

CAS BOARD OF DIRECTORS MEETING
MARCH 2-3, 2005
Boston, MA
Executive Summary

1. BOARD GOVERNANCE

Steve D'Arcy led the discussion on Board governance issues. Four items formed the basis for the discussion:

- a. CAS Vital Statistics
- b. Board Meeting Evaluations
- c. Board Responsibilities (Position Descriptions)
- d. Selected Articles from *Association Management Magazine*

There was 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, and leaving details to the Executive Council and the Committees.

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. Several members voiced the opinion that a "Crisis Response Team," perhaps coordinated with the AAA Casualty Practice Council, might help to remedy this problem.

The Board discussed the fact that the regulatory environment reflects an ongoing questioning of actuarial credibility, implying that this is still a critical issue that the CAS is not reacting to quickly enough, leaving the reaction to people outside the profession.

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. A Task Force was created to study this issue and make recommendations to the Board in September 2005.

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 discussion of how to more actively engage the CAS membership in the deliberations of its Board. A proposal was made for a "Breakfast Q&A with the Board," to be held periodically at a CAS meeting with a teleconference option, to enable people 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 Board meetings.

2. AUDIT COMMITTEE REPORT (FY 2004)

The Board received a report on the results of the independent auditor's analysis of the CAS financial statements. The report is once again unqualified, which is the highest level of assurance that can be given in such an audit. Although there were no items warranting the Board's or the audit committee's attention, in the management letter the auditor identified a "best practice" recommendation 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. The Board approved the FY 2004 Audit Committee Report, and directed Staff to work with CAS counsel and various affected employers to find acceptable wording for the proposed conflict of interest statement.

3. FEBRUARY 2005 MEETING – NORTH AMERICAN ACTUARIAL COUNCIL

Paul Braithwaite provided a report of the February 2005 meeting of the North American Actuarial Council (formerly the Council of Presidents). There was unanimous consensus at this recent meeting 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.

It was reported at the meeting that 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.

4. ENTERPRISE RISK MANAGEMENT ACTUARIAL STRATEGIES

Don Mango led the discussion on ERM. He stated that there are opportunities currently available for the CAS through swift action to establish leadership within the actuarial community in responding to ERM. The extensive Board materials disseminated on this topic constitute an environment scan of the current state of the market with respect to ERM. There is a lot of activity, and at the moment the CAS is only beginning to be deeply involved in much of it. 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. The Professional Risk Managers International Association (PRMIA), Global Association of Risk Professionals (GARP), and other organizations threaten to preempt the CAS entirely if action is not taken now.

Shaun Wang (FCAS, ASA) of Georgia State is moving quickly to establish ERMII (Enterprise Risk Management Institute International). 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. The Board agreed to endorse ERMII in principle.

The SOA seeks the CAS’s cooperation in the execution of its ERM strategy, particularly its new Risk Management Section, which any SOA or CAS member can join for only \$20 per year. Among other things, the SOA is eager for volunteer support for this special interest section. The Board resolved to approve the proposed Joint Section and to strongly encourage CAS member involvement as it gets off the ground.

There was some discussion of the disparate elements of ERM and how they are currently scattered through the CAS Committee structure. The Board considered whether it would be appropriate to form a new Executive Council position entitled “Vice President - ERM.” This would serve to consolidate ERM activities, and would be intended to ensure they are coordinated and make rapid progress. The Board resolved to create this new position, and to move aggressively to fill it at the next Board meeting in May 2005.