

**MINUTES  
CAS BOARD OF DIRECTORS MEETING  
MARCH 8-9, 2004  
Santa Fe, New Mexico**

**Present**

Board Members: Phillip Ben-Zvi, Gary Dean, Robert Deutsch, Sholom Feldblum, David Hartman, Gary Josephson, Andrew Kudera, David Oakden, Patricia Teufel, Oakley Van Slyke and Robert Wolf

Immediate Past President: Gail Ross

President: Mary Frances Miller

President-Elect: Stephen D'Arcy

Vice Presidents: Christopher Carlson, Thomas Myers, John Narvell, Deborah Rosenberg and Joanne Spalla

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

Board member not present: Janet Nelson

Vice President not present: Donald Mango

Participating by teleconference: Amy Bouska (for Task Force on the ACAS Vote Update), Manalur Sandilya (for Study Materials Task Force Report)

Other Attendees: Michael Boa – Manager, Communications and Research, CAS Staff; Todd Rogers – Manager, Finance and Administration, CAS Staff. Clive Keatinge attended as an observer.

Gail Ross called the meeting to order at 9:00 a.m. on Monday, March 8, 2004.

**1. CONSENT ITEMS**

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

- (a) Minutes of November 9, 2003 Board Meeting and January 14 and 28, 2004 Teleconferences  
The minutes of the November 9, 2003 Board meeting were approved as amended. The minutes of the January 14 and 28, 2004 teleconferences were approved as written.
- (b) Member Request for Dues Waiver  
The Board resolved to disapprove a member's request for a dues waiver because the member did not meet the "little or no earned income" criteria necessary to be granted a dues waiver.
- (c) 2004 CAS Election/Telling Procedures and Nominating Committee Guidelines  
The Board approved the 2004 election/telling procedures and Nominating Committee guidelines.
- (d) CAS Online Library Search Enhancements  
The Board approved the expenditure of \$30,000 from the CAS operating budget for the CAS online library search enhancements.

(e) The Actuarial Foundation Resolution

The Board resolved to support the January 23, 2004 action taken by the American Academy of Actuaries (AAA) to establish a task force to perform periodic review and oversight of the finances and operations of the Actuarial Foundation; and to authorize the President to designate one CAS member to participate on the task force on the CAS's behalf. (The President subsequently appointed Gail Ross as that representative.)

The motion was seconded and approved unanimously.

## **2. AUDIT COMMITTEE REPORT (FY 2003)**

Phil Ben-Zvi presented a report on the results of the independent auditor's analysis of the CAS financial statements as well as the results of the triennial internal controls audit. The auditor was highly complimentary of the aspects of CAS operations reviewed in the course of the internal controls audit. Although there were no items warranting the Board's or the Audit Committee's attention, the auditor's management letter offered three recommendations to align the CAS current practices with "best practices" using practices firms have developed to comply with Sarbanes-Oxley as a benchmark. These have already been implemented in the time since the CAS received the audit report.

With regard to the whistleblower policy, it was suggested that an additional avenue be added to provide CAS staff with the ability to report situations to someone not on staff. It was suggested that this person be a designated CAS member such as the President, and that the designation of that individual be specified in the policy. Wording reflecting this suggestion was integrated into the proposed resolution.

More than one Board member inquired about the possibility of such a policy being extended to apply to volunteers as well. It was decided that wording should be added to the Committee Chairpersons Manual describing the process for volunteers to access members outside of the reporting chain of their committees, should such a need arise.

With regard to the conflict of interest policy, it was suggested that the policy should be strengthened to explicitly require that all conflict of interest statements signed by CAS staff be annually reviewed by the Chair of the Audit Committee in order to confirm that there are no conflicts contained in those statements.

**There was a motion to approve the FY 2003 Audit Committee Report, including the recommendations contained therein, and amended to include the following additional recommendations:**

- 1. The whistleblower policy be amended to provide CAS staff with an avenue to report issues to someone not on staff.**
- 2. The conflict of interest policy be amended to require that all conflict of interest statements signed by CAS staff be annually reviewed by the Chair of the Audit Committee.**

The motion was seconded and approved unanimously.

## **3. AUDIT COMMITTEE STAFFING**

**There was a motion to appoint Robert Deutsch and Michael Blivess to the 2003-2004 Audit Committee. The motion was seconded and approved unanimously.**

The Board thanked retiring member John Gibson for his service on the Committee.

#### 4. JOINT PRELIMINARY EDUCATION TASK FORCE

Tom Myers reviewed the Preliminary Education Proposal of the task force, which comprises a realignment of the first four exams and the introduction of credit for non-exam experience called Validation by Educational Experience (VEE).

The major issues are changes to the content of the jointly administered exams (1, 2 and 4); the addition of introductory mathematical statistics to Exam 3 to remedy a lack of that material on the syllabus; and the movement of several major subject areas (Economics, Corporate Finance and Applied Statistical Methods) to VEE. VEE can be satisfied by one or more methods including the completion of an approved university course with a grade of B- or better.

The Board discussed the transition timeline, which calls for the new exams and VEE program to be offered in Spring 2005. There was some concern with the aggressiveness of the transition schedule. It was explained that the schedule was not flexible due to the SOA's commitment to the schedule, and due to the difficulty of obtaining resources to allow continuation of the old exams by the CAS alone.

There was general disapprobation expressed regarding the SOA's decision to announce changes to the joint exams before approval from the CAS Board. It was suggested that this be communicated to the SOA in a letter from CAS President Mary Frances Miller.

Board members expressed concern about the availability of transition options for those candidates without adequate VEE credit. It was proposed that the CAS offer exams over the next two years to enable those candidates without VEE credit to obtain it. After two years, the CAS should evaluate the availability of opportunities for VEE credit from other sources to determine whether to continue to offer the transitional exams.

There was general agreement that the existence of academic-based subject validation procedures is likely to enhance the attractiveness of the profession to many college students and recent graduates, who will see their existing course work as satisfying some of the requirements for becoming an actuary.

This item was tabled until after the morning break and after the discussion of the Membership Survey Report. After completion of that discussion, this item was reopened and a motion was drafted. The draft underwent more discussion and several emendations.

It was agreed that the minutes should reflect the Board's belief that, based on the information it currently has available, the changes being made to Exams 1 through 4 are not anticipated to increase, and could in fact decrease, travel time. The Board also committed to monitoring and reviewing metrics with regard to pass rates and progress for the VEE topics and other elements of the new structure to ascertain whether the effect of the change is as anticipated.

**There was a motion to approve the recommendations of the Joint Preliminary Education Task Force as contained in their Preliminary Education Proposal found in Board agenda material Item 7, with the revised transition rules as disseminated at the meeting, and further amended as follows (the changes shown begin on page 2 of the proposal; sections not shown are unchanged. Strike-throughs are deleted; underlined sections are added):**

**“Validation by Educational Experience could be accomplished in one of three four ways: ...**  
**“3. For a minimum of two years, the CAS will offer short exams on each of the VEE topics (Economics, Finance, and Applied Statistical Methods) that candidates can take to achieve equivalent VEE credit. It is the intent that these exams will be structured such that the passing grade is consistent with a grade of “B-” in a college course consistent with Item 1.**

**“These exams will continue to be offered until the Board is convinced that an adequate range of alternative educational experiences (as described in Item 4) is available.**

**“34. ...The CAS or SOA may choose to offer such experiences. The CAS will work to either offer or accredit such experiences.”**

The motion carried by a vote of 11 in favor, with 3 abstentions.

**There was a further motion that the CAS Board express to the SOA Board its disappointment with the fact that the SOA announced its action regarding the Joint Preliminary Education Task Force recommendation prior to the Board meeting of the CAS, the SOA’s partner on that task force and on the jointly sponsored exams. The CAS Board views the timing of that SOA announcement to be not in keeping with the Organizational Sensitivities section of the Working Agreement that would have indicated a joint announcement.**

The motion carried by a vote of 11 in favor, 1 opposed and 2 abstentions.

## **5. MEMBERSHIP SURVEY TASK FORCE REPORT**

Joanne Spalla presented the highlights of the Report of the 2003 Membership Survey Task Force. She noted that conducting the survey online was a great success, with an outstanding 52% response rate, which was much better than the rate for the previous, mail-only survey. The conclusions and observations of the task force are discussed in the report found at Item 10 of the Board’s agenda material.

The report noted a concern with the decline in the number of memberships held by CAS members – there has been a percentile drop in members who are members of the AAA as well as in those with ASTIN/AFIR memberships. The consensus was that this partly arises from employer pressures to cut membership fees. The report noted that very few members seem to be aware that an FCAS designation carries with it automatic membership in the IAA because the CAS pays IAA dues for all Fellows. This point needs to be better publicized.

There was a discussion on the survey results related to the CAS Web site. Members reported high overall satisfaction with the Web Site, but several comments were made to suggest improvements to the Web Site’s search engine.

The Board discussed the idea of offering business education courses, such as those fostered by the Committee on General Business Skills, through the Regional Affiliates. One Board member said that in her experience with the Board of a Regional Affiliate, the significant effort in putting on such a seminar resulted in a very low turnout, and they would be unlikely to soon repeat the exercise.

The CAS Regional Affiliates got generally low marks from respondents to the Survey, but it was noted that no non-credentialed Candidates were surveyed. The idea was explored of also surveying Candidates, to gather their impressions regarding many of the issues covered by the Membership Survey. There are many activities (such as the Regional Affiliates) that have a greater skew toward non-Members, so such a survey could be very valuable.

The Membership Advisory Panel was discussed as a recent innovation with great potential for timely and low-cost data collection regarding member views on emerging issues. It was suggested that all Committee Chairs be made more aware of its existence so that they will consider using it.

It was noted that there was strong support for universal mandatory continuing education (CE) requirements. A brief discussion was held on the move at the AAA to greatly broaden the circumstances under which an

actuary would be considered subject to those requirements. Apparently such a change would be looked upon favorably by the majority of the CAS membership.

**There was a motion to accept the report of the 2003 CAS Membership Survey Task Force, charge the EC to consider the recommendations contained therein, and disband the Task Force with thanks. The Board adds to the EC charge the directive that it:**

- 1. Follow up through the Membership Advisory Panel on the findings of the survey, particularly seeking to gather more information regarding member satisfaction with the society and its leadership;**
- 2. Further consider CE requirements in light of these results;**
- 3. Consider enhancements to the membership's professionalism education;**
- 4. Consider conducting a Candidate Survey;**
- 5. Focus on the current and potential roles of the Regional Affiliates.**

The motion was seconded and approved unanimously. The Board emphasized their thanks for the efforts of the Task Force, and expressed their approval of the high quality of both the results and the very high response rate obtained.

## **6. S&P RESPONSE BY AAA**

This item was collaboratively presented by Mary Frances Miller and Gail Ross, who took the Board through a chronology of the events as they transpired following the issuance of the November 2003 S&P report on actuarial reserving entitled "Insurance Actuaries – A Crisis of Credibility." The CAS was dissatisfied with the communication process during the development of the press release issued by the AAA in response to the S&P report. There have since been a variety of initiatives to improve the process. The Board and CAS leadership are confident that the CAS will be more effectively included in the future crisis response teams.

One Board member expressed the concern that all the discussion about the process is distracting attention from the real issue, which is that the actuarial industry is undergoing a real crisis of confidence arising from an ongoing reserve deficiency. Board members acknowledged that more should be done to convince all segments of the public that Statements of Actuarial Opinion can be relied upon. Cynthia Ziegler then stated that in her opinion this reserving situation presented a rare opportunity for the CAS to change course for itself or its membership. She suggested that the Board consider holding a full-day retreat on reserving issues at an upcoming meeting to allow for brainstorming. There was general approval of this suggestion. It was tentatively concluded that the September 2004 meeting might be the most appropriate time for this meeting. It was also suggested that in addition to the Board and EC, representatives be invited from rating agencies, the NAIC, the SEC, and the AAA. Staff will investigate and plan possibilities for this initiative.

## **7. ACAS TASK FORCE UPDATES - CLASSES OF MEMBERSHIP & VOTE**

Amy Bouska joined the meeting by teleconference at 3:05 p.m. She gave an overview of the progress of the Task Force on the ACAS Vote, as presented in the Interim Report found at Item 15 of the Board agenda materials. She stated that her reason for approaching the Board at this point with an interim report was to gather feedback from the Board on the Task Force's work to date, and guidance from the Board to assist the Task Force in completing its task.

Amy Bouska reported that the Task Force was unanimously in favor of allowing Associates to vote after an appropriate waiting time, such as five years after attainment of ACAS. There was less unanimity on the areas of CAS activities on which the ACAS voting members should be permitted to participate. The Task Force was undecided on whether to permit voting ACAS to serve on the Board of Directors, and if they are

allowed, how the Board structure should be adjusted to accommodate the representation by this additional group of members.

Amy Bouska gave an overview of the history of the distinction between ACAS and FCAS, which has evolved significantly since the formation of the CAS. She stated that, based on her Task Force's review of CAS data, 25% of all ACAS are unlikely to ever become FCAS – in fact, many have no desire to do so. The biggest concern of the Task Force in developing its suggestions was the potential reaction of the current voting members. The Task Force is hesitant about making proposals to which the FCAS will react negatively. Therefore, part of their intention is to make the proposal politically palatable to the membership. Another concern voiced at the meeting was that if too many privileges are granted to ACAS, there will be less reason to take the rest of the exams to become a Fellow.

The Board Chairman recognized observer Clive Keatinge, who said his opinion as a member of the voting FCAS membership would strongly depend on the findings of the Task Force on the Classes of Membership. Lee Van Slyke reported that the recommendations of that Task Force will be completed in time for the May 16, 2004 Board meeting. The report will provide two options, with pros and cons for each, to allow the Board to make an informed decision on whether to retain the ACAS designation. Currently the Task Force is functioning in two subgroups: one that is preparing recommendations for how to align the two classes if the CAS retains two classes of membership, and one that will suggest how to proceed should the CAS decide to eliminate the ACAS designation.

The Board and EC held a series of straw polls, the results of which are recorded hereunder. Nineteen voting members were present for the straw polls.

- Should ACAS be permitted to vote as suggested by the Task Force (after five years of attaining ACAS)? Yes: 18; No: 1. (It was noted that 2/3 of the respondents to the 5 Year Survey voted "yes" to this question, although when restricted to FCAS the vote was much more evenly divided).
- Should ACAS be permitted to serve on the Discipline Committee? Yes 8; No 11.
- Should ACAS be permitted to serve on the Education Policy Committee? Yes 3; No 15; Abstention in absentia 1.
- Should ACAS be permitted to serve as Vice President (other than VP-Admissions)? Yes 16; No 1; Abstention 1; Abstention in absentia 1. The dissenting Board member indicated that a conflict of interest could arise at the EC when matters of education policy are decided, if some of the EC members are ACAS. Many other members indicated that this consideration might make them reconsider their vote on this item.
- Should ACAS be permitted to serve on the Board of Directors? Yes 14; No 4; Abstention 1.
- Should the Board size therefore be increased? Yes 1; No 18.
- Should there be "inside limits" or minimum / maximum numbers of ACAS on the Board at any time? Yes 3; No 11; Abstention 4; Abstention in absentia 1.

Gail Ross requested that the Task Force, with the assistance of Staff, include in its report a discussion of the changes that would be needed to the CAS Bylaws and Constitution to implement each of the recommendations.

Logistical issues were discussed relating to the high degree of interest likely to be generated by the presentation of the reports at the May 16, 2004 Board meeting. The Classes of Membership report will be heard first. A member from each of the Task Forces will be asked to attend the Board meeting.

## **8. DISCIPLINE COMMITTEE STAFFING DISCUSSION**

Mary Frances Miller led the discussion on Discipline Committee staffing. The Discipline Committee has expressed concern with using the Participation Survey process for staffing, due to the nature of its work. It was noted that the Participation Survey process serves to surface names of volunteers that would not otherwise be brought forward and that bypassing the process would give the perception that the Committee was secretive. There was general agreement that the description of the Committee on the Participation Survey could be worded to clarify the uniqueness of the Discipline Committee and the fact that, as a result, volunteering might not guarantee acceptance to the Committee. The Discipline Committee will remain on the Survey to retain a greater degree of openness in the recruiting process. If members that meet the requirements volunteer through the Participation Survey, they should be considered for Committee membership. It was mentioned that, for non-selected volunteers, the ABCD or other AAA committees might serve as appropriate outlets for their interest. Mary Frances will discuss the issue with the Discipline Committee Chairperson.

## **9. EXECUTIVE SESSION**

At 4:30 p.m. the Board went into Executive Session until about 5:00 p.m.

The meeting adjourned until 8:30 a.m. on March 9, 2004.

## **10. STUDY MATERIALS TASK FORCE REPORT**

Manalur Sandilya joined the meeting by teleconference and presented the conclusions of his Task Force, which investigated ways of improving the quality of the study materials available to CAS candidates. The report of the Task Force is found at Item 8 of the Board's agenda material.

The Task Force reviewed the products of potential vendors with whom the CAS could contract to develop new study materials for the upper level exams. The Task Force focused on currently available materials for Exams 1 through 4, due to the greater breadth of material already available, and found that some of the material was better than some of the current Syllabus readings but none of the materials was uniformly better than the current readings. The reviewed material did not give the Task Force an adequate opportunity to determine vendor capability at integrating the purely actuarial material that is not covered in standard academic courses.

The Task Force recommends that a two-step RFP be conducted. The first step would narrow down the vendor list and the second step would involve asking each of them to produce and present a sample chapter (based on learning objectives and topic material provided by the Syllabus Committee) to determine whether they can produce satisfactory material. After evaluating them, if one were found to meet the requisite standard, that firm would be chosen to produce a large body of material. A further evaluation would be performed at that point before contracting to produce additional materials.

**There was a motion to accept the report of the Task Force on Study Materials, charge the EC to consider the recommendations contained therein, and disband the Task Force with thanks.**

The motion was seconded and approved unanimously.

## **11. IAA VOTE (REPORT OF THE INSURER SOLVENCY ASSESSMENT WORKING PARTY)**

The CAS IAA Response Committee recommended the Board accept the IAA publication of the paper entitled "A Global Framework for Insurer Solvency Assessment," provided the following conditions are met:

1. The title be changed or a subtitle added, clarifying that the paper does not address all aspects of insurer solvency assessment but instead is focused on capital requirements; and
2. The paper be clearly labeled as the product of the Working Party, and does not necessarily represent the official position or positions of the IAA or its member associations.

There was extensive discussion of the implications of placing caveats upon the approval of the paper. Three CAS members, including Bob Wolf, were involved in developing the paper. Bob Wolf described the extensive process undertaken for developing the paper. Dave Hartman, who was familiar with the development of the paper, stated that the document was meant to be an educational document and not an official statement. The consensus of the Board was that the scope of the comments was very minor, and that the comments could be shared with the IAA directly as opposed to including the comments with the CAS's vote. John Narvell will communicate the comments of the IAA Response Committee directly to the Chair of the Working Party.

**There was a motion to instruct the CAS representative to the IAA to vote in favor of the paper.**

The motion was seconded and approved by 12 affirmative votes, with 2 abstentions.

## **12. 2005 PRESIDENTIAL GOALS**

Steve D'Arcy led a discussion on the preliminary list of his goals (Item 12) for his upcoming term as President. He stated that he seeks input from the Board on his goals, as well as the goals of the individual Board members. Each Board member was provided the opportunity to comment on the draft goals.

Board members complimented the aggressiveness and breadth of the draft goals, and provided substantive feedback and suggestions for the goals. Steve D'Arcy will revise the goals based on the Board's discussion. The 2005 Presidential Goals will be presented to the Board again during its September 2004 meeting.

## **13. PENSION ISSUES**

By assent this item was tabled until the next meeting.

## **14. INTERNATIONAL INITIATIVES REPORT**

John Narvell led the discussion on the CAS International Initiatives. The report covered the following topics:

- Discussion of the recent changes to the structure of the International Committees in response to the previously excessive demands on the International Issues Committee.
- Description of the IAA Liaison Committee, which consists of all of the CAS delegates to the IAA Committees on which the CAS is represented. The level of representation on IAA Committees is very strong, which is a great asset considering how important it is to be prominent and have international influence in light of the multinational aspects of the Centennial Goal. It was noted that tenure on the Committee is likely to far outstrip the normal three year turnover rule, due to the expectations of the international community for long, well-developed relationships.

- An audit of the joint Hong Kong office is underway. The Executive Directors of the SOA and Institute of Actuaries of Australia are responsible for that office. There is a reorganization planned, and funding methods for the office may be changed going forward from a fully funded approach to a fee-for-service approach.
- An important area that must be addressed is delivery of services in languages other than English. Some progress has been made in this area, particularly in Asia, but more work must be done. The issue of how to vet and approve these translations was mentioned as a significant open issue.

One Board member commended the ambassador program and suggested that it be expanded and used to forge close relationships with the actuarial organizations, academics, regulators, and actuarial opinion-makers of the various foreign countries. Another Board member indicated that reports from such representatives should be submitted on a regular basis.

There was discussion of the ASTIN Bulletin, and what steps are being taken to make it more accessible and practical instead of its current theoretical focus. As ASTIN Chairman, Dave Hartman is considering this issue, and the Hachmeister Prize is intended to further this purpose as well.

The Board requested that future Board agenda material include metrics regarding the numbers and locations of exams given outside the United States and Canada.

John Narvell reported that discussions with the US Agency for International Development have again become active. The agency will provide small honoraria and compensate travel expenses, and the CAS will help recruit volunteers to travel to developing nations to help in establishing an actuarial profession in those countries.

John Narvell also mentioned that at a recent meeting of the actuarial organization in India, the mutual recognition agreements that had already been signed were prominently displayed, reinforcing the fact that mutual recognition is an important goal on which we should make every effort to accomplish where possible.

## **15. OTHER BUSINESS**

The Board by assent requested that the Staff address the logistical issues surrounding the next Board meeting, in light of the increased number of observers that might be expected to attend due to the presentation of the reports of the ACAS Task Forces at that meeting. Staff will request intended attendees to preregister; and if more than two do so, Staff will circulate a memo to the registrants indicating that no lunch or other activities will be provided at CAS expense for the guests at this meeting.

A Board member expressed concern over what he considers a lack of progress in shortening travel time since the Board resolved to take aggressive steps in that direction. It was noted that the computerized testing initiative should help improve travel time. In addition, the Chauncey Group (education consultant) has been of help in providing suggestions regarding test structure and question content, and in training question writers. Units passed per sitting have increased significantly, but more data must be gathered before a clear conclusion can be reached regarding the effect of recent changes on travel time. It was also noted that possible changes regarding classes of membership (as will be discussed at the May Board meeting) could also have a significant effect on the long-term outlook for travel time.

## **16. INFORMATION ITEMS**

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

- EC Minutes (Oct 7, Nov 11, Dec 11, Jan 12, Jan 15, and Jan 27) (Attachment 18)
- Cycle Reports/Progress on 2003-2004 Goals (Attachment 19)
- Q1 FY 2004 Financial Statement (Attachment 20)
- List of New Affiliate Members (Attachment 21)
- Executive Director's Report (Attachment 22)
- Long Range Planning Committee Update (Attachment 23)
- Modeling Workshop Task Force (Attachment 24)
- Computer Based Testing Task Force (Attachment 25)
- Results of Fall 2003 Exams (Attachment 26)
- Publications Task Force Update (Attachment 27)
- CAS Research Initiatives (Attachment 28)
- Debrief of February 2004 Council of Presidents Meeting (Attachment 29)
- 2005 Board Meeting Schedule (Attachment 30)
- IPEF Funding (Attachment 31)
- AAA Board Meeting (Attachment 32)
- Biennial Dinner (Attachment 33)
- Corporate Support Task Force (Attachment 34)
- Developments in Actuarial Malpractice Litigation (Attachment 35)
- National Bureau of Economic Research Insurance Project (Attachment 36)

## **17. EXECUTIVE SESSION**

The Board held an Executive Session from 11:45 a.m. to 11:55 a.m.

## **18. ADJOURN**

The meeting was adjourned at 11:55 a.m.

Respectfully submitted,

Kenneth Quintilian  
Assistant Secretary - Board of Directors

Approved May 16, 2004

Subsequent to the meeting, the Board approved via e-mail vote the recommendation to post the March 8-9, 2004 Board Meeting Executive Summary as amended, with 11 in favor and one abstention. The Board also approved a proposal to outsource the development of an International Actuarial Seminar consisting of 20 modules over the next two years for a fee of \$30,000, with 11 in favor and one abstention.