the SOA’s choice of study material on the topic.

**There was a motion that the CAS make no changes to Part 2 until the SOA finalizes its proposal regarding the placement of Financial Economics as regards the joint exams.**

The motion was seconded and approved unanimously, with 14 members voting.

## **6. DEBRIEF OF FEBRUARY 2005 NAAC MEETING**

Paul Braithwaite provided a report on the recent meeting of the North American Actuarial Council (formerly known as COP/COPE). There were several key topics that he addressed.

A Working Agreement that had been under consideration for approval at this meeting was disapproved due to a last-minute change by the Conference of Consulting Actuaries (CCA) in regard to its mission. The NAAC requested the CCA reconsider this change so as to allow approval of the Working Agreement.

There was unanimous consensus for the support of Enterprise Risk Management as an important initiative spanning all practice areas and nationalities. There were support for and thanks to the SOA and the CAS for their leadership in getting this off the ground, with the market research, symposium, and joint section on ERM that have recently been established. There was concern expressed by the members of NAAC about the choice of names for the joint section, which as it stands (the “Risk Management Section of the SOA”) makes no mention of the other joint sponsors such as the CAS. However the NAAC did also express the sentiment that it was unnecessary to establish an AAA task force on the topic since the SOA Section would likely be sufficient for the purpose.

NAFTA has now extended to actuaries the status of “professionals,” thus lowering the barriers for temporary border crossings by actuaries among the North American nations. The CAS will prepare some standard letters to be carried by its members who wish to travel under NAFTA status.

## **7. INFORMATION ITEMS**

The following items were presented for the Board’s information:

- EC Minutes (Oct 21-22, Nov 16, Dec 9, 2004; and Jan 12, 2005 agenda) (Attachment 11)
- Cycle Reports/Progress on 2004-2005 Goals (Attachment 12)
- Q1 FY 2005 Financial Statement (Attachment 13)
- SOA Academic Relations (Attachment 14)
- Executive Director’s Report (Attachment 15)
- Long Range Planning Committee Update (Attachment 16)
- Straw Poll Votes (Attachment 17)
- Exhibitor/Supporter Task Force (Attachment 18)
- Results of Fall 2004 Exams (Attachment 19)
- January 2004 American Academy of Actuaries Board of Directors Report (Attachment 20)
- Proposed 2005-2006 Meeting Calendar (Attachment 21)
- IPEF Funding (Attachment 22)
- ASTIN 2007 Update (Attachment 23)

There was some discussion of Item 17. It was agreed to take the suggestions in the Board materials under advisement, while recognizing that Robert’s Rules of Order, which are not strictly binding on the Board, must often be loosely enforced in the interests of the free exchange of ideas and the semiformal collegial atmosphere that normally characterize CAS Board meetings.

Under Item 12, there was some discussion of the Joint Committee on Minority Recruiting, which reports a current funding crisis with regard to its unexpectedly popular exam fee waiver program. It was reported that the Committee funds its waivers entirely on the basis of donated funds. There was a general consensus among the Board members of support for the Committee’s activities, and recognition of their value. It was agreed that it would be desirable to increase the visibility of the Joint Committee by providing it with opportunities to present at upcoming CAS meetings.

## **8. ENTERPRISE RISK MANAGEMENT ACTUARIAL STRATEGIES**

Don Mango introduced this half-day open discussion and action topic (held on Thursday morning, with all Board members present), and provided brief synopses of each element of the extensive material distributed in the Board packet under Item 6. His preliminary comments indicated that there are opportunities currently

available for the CAS through swift action to establish leadership within the actuarial community in responding to ERM.

The Board materials on this topic constitute an environment scan of the current state of the market with respect to ERM. The recurrent theme of the materials and discussion is that the CAS is currently not as far advanced as the SOA and several non-actuarial organizations in the pursuit of ERM goals, and that it must act now and move quickly to catch up or even to remain at the table as this area emerges. Even in the area of hazard risk – casualty actuaries’ core competency – the CAS is encountering competition from outside the profession.

Shaun Wang of Georgia State is moving quickly to establish ERMII (Enterprise Risk Management Institute International) (Attachment C). He is looking to organizations such as the CAS for endorsement and financial support. ERMII is intending to offer a certificate at roughly the level of an MBA.

**There was a motion that the CAS should agree to endorse ERMII and cooperate with all of ERMII’s other partners in the ERM initiative; that any financial sponsorship should be deferred until such time as the CAS has an opportunity to assess the effectiveness of ERMII’s efforts; and that the President-Elect be tasked with negotiating on this issue.**

The motion was seconded and approved, with 14 members voting in favor and 1 abstaining.

The sentiment was expressed that it would be appropriate to approach the SOA and provide them the opportunity to announce their sponsorship of ERMII jointly or simultaneously with the CAS announcement.

There was extended discussion of the proposed by-laws of the “Risk Management Section of the Society of Actuaries” (Attachment F). One clear theme was that the SOA seeks a partnership with the CAS for the Joint Section. Among other things, the SOA is eager for volunteer involvement.

Several changes to the by-laws were selected by the Board as being desirable:

- (a) That the name of the new entity (in Article I) be changed to Risk Management Section of “the North American Actuarial Profession” or “the SOA and the CAS.” This change could be formal in the by-laws, or just a “street name” by which the Section would be commonly known.
- (b) That Article IV Section 2 be amended to remove the requirement that the majority of members of the Section Council be SOA members.
- (c) That the approval and review authority defined in Article VI Section 8 and Article VIII be extended to include the CAS Board of Directors as well as the SOA Board of Governors.

**There was a motion to approve the proposed Joint Section subject to satisfactory resolution of the aforementioned issues.**

The motion was seconded and approved unanimously, with 15 members voting.

This motion was passed with the understanding by the Board that this section will not unilaterally change or undermine the existing ERM Symposium, and that the symposium will continue for the foreseeable future.

During the discussion of Appendix E (the SOA Board ERM Strategy Task Force Report), the point was made that the report makes the statement (p.15, Item II.1.b.ii) that the “CAS has offered to offset part of the

cost of [the SOA Chief Actuary] position as part of the joint RMS initiative,” when in fact the CAS has made no such offer. Don Mango agreed to convey that point to the SOA.

In order to ensure the consideration of CAS preferences and needs, it was agreed that the EC should seek to identify members to be added to the new Joint Risk Management Section Council to expand the CAS presence there.

An SOA press release, announcing the establishment of the ERM strategy “in full partnership with the ... CAS,” was presented to the Board for its comment before its release by the SOA. The Board requested that several changes be made to clarify the role of the CAS in the process to date. Don Mango indicated that he would pass these comments on to the SOA.

There was some discussion of the disparate elements of ERM and how they are currently scattered through the CAS Committee structure. A suggestion was made that the Leadership Meeting would be an appropriate place to discuss the importance of this issue. The Board further discussed whether it would be appropriate to form a new Executive Council position to oversee ERM activities. This would serve to consolidate ERM activities, and would be intended to ensure they are coordinated and make rapid progress. It was suggested that a Task Force might be more appropriate and also might be able to more effectively implement the ERM initiatives. It was also noted that the core issues facing the CAS, such as reserve ranges and actuarial credibility, must not be lost in the rush to focus on the latest new area of opportunity.

**There was a motion to create a Vice President position to oversee ERM activities and to direct the EC to provide a mission statement for this new position in time for consideration by the Nominating Committee at its meeting in April 2005.**

The motion was seconded and approved, with 11 members in favor; 3 opposed; and 1 abstaining.

## **9. EXECUTIVE SESSION**

At 11:50 a.m. on Thursday, March 3, the Board went into Executive Session until 12:00 p.m.

## **10. ADJOURN**

The Board meeting was adjourned at 12:00 p.m.

Respectfully submitted,

Kenneth Quintilian  
Assistant Secretary - Board of Directors

Approved: May 15, 2005

Subsequent to the meeting, the Board approved via e-mail vote the recommendation to post the March 2-3, 2005 Board Meeting Executive Summary, with 12 in favor and 3 abstentions.

By e-mail vote in April 2005, the Board passed the following motion, with 14 in favor and 1 abstention:

That the Board approve the suggested title, charge, and tenure of the new Vice President-Risk Integration position.

By e-mail vote in April 2005, the Board passed the following motion, by unanimous consent (15 in favor):  
That the Board approve exam fees for the September 2005 Computer-Based Testing offering of Exam 1/P of \$175 for all candidates.