

**CAS BOARD OF DIRECTORS MEETING**  
**MARCH 10-11, 2003**  
**Las Vegas, Nevada**  
**Minutes**

**Present**

Board Members: Phillip Ben-Zvi, Gary Dean, Janet Fagan, Gary Josephson, David Oakden, Michael Miller, Deborah Rosenberg, Patricia Teufel and Oakley Van Slyke

Immediate Past President: Robert Conger

President: Gail Ross

President-Elect: Mary Frances Miller

Vice Presidents: Chris Carlson, Donald Mango, Thomas Myers, John Narvell and Sheldon Rosenberg

Executive Director, Cynthia Ziegler; Assistant Secretary-Board of Directors, Joanne Spalla

Board Members Not Present: Ralph Blanchard, David Hartman and Janet Nelson

Vice President Not Present: Roger Schultz

Other Attendees: Michael Boa – Manager, Communications and Research, CAS Staff; Todd Rodgers – Manager, Finance and Administration, CAS Staff. Steve D’Arcy, Chair of the Long Range Planning Committee, and Stan Khury, a member of the Long Range Planning Committee, attended on Monday March 10, 2003. Clive Keatinge attended as an observer.

Bob Conger called the meeting to order at 8:00 a.m. on Monday March 10, 2003.

**1. CONSENT ITEMS**

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

i) Minutes of November 10, 2002 and January 31, 2003 Board Meetings

The minutes of the November 10, 2002 Board Meetings were approved. The minutes of the January 31, 2003 Telephone Conference Meeting were approved as amended.

ii) Dues Collection Policy

The Board resolved to adopt a policy that prohibits solicitation of voluntary donations (i.e., charitable contributions) for other organizations on the CAS dues invoice. The collection of dues for other organizations is not prohibited under this policy.

iii) Dues Waivers/Reinstatements:

The Board resolved to reinstate a member subject to repayment of past dues of \$300 for 2001 only, in addition to the current year's dues (\$330). The Board resolved to waive its right to assess back dues for 2000 and 2002 when the member was enrolled in a graduate program and would have been granted temporary dues waivers for those years.

The Board resolved to change a motion approved at the November 2002 Board meeting "reinstating a member subject to repayment of the past five years dues (1998, 1999, 2000, 2001 and 2002; \$270, \$280, \$290, \$300 and \$310, respectively (total \$1,450)) in addition to the current year's dues (\$330)." The revised motion is to "reinstating the member subject to repayment of dues for the deferral years (1996 and 1997; \$260 and \$270, respectively), in addition to the current years dues (\$330)."

The Board resolved to expand the language in Article VII, Section 4 of the CAS Bylaws titled "Reinstatement" to make it clear that this policy covers voluntary resignations as well as members who cease to be members because of failure to pay dues. The approved wording states "A Fellow, Associate or Affiliate who has ceased to be a member because of failure to pay dues, or by voluntary resignation may be reinstated by a majority vote of the Board of Directors upon payment of a reapplication fee, to be set by the Board of Directors, and such payment may be partially or fully waived by the Board at its discretion." The Board resolved to set the reapplication fee at \$500, assuming the Bylaws change is approved by the membership.

iv) Staff Librarian

The Board approved the funding of \$29,500 to hire a full-time CAS Librarian in 2003.

v) Bylaws Change

The Board resolved to utilize electronic voting in conjunction with the 2003 Board and President-Elect elections for the following policy changes that will require Bylaws changes or a Constitutional Amendment to implement:

- (a) Signing of the Addendum to the CBDA (Board of Directors, 5/02) (Bylaws, Art. V)
- (b) Mutual Recognition "Waiver of Exams" (Board of Directors, 11/02) (Cons. Art. III, Sec. 2d)
- (c) Payment of past dues for reinstatement of members (Board of Directors, 3/03) (Bylaws, Art. VII, Sec. 4)

Gail Ross clarified that the above resolution pertains to including the three policy changes as part of the 2003 Board and President-Elect voting process which will be conducted online; specific wording for the Bylaws, changes and Constitutional Amendment will be approved at the June 1<sup>st</sup> Board meeting.

**The motion to approve the consent agenda items was seconded and approved unanimously.**

## **2. LONG RANGE PLANNING COMMITTEE REPORT**

Mary Frances Miller introduced Steve D'Arcy, Chair of the Long Range Planning Committee (LRPC), and Stan Khury, a LRPC member.

Steve D'Arcy presented the 2003 LRPC Report, included as attachment 7 of the agenda material. He stated that the current objective of the LRPC is to establish Significant, Attainable and Measurable (SAM) goals for the CAS for 2014, the year the CAS will be 100 years old. These goals are intended to help guide the actions

of the CAS over the next decade. Steve D'Arcy described the process the LRPC used to set the goals. The LRPC used the March 2002 CAS Leadership Meeting, as well as sessions at various regional and national meetings during 2002, to solicit input from members. The LRPC presented the proposed Core Purpose and Core Values to the CAS Board in November 2002, along with three potential Big Audacious Goals (BAGs) for comment. The LRPC has distilled the myriad ideas and developed a single Core Purpose, a succinct set of Core Values, and one recommended Big Audacious Goal to be achieved by the year 2014, along with a set of supporting interim Significant, Attainable and Measurable goals to measure progress toward the BAG.

Steve D'Arcy described the two main themes that emerged from the LRPC deliberations: 1) the CAS needs to have more of an international focus, and 2) the CAS cannot afford to focus exclusively on hazard risk, but also needs to look at strategic, financial and operational risks. The LRPC proposed one major goal combining the two themes, as well as two alternative goals in case the proposed goal is considered too ambitious.

Many of the SAM goals do not include specific parameter values. The LRPC believes that these parameters should be established by involving the CAS leadership to ensure that the goals are challenging, but realistically achievable within the timeframes involved. It is recommended that the Board adopt the recommendation of the LRPC and forward the newly adopted plan to the attendees of the 2003 Leadership Meeting with the assignment to:

1. Help determine the implications, in terms of costs, benefits and other tradeoffs, that the proposed BAG and SAMs entail,
2. Help formalize some of the goals, and
3. Develop interim goals, objectives, and strategies related to the SAM goals to focus activities over the next 3-5 years.

The Board discussed the LRPC recommendations and questioned why the LRPC decided to recommend a single goal rather than two separate ones. Board members also discussed whether the goal was attainable. The Board discussed the inclusion of non-hazard risks in the goal. Many Board members felt that the CAS needs to address financial risks in order to maintain its relevance. A Board member suggested that the CAS adds value in the integration of these risks, i.e., CAS members do not need to be subject experts, but instead need to tap the knowledge of experts. Other Board members suggested that the CAS has a role as a resource in helping other organizations address these issues.

A Board member observed that instead of focusing on today's Fellow, the discussion should instead focus on the future of the profession, specifically the skill sets that tomorrow's Fellows need in order to have vital, functioning careers. The CAS needs to communicate that, in order to bring more value to their firms, actuaries need to build tools to help their management evaluate this broader spectrum of risks. The CAS needs to communicate that it is not abandoning what actuaries are doing today, but that actuaries can broaden the application of their skills.

There was a motion to adopt the Big Audacious Goal recommended by the LRPC which read, "The CAS will be globally recognized as the preeminent organization for educating casualty actuaries and conducting research in the valuation of future contingent events involving strategic, financial, operational, and hazard risks. The motion was seconded. The Board debated whether the goal should be broken into two distinct parts. The motion was amended to adopt in principle the recommended Big Audacious Goal, which will be rewritten to clearly distinguish its two dimensions, and to expose it at the CAS Leadership Meeting.

In a straw poll on the amended motion, six members were in favor, four opposed and two abstained. One of the abstaining Board members was reluctant to vote without seeing the reworded goal. There was also concern about whether the Big Audacious Goal was achievable.

The Board unanimously endorsed the establishment of a Big Audacious Goal pertaining to internationalization and expanding risk horizons, and discussed the wording of the goal, using the recommended goal and two alternatives supplied by the LRPC as a starting point. There was a consensus to change the phrase “preeminent organization” to “preeminent resource” as articulated in one of the alternative goals. There was a debate about whether the goal should state that the CAS will be recognized as “*the* preeminent resource” or “*a* preeminent resource.” It was noted that if mutual recognition is not ultimately approved, it would be unrealistic for the CAS to be recognized as “*the* preeminent resource” because it would be viewed as an isolationist. Although some Board members expressed concerns that the phrase “*the* preeminent resource” may be viewed as haughty, others believed that the phrase more clearly defines the objective and that the goal should be far-reaching. The Board could consider revising the goal to “*a* preeminent resource” if mutual recognition is not approved.

**There was a motion to adopt the following goal:**

**The CAS will be globally recognized as the preeminent resource in educating casualty actuaries and conducting research in casualty actuarial science. CAS members will be recognized as experts in the evaluation of hazard risk and in the integration of hazard risk with strategic, financial and operational risks.**

The Board also requested that the following be added as a preamble to the goal: “This recognition is founded on the actuary's skill in the complex mathematics underlying risk, on the actuary's ability to communicate difficult concepts in actionable terms, and on the professional standards under which the actuary operates.”

The motion was seconded and approved unanimously.

Steve D'Arcy noted that the LRPC developed three categories of SAM goals: education, research and membership achievement and then asked for the Board's feedback on the goals, which will be used to measure progress toward the BAG. The Board agreed that the goals should be revised to reflect the rewording of the BAG. Steve D'Arcy said the LRPC intends to expose the goals at the Leadership Meeting and to give the leadership the opportunity to revise the goals and establish baselines. The Board reacted favorably to the goals. It was suggested that the educational goals should not focus solely on technical skills. A Board member suggested identifying concepts that would be most likely to arise in discussions with non-actuarial members on strategic, operational and financial risks. It was also suggested that the CAS create a new international peer reviewed journal specifically addressing the Big Audacious Goal that would be read by CAS members and serve as the primary source on the integration of hazard risks with other risks. The Board also recommended that the CAS should formally include other groups in the goal setting process.

**There was a motion to commend the Long Range Planning Committee.** The motion was seconded and approved unanimously.

### **3. MUTUAL RECOGNITION**

Mary Frances Miller gave an oral report on mutual recognition issues. The Task Force on Mutual Recognition has been active. An article in the February 2003 *Actuarial Review* invited feedback from the membership. Limited feedback has been received thus far. The Task Force is considering another article in the May *Actuarial Review* with a point/counterpoint debate on the issue. There will be an information booth at the Ratemaking Seminar. Gail Ross reported on her experience at Regional Affiliate meetings. In general, she felt that opinions were favorable after the audience heard the presentation; however, in Bermuda, the audience was opposed. When asked to articulate the downside of mutual recognition, the attendees indicated they feared an infiltration of unqualified members. Mary Frances Miller said that the CAS needs to quantify the number of candidates that would apply for mutual recognition. It was also recognized that there is a

misconception between statutory requirements for statements of actuarial opinion and the qualification standards. Gail Ross described the communication plan and asked for the Board's feedback. The Board generally supported the communication plan, but expressed concern about the proposal to contact members by phone. Gail Ross said that the wording for a constitutional amendment would be available for the June 1<sup>st</sup> Board meeting with the intention of a vote in August. There was a suggestion to include questions on mutual recognition on the CAS Membership Survey.

There was debate about including the constitutional amendment with the election of officers. Board members were concerned about making mutual recognition a political issue and overwhelming the members with ballot questions at the same time they are focusing on information about the candidates. The Board agreed to proceed with the modified communication plan and to include the constitutional amendment with the election of officers.

The Board adjourned for lunch at 12:00 p.m. The meeting reconvened at 1:15 p.m.

#### **4. AUDIT COMMITTEE REPORT (FY 2002)**

Phil Ben-Zvi presented the FY 2002 Audit Committee Report, included as attachment 9 of the agenda material. The independent auditor's report is once again unqualified, the highest level of assurance that can be given in such an audit. As part of the audit engagement, Langan Associates prepares a Management Letter, which is used to communicate any reportable condition or material weakness discovered during the course of their fieldwork. There were no items mentioned in last year's Management Letter that needed to be addressed, and this year's Management Letter again identifies no new items. The Audit Committee Report includes three specific recommendations for Board action:

- In response to the material increase in the shortfall of the projected benefit obligations over the fair value of plan assets attributable to changes in asset valuations and interest rate assumptions, the Audit Committee recommends that the Board direct the EC to evaluate pension funding issues during its budgeting and financial management discussions, and explore the possibility of conducting sensitivity analysis. The EC will undertake this assignment in the next budget cycle.
- The Audit Committee recommends that the Board direct the EC to develop a policy and methodology for the assignment of pooled interest income to non-operating funds.
- The Audit Committee recommends that the Board continue the past practice for staffing the Audit Committee.

**There was a motion to approve the FY 2002 Audit Committee Report, including the recommendations contained therein.** The motion was seconded and approved unanimously.

#### **5. AUDIT COMMITTEE STAFFING**

Bob Conger presented a recommendation in attachment 10 of the agenda material for the 2002-03 Audit Committee Membership.

**There was a motion to appoint Patricia Teufel, a newly elected member of the Board, to the 2002-03 Audit Committee.** Patricia Teufel is willing to serve on the committee. The motion was seconded and approved unanimously.

Fred Kist and John Gibson have agreed to continue serving on the 2002-03 Audit Committee. Phil Ben-Zvi was approved as Chairperson for 2002-03 Audit Committee during the September 12, 2002 Board meeting.

## **6. ELECTRONIC VOTING**

Sheldon Rosenberg presented a recommendation, included as attachment 11 of the agenda material, to implement electronic voting for the 2003 CAS elections. Sheldon Rosenberg thanked CAS staff for their thorough research on the issue.

During its March 2002 meeting, the Board approved a motion for CAS staff to explore the issues associated with a shift to electronic voting for future elections, including confidentiality, randomization, and effects on participation. Staff researched the issues and concluded that online elections are commonplace in the association industry, with the SOA and CIA both having conducted online elections for the last two years. The most important consideration stressed by SOA and CIA staff was the need to provide timely and detailed information about the process to members. The vendors that provide online voting services have frequently addressed all CAS requirements. The EC agreed on a timeline and specific requirements for incorporating online voting for the 2003 CAS elections. An RFP, based on the EC requirements, was sent to eleven vendors, and staff received nine proposals. Based on the proposals and demonstrations by a subgroup of the vendors, staff recommended awarding the project to Elections Online, who was extremely knowledgeable about conducting online elections. Their proposal was the most responsive and thoroughly addressed all requirements. Elections Online also provided an excellent demonstration of its online voting system. The proposed cost (\$3,500 for one ballot; \$5,025 if a run-off election is needed) was also the lowest among the proposals submitted. The Committee on Online Services endorsed the staff recommendation, contingent upon the vendor references, which were all complimentary. The EC approved the recommendation to select Elections Online to provide online voting services for the CAS in 2003.

Board members asked questions about how the Telling process would operate under electronic voting and how Elections Online would ensure that Fellows only cast one vote. The Board also discussed how the changes would be communicated to CAS members.

**There was a motion to approve plans for implementing online voting for the 2003 CAS elections.** The motion was seconded and approved unanimously.

## **7. 2003 CAS ELECTION PROCEDURES & TIMELINE, TELLERING PROCEDURES, NOMINATING GUIDELINES, AND PROCEDURES FOR THE NOMINATING COMMITTEE**

Sheldon Rosenberg presented the 2003 CAS Election Procedures Documents, provided in attachment 6 of the agenda material. The election documents reflect the revisions necessary to implement the modified procedures and timelines resulting from the Election Process Task Force recommendations and the transition to electronic voting. Board members asked questions about the documents and suggested editorial changes.

**There was a motion to approve the following:**

- **2003 E-Procedures for the Election of Officers and Directors (including Timeline)**
- **2003 Nominating Committee Procedures (including Timeline)**
- **2003 Nominating Guidelines for President-Elect, Vice Presidents and Directors**
- **2003 Candidate Information to be included on the CAS Web Site**
- **2003 E-Telling Procedures**

The motion was seconded and approved unanimously.

## 8. INFORMATION ITEMS

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

- EC Minutes (Dec 12, Jan 14, Jan 27) (Attachment 15)
- Cycle Reports/Progress on 2002-2003 Goals (Attachment 16)
- Q1 FY 2003 Financial Statement (Attachment 17)
- List of New Affiliate Members (Attachment 18)
- Report on Webcast of the 2002 Annual Meeting (Attachment 19)
- Telephone Voting Survey (Attachment 20)
- Executive Director's Report (Attachment 21)
- Results of Fall 2002 Exams (Attachment 22)
- Online *Index* (Attachment 23)
- Debrief on February 2003 COP Meeting (Attachment 24)
- 2004 Board Meeting Schedule (Attachment 25)
- IPEF Funding (Attachment 26)
- Package for Fellows' Vote on Bylaws (Attachment 27)

## 9. FUTURE CAS RESEARCH ACTIVITIES

Don Mango gave a presentation on Future CAS Research Activities. He highlighted key findings from the 1999 CAS Research Report, included as attachment 12 of the agenda material, which he felt were still relevant. While the CAS has been quite successful in promoting research in a wide range of areas, the quality of presentation and usefulness of the subjects in individual publications vary considerably. Members find it difficult to quickly locate research applicable to practical problems. Don Mango characterized CAS research efforts as "bottom-up," with most research needs identified by CAS members or committees. Although the CAS has budgeted research funding and participates in programs that fund actuarial research, it does not have a formal mechanism to coordinate committee efforts to contribute research. Actuaries tend to be somewhat conservative in their choice of methodology and may be reluctant and lack time to implement new techniques. Don Mango gave several recent examples of successful "top-down" research. He stated that many CAS research committees are "content providers" that actively manage the body of knowledge within their charge; others are "content managers" that mainly focus on call paper programs and providing feedback to program planning committees. The calls for papers produce a wide variety of product, and illustrate the effect of a more inclusive editorial policy. While the CAS "bottom-up" approach is consistent with the CAS's volunteer-driven approach, it creates an undesirable gap with no "keepers of the state of the science." This gap manifests itself in an unclear editorial content policy for the *PCAS*, as well as a very permissive editorial policy and inconsistent administration of call paper prize programs. Don Mango also noted that the voluntary membership on the Committee on Review of Papers (CORP) is inconsistent with scholarly journals, where members are appointed. This results in a body of published material that is very difficult for researchers and practitioners to access efficiently. Furthermore, he noted two recent incidents that have highlighted the potential implications of this lack of an "endorsed" or "approved" set of methods. CAS does have rather broad descriptive standards of practice, which mainly outline considerations for the practitioner; however, actual implementation is left up to professional judgment.

Don Mango made two specific recommendations on how to restructure CAS activities to encourage research. He recommended that the CAS consider formal incentives to produce software as an additional tool to improve the accessibility and effectiveness of research. In addition, he described how a Working Party approach, such as the group research approach taken by GIRO, might benefit the CAS. This approach involves group identification of research topics, work on those topics, creation of final reports, and presentations at society meetings. Don Mango commended the CAS's approach with the Bowles

Symposium and recommended that the CAS formalize and officially endorse the process. The Board found the Working Group concept appealing as an alternative to the call paper process and agreed that the concept warranted further development.

Don Mango responded to questions about the ramifications of the fact that there is no “keeper of the CAS science.” Board members asked which bodies would be the “keeper of the science” and suggested expanding CORP’s role to include determining how to generate papers. The Board indicated that they didn’t want to do anything to restrict the call paper program’s goal of stimulating quality research. The Board also questioned the value of the *Forum* and discussed the balance between needing to stimulate research with the need for more review of the papers. Board members asked about the process to publish discussion papers in the *Proceedings* and suggested paying authors to convert call papers to *Proceedings* papers. It was suggested that CORP consider appointing subject matter experts to review papers rather than reviewing the papers themselves. A Board member proposed a “mini peer review process” for call papers. Board members also felt that the CAS should make sure that refereed papers are distinguished.

The Board also discussed methodology endorsement and wanted to make sure that there is a distinction between endorsement of methods and stating that these methods are the only valid ones.

The Board agreed that CAS committees should identify seminal papers. Board members also urged looking beyond what CAS members have published and reaching out to other publications in the interest of improving the science. The Board agreed that survey papers are useful, but there are too few. Don Mango suggested that survey papers might be good candidates for the Working Group approach.

Gail Ross requested that the Research Committee goals be presented at the September Board meeting.

The meeting was adjourned at 4:50 p.m. The meeting was reconvened at 8:00 a.m. on March 11, 2003.

## **10. CAS LIABILITY ISSUES**

Gail Ross introduced the Discussion Paper on Potential Liability Issues for the CAS, included as attachment 13 of the agenda material. Recently, two areas of concern have been raised that could result in liability issues for the CAS and its members: (i) Certification liability for credentialing organizations and (ii) Annotation 1-1 of Precept 1 of the CAS Code of Professional Conduct. Because the CAS grants ACAS and FCAS credentials, it could face liability for exposures relating to credentialed members and their failure to perform their duties with “skill and care” if sued by a third party. A Board member recently raised concern about the lack of definition of “skill and care” in the CAS Code of Professional Conduct. The member was concerned that it might be difficult for the profession to enforce discipline in a non-arbitrary way due to the vagueness of terms in Annotation 1-1, and that this vagueness could create a situation that lawyers will use against reputable actuaries. CAS has applied to the National Certification Commission in order to have access to additional material on the topic of certification liability. The EC determined that the Board should further explore these potential issues and asked the VP—Administration to determine whether CAS insurance policies would provide coverage in the event of a suit. It was noted that the CAS does have a Peer Review and Accreditation Endorsement that “shall apply only where all or part of any claim is for wrongful acts based upon, arising from or in consequence of peer review and/or accreditation activities.”

Mary Frances Miller reported that the rise in actuarial malpractice cases was discussed at the COP/COPE meeting and that the AAA is organizing a COP/COPE Task Force chaired by Chuck Bryan on actuarial malpractice. Sheldon Rosenberg reported on the limits in the CAS’s primary and excess insurance policies. The Finance Committee is reviewing the CAS coverage and will be making a report to the EC.

The Board discussed the lack of definition of “skill and care” within Annotation 1-1. A Board member recounted his experiences in testimony as an expert witness. Board members suggested alternative wording, but wanted further study. The Board discussed performing a thorough review of the CAS standards of practice, possibly involving the legal counsel from the large consulting firms. Board members also suggested looking at how other professions define skill and care. It was also suggested that the issue be taken to COP/COPE once the research is complete.

The Board directed the VP—Administration to approach Mike Fusco about spearheading an effort to ask various centers of influence in the actuarial field to ask their legal counsel to comment on areas of the Code of Professional Conduct that raise potential litigation concerns with special attention to phrases relating to “skill and care.” The Task Force will present its report to the CAS Board at the June 1<sup>st</sup> meeting and to COP/COPE in July. The review of the CAS liability policy will also be on the agenda for the June 1<sup>st</sup> Board meeting.

## **11. INTERNATIONAL INITIATIVES REPORT**

John Narvell discussed the International Initiatives First Cycle Report, which was distributed at the meeting. He reviewed the new international committee structure. Three new Regional Committees for Asia, Latin America, and Europe were created to increase the interaction with local actuaries and be proactive, rather than reactive, in providing services to actuaries practicing in those regions. John Narvell described several activities that are in progress. David Hartman, who is coordinating ongoing attendance for the IAA meetings, reported on the October 17-21, 2002 IAA meeting in Barcelona. CAS participation at the meeting was excellent with eleven CAS members in attendance, the largest participation of any society.

An ongoing international goal is to establish and maintain regular communications with other North American actuarial organizations regarding IAA activity. Another objective is to develop appropriate CAS positions on issues before the IAA. A structure is being developed that will facilitate review of IAA statements by the appropriate CAS committees. John Narvell stressed the importance of these IAA statements, which are heavily utilized by organizations in emerging actuarial nations.

John Narvell discussed the responses received to date on the Mutual Recognition issue. There has been a lot of success on the communication objective, including articles in the February Actuarial Review. A major initiative is to increase the international content on the CAS Web Site.

Mary Frances Miller reported that she and Wendy Tobey presented a 2-day seminar on intermediate loss reserving techniques to the Actuarial Society of India in Delhi, funded by USAID. The CAS has been requested to provide a minimum of four more seminars in the next year. John Narvell will be looking for further opportunities for the CAS to work with USAID in other countries.

Bob Conger reported on progress in China. Regulators and universities have created opportunities for the CAS to provide education, including providing instructors for a Part 5 seminar. Cynthia Ziegler noted that requests from China for reduced exam fees have increased from 12 to 250. Gail Ross noted that the CAS is trying to become involved in the Hong Kong actuarial office. John Narvell reported that the CAS has made significant inroads in the UK, and he expects to make similar progress in Australia. The CAS is looking into how it can contribute to an ASTIN meeting in Berlin. There was also discussion about opportunities in Africa and Russia. John Narvell reported that all the international committees are fully staffed.

## **12. EXECUTIVE SESSION**

The Board held an Executive Session from 10:30 a.m. to 11:00 p.m.

**13. ADJOURN**

The meeting was adjourned at 11:00 a.m.

Respectfully submitted,

Joanne S. Spalla  
Assistant Secretary - Board of Directors

Approved \_\_\_\_\_

**CAS BOARD OF DIRECTORS MEETING**  
**June 1, 2003**  
**Philadelphia, PA**  
**Minutes**

**Present**

Board Members: Phillip Ben-Zvi, Ralph Blanchard, Janet Fagan, David Hartman, Gary Josephson, David Oakden, Michael Miller, Janet Nelson, Deborah Rosenberg and Patricia Teufel

Immediate Past President: Robert Conger

President: Gail Ross

President-Elect: Mary Frances Miller

Vice Presidents: Chris Carlson, Donald Mango, Thomas Myers, John Narvell, Sheldon Rosenberg and Roger Schultz

Executive Director, Cynthia Ziegler; Assistant Secretary-Board of Directors, Joanne Spalla

Board Members Not Present: Gary Dean and Oakley Van Slyke

Other Attendees: Michael Boa – Manager, Communications and Research, CAS Staff; Todd Rodgers – Manager, Finance and Administration, CAS Staff; and Jeanne Swanson, Chair of the Future Education Task Force (for FETF Discussion item). Mavis Walters, Chair of the Actuarial Foundation, Sarah Sanford, Executive Director of the SOA and the Actuarial Foundation, and Eileen Streu, Director of the Actuarial Foundation attended for the discussion of The Actuarial Foundation. Clive Keatinge attended as an observer.

Bob Conger called the meeting to order at 8:35 a.m. on Sunday June 1, 2003.

**1. MINUTES OF MARCH 10-11, 2003 BOARD MEETING**

The Board discussed the wording of the approved Big Audacious Goal in the minutes of the March 10-11, 2003 Board meeting, debating whether the goal should state “*the* preeminent resource” or “*a* preeminent resource.” There was a consensus that the minutes should reflect the Board’s deliberation between the two phrases and the fact that the Board changed the word “organization” to “resource.” In addition, the minutes should reflect the fact that the choice of “*the* preeminent resource” anticipated that Mutual Recognition would be approved and that the Board might reconsider the wording of the goal if Mutual Recognition is not approved. In a straw vote between the phrases, eight members endorsed the word “the” and four favored the word “a.” It was suggested that this section of the minutes be revised and circulated to the Board for approval by e-mail.

A Board member requested that section 1. ii) of the minutes be revised to clarify that “voluntary” donations do not refer to dues. There was a motion to provisionally approve the minutes with this amendment. The motion was approved with ten members in favor and three abstentions. The final approval of the minutes will be conducted by e-mail.

**2. CONSENT ITEMS**

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

- vi) Member Reinstatements: the Board resolved to waive its right to assess back dues and reinstated two members subject to payment of a \$500 reapplication fee in addition to the current year's dues (\$330).
- vii) Reinstatement Bylaw Amendment: the Board approved the voting package, included as attachment 3 of the agenda material, for a Fellows' vote on amending CAS Bylaws Article VII, Section 4: Dues-Reinstatement.
- viii) IAA Draft Submission on the European Commission Paper for the Solvency Subcommittee: the Board resolved to direct the CAS IAA representative to approve the release of the IAA draft response on the European Commission's Paper for the Solvency Subcommittee, "Considerations on the design of a future prudential supervisory system" and to record the comments drafted by Louise Francis and affirmed by Phil Heckman on behalf of the CAS, which were included in attachment 4 of the agenda material.

### 3. GUIDANCE FOR LONG RANGE PLANNING COMMITTEE

Gail Ross presented four options for assigning responsibility for the integration and implementation of the long range plan, which were detailed in attachment 5 of the agenda material. At the 2003 Leadership Meeting, CAS Committee Chairs began to develop Significant, Attainable, and Measurable (SAM) interim goals, objectives and strategies. The LRPC is distilling the feedback from the meeting, which will result in SAM goals that will affect all committees throughout the CAS. For the "Vision of the CAS in 2014" to be successful, a significant integration and monitoring effort will be necessary to embed the long range plan throughout committees, which tend to have a short range focus as they address day-to-day issues. The vision will be identified as a high priority objective of each Vice President, and SAM goals will be included within each committee's goals. Cynthia Ziegler reported that the LRPC has formed two subgroups: one is looking at barriers to implementation and the other is refining and grouping the SAM goals from the Leadership Meeting according to the current committee structure. She noted that based on past experience with change management, there needs to be administrative oversight to keep the big picture in focus.

The Board discussed the following four options offered by the LRPC:

- Option 1: President-Elect Oversees Implementation
- Option 2: VP-Administration and CAS Executive Director Oversee Implementation
- Option 3: Create a New Vice-President of "Change Management" to Oversee Implementation
- Option 4: Modify the Charge of the LRPC to Oversee Implementation

The Board agreed that it is important to ensure that the momentum created by the LRPC is sustained. However, Board members debated the need to create a separate group to monitor implementation activities rather than integrating the task into current CAS processes. In discussing whether a Vice President should be charged with overseeing the implementation, Board members expressed concern that the three-year VP term might hamper the implementation of a long range plan. The Board agreed that a group charged with overseeing the implementation should have a direct relationship with the EC. The Board also agreed that it would be beneficial for members of the implementation group to be aligned with the Vice Presidents.

**There was a motion to appoint a Task Force, comprised of a Chair plus approximately five members and the Executive Director, which would report to the Board and focus on implementation and integration of the Big Audacious Goal. The Task Force members would be aligned with the Vice Presidents. The Executive Director will serve as the liaison between the Task Force and the EC.** The motion was seconded and approved unanimously. The Past President, President and President-Elect will develop a proposal to staff the Task Force.

#### 4. MUTUAL RECOGNITION AND CONSTITUTION AMENDMENT

Mary Frances Miller presented alternative wordings for a Mutual Recognition Constitutional Amendment, included as attachment 6 of the agenda material. Board members debated the options, and generally favored more restrictive wording. The Board took a straw vote and agreed to narrow the choice down to Options C and D as presented in the agenda material.

After further discussion and revisions to the wording, there was a motion to adopt the following wording for the Mutual Recognition Constitutional Amendment:

**New paragraph e) to be added to Article III, Section 2:**

*e) Mutual Recognition*

*The Board of Directors may negotiate and implement Mutual Recognition Agreements with other actuarial organizations that qualify actuaries through a process that includes rigorous testing of a comprehensive property and casualty specialization. Such Mutual Recognition Agreements will include requirements that applicants:*

- *complete the property and casualty specialization requirements and all other requirements for full membership in their home organization,*
- *complete the CAS professionalism education requirements, and*
- *complete property and casualty experience requirements to be specified by the Board.*

The Board may include additional requirements in the Mutual Recognition Agreements.

Any applicant who meets the Mutual Recognition requirements so agreed, and any other requirements prescribed by the Board, and who is approved by a majority vote of the Board of Directors shall be enrolled as a Fellow.

The motion was seconded and approved unanimously.

Bob Conger asked for the Board's feedback on the cover letter and background exhibit for the voting package. There was discussion about including a statement that the Board unanimously approved the Mutual Recognition amendment. There was agreement that the background provided with the voting package should refer to the Big Audacious Goal.

A memo from the ShawPittman law firm advising on the level of detail required to be included in the CAS Constitution regarding Mutual Recognition was also included in the agenda material. There was discussion about the law firm's opinion that the current CAS Constitution appears adequate to authorize the Board to adopt mutual recognition agreements without putting the issue to a membership vote.

Cynthia Ziegler will e-mail the full voting package to the Board for its information. Ballots will be delivered on August 1<sup>st</sup>.

#### 5. FUTURE EDUCATION TASK FORCE DISCUSSION

Tom Myers and Jeanne Swanson provided an update on the Future Education Task Force (FETF), included as attachment 7 of the agenda material. The Board created the FETF to review the CAS admission processes and recommend appropriate changes. The FETF has held several meetings to evaluate the current admissions process and conducted a skills survey to better understand the skills that members believe are

important for practicing actuaries. The Task Force appears to be nearing consensus on a broad outline that includes several significant changes and believed that it would be appropriate to update the Board and seek input on its current direction. The FETF also agreed that it was important to update the Board because the SOA Education Working Group anticipates making a final recommendation to the SOA Board in June on its ASA-level educational proposals.

Jeanne Swanson presented several changes that are under consideration. The Task Force has recommended that the CAS exams stop testing calculus. Instead, calculus would be listed as a prerequisite and would be implicitly tested in some probability questions. The Task Force also recommended adding mathematical statistics and including an exam on probability.

The Task Force addressed concerns about the length of time it takes for a candidate to be exposed to property/casualty content by proposing a 2-hour "Exam A" that would include policy forms/coverages, basic ratemaking, reserving, and reinsurance material from the current Exams 5 and 6. It is anticipated that this exam would be taken when a candidate is first employed in a property/casualty job and would have straightforward questions with a high pass rate. The Task Force anticipates that this exam would be required for Associateship. A Board member suggested making the exam more generic and including some international content. Board members proposed having a fixed criterion for passing. Tom Myers stated that this exam could also serve as an attractor exam and could help encourage candidates to pursue the property/casualty exams.

Another related recommendation was to move toward on-demand exams by offering early exams more often. The Board agreed that on-demand exams were important to reducing travel time and urged the Task Force to work with the SOA to move as quickly as possible in this direction. It was stated that Exam A would be well-suited for an online, on-demand exam. However, Jeanne Swanson stated that it would be difficult to offer the on-demand exams initially, but that offering exams three to four times per year could yield the same benefits without overburdening the Examination Committee.

The Task Force recommended expanding the scope of Exam 9 to include advanced reserving, reinsurance and catastrophe modeling topics and to move some advanced ratemaking topics to Exam 5. The Task Force also recommended adding a hands-on modeling workshop. A Board member asked if the workshop would require travel to the U.S. It was suggested that the workshop could be held overseas and that videoconferencing and Web-based methods could be utilized.

The FETF suggested offering a Diploma of Casualty Actuarial Techniques after completion of Exams 1-4 and Exam A to recognize candidates at an earlier point on the way to membership. A small majority of FETF members supported giving candidates who stop taking exams before attaining the ACAS designation tangible evidence of accomplishment. There was little support among the Board for this recommendation.

Board members emphasized that a focus should be placed on reducing travel time and there was concern that the FETF's proposals could be viewed as increasing travel time. A Board member stated that requirements should not be added to the education system until an improvement in travel time has been demonstrated. Tom Myers stated there is already evidence of an improvement in travel time, even though there are not yet members that have earned their designations completely under the new system. Board members were concerned that the recommendations are inconsistent with the Board's decision to limit the exams to nine.

The Task Force had discussed when the ACAS designation should be granted. A minority of the Task Force favored lowering the ACAS designation by one exam, but the Task Force has not finalized its recommendation on this issue. A Board member stated that Associateship should require both reserving and ratemaking exams.

The Task Force developed two proposals for the early exams. The first proposal retains control over the syllabus and level of competency by testing required topics. The second requires candidates to gain some education from non-CAS coursework in line with direction of the SOA Education Working Group's "Validation by Experience." "Validation by Experience" requires a grade of B- or better in appropriate courses from an accredited university or college. Alternative experiences could be accepted at the discretion of the CAS. Jeanne Swanson discussed the pros and cons of "Validation by Experience" and indicated that 60% of the Task Force is against the concept.

Clive Keatinge was recognized and expressed his concern that the FETF proposal was not consistent with the Big Audacious Goal. He also stated that the "actuarial control cycle" should have been considered by the Task Force. The "actuarial control cycle" approaches educating actuaries in a manner consistent with the actuarial process, which includes defining problems and measuring results.

A Board member expressed concern about voting on the FETF report in September, given that the Board would not know the SOA's direction and would not have had sufficient time to integrate the recommendations with the Big Audacious Goal. Tom Myers stated that the FETF has not reached consensus on many of the issues and the majority does not want to make significant changes to the exams. Jeanne Swanson reiterated that many of the FETF members do not believe that the exam structure needs to be completely overhauled.

Board members expressed the belief that casualty actuaries do not need to be knowledgeable in all areas in order to be a Fellow. The Board expressed concerns about the lack of consensus on the Task Force and provided the following guidance to the FETF:

- Travel time should be reduced and pass rates increased.
- Changes to the exam process must be consistent with the CAS Big Audacious Goal.
- The exams should address basic competency rather than specific expertise.
- Learning objectives and level of competence are important.
- On-demand exams are a higher priority. Taking one exam as a test case for on-demand testing was suggested.
- While the CAS should be cognizant of the SOA's direction, it should strive to be proactive rather than reactive. For example, the CAS should begin pursuing on-demand exams immediately.

It was recognized that the Task Force would not be able to fully address all of the issues until the CAS determines how the exam structure should support the Big Audacious Goal.

The Board then took a straw poll on the following items:

- The Board was unanimously in favor of the concept that mastery of certain topics could be demonstrated by a process not administered by the CAS (such as validation by educational experience), with the details to be worked out.
- Twelve Board members were in favor of immediately pursuing on-demand examinations for the early exams. One member was opposed due to a concern that the CAS should be moving jointly with the SOA on this issue.
- Twelve Board members were in favor of an early basic practice exam, similar to the concept of Exam A, provided it doesn't increase travel time; one member was opposed.
- Eleven Board members agreed that the Actuarial Control Cycle should be incorporated in the Task Force's deliberations, with two abstentions.

A Board member emphasized that it is essential to consider the impact of the Big Audacious Goal on the education process and suggested adding this topic to the agenda for the September Board meeting. The Board thanked Jeanne Swanson for her work as Chair of the Future Education Task Force.

## **6. FUTURE EDUCATION METHODS**

Due to time constraints, the Board deferred the discussion of future education methods until the September Board meeting.

The Board adjourned for lunch at 1:10 p. m. Gail Ross presented the COP/COPE Vision and Mission over lunch. The Board raised no concerns with the mission.

The meeting reconvened at 2:00 p.m.

## **7. WHITE PAPER ON ACAS VOTING RIGHTS**

Gail Ross presented the white paper on ACAS Voting Rights, which was provided in attachment 10 of the agenda material. The EC recommended that the Board appoint a Task Force to be chaired by the 2004 President-Elect to review the meaning and purpose of the ACAS designation within the property/casualty insurance arena. The review would include issues such as practice rights, voting rights, and whether other differences between the ACAS and FCAS—such as holding office and differences in dues—should remain in place. The Board debated whether this Task Force should address the requirements for Associateship.

**There was a motion to appoint a Task Force to consider the meaning and purpose of the ACAS designation and it was seconded.**

The Board requested that a free response question be included on the Membership Survey regarding ACAS voting rights. Some Board members felt that it would be premature to set up a Task Force until after the Mutual Recognition vote. Cynthia Ziegler expressed concern that a segment of the membership that pays the same dues is not represented on the Board. Cynthia Ziegler suggested that the Board consider adding an at-large member of the Board to provide the Associates' point of view.

There was debate about incorporating the meaning of the ACAS designation in the Task Force charge. It was recommended that the Board discuss this issue at its September meeting and then give direction to the Task Force. The Board requested a position paper defining the background and issues, including how the ACAS designation fits in the context of the Big Audacious Goal, prior to the September meeting.

The motion was amended to restate the charge of the Task Force to include consideration of the meaning of the ACAS designation within the context of the Big Audacious Goal. The amended motion was seconded.

**The Board voted on the motion to appoint a Task Force on the ACAS Designation chaired by the 2004 President-Elect to consider: (i) the meaning and purpose of the ACAS in property/casualty insurance within the context of the CAS Big Audacious Goal; (ii) whether the ACAS should be allowed to vote; and (iii) whether other differences between CAS Fellows and Associates should exist (e.g., right to hold officer positions, differences in dues). It is further recommended that the composition of the Task Force include two Fellows with more than 10 years membership, two Fellows with less than 10 years membership, two Associates with more than 10 years membership, and two Associates with less than 10 years membership in addition to the 2004 President-Elect as chair.** The motion did not pass, with three in favor, seven opposed, and three abstaining. Those voting against the motion indicated that they wanted a better defined charge for the Task Force before revisiting the issue at the September Board meeting.

## **8. INFORMATION ITEMS**

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

- EC Minutes (March 20 and April 15) and May 20 agenda (Attachment 13)
- Cycle Reports/Progress on 2002-2003 Goals (Attachment 14)
- FY 2003 Q2 Financial Statements (Attachment 15)
- Member Advisory Panel (Attachment 16)
- Learning Objectives for Exams 3, 5-9 (Attachment 17)
- Executive Director's Report (Attachment 18)
- D&O Insurance (Attachment 19) - Sheldon Rosenberg distributed a white paper on the Board's D&O insurance coverage, including a survey of other organizations. The report advised that the current coverages are appropriate. The one-year policy includes individual and entity coverage and does not contain a severability clause. The Board requested an exposure analysis and presentation on how the Board should minimize its exposure.

## **9. THE ACTUARIAL FOUNDATION**

Gail Ross introduced Mavis Walters, Chair of the Actuarial Foundation, Sarah Sanford, Executive Director of the SOA and the Actuarial Foundation, and Eileen Streu, Director of the Actuarial Foundation (TAF). Eileen Streu presented an overview of TAF. The mission of TAF is to utilize the unique skills and abilities of actuaries to increase public understanding, address societal problems and advance actuarial knowledge. TAF's focus will be in three core areas: consumer education, research and youth education. Eileen Streu presented a short video that illustrated how TAF brings actuaries and educators together in voluntary partnerships to enhance student mathematics achievement.

Mavis Walters presented the business plan for the Merger of the Actuarial Education and Research Fund (AERF) and The Actuarial Foundation (TAF), which was included as attachment 11 of the agenda material. Board members inquired about the financial projections and how the ratio of administrative expenses to funds supplied compared to other organizations. Board members also asked questions about the focus of planned research activities. The Board and TAF representatives discussed the \$478,000 annual subsidy for five years from actuarial organizations and the impact of over or underachievement of fundraising goals. TAF is planning on five years of support, and will not ask for additional subsidies should fundraising fall short of expectations. Board members also inquired about plans to track involvement of volunteers from various organizations and ways to encourage more support. It was suggested that the Actuarial Foundation set-up its booth at CAS meetings and the upcoming Casualty Loss Reserving Seminar in Chicago. The Board expressed its appreciation to the representatives of TAF for making the presentation to the Board.

## **10. SURPLUS: PURPOSE, APPROPRIATE AMOUNT, INVESTMENT POLICY IMPLICATIONS**

Sheldon Rosenberg presented a discussion paper on the Purposes of CAS Surplus, included as attachment 12 of the agenda material. During its discussion about changes to the CAS Investment Program, the Board had asked the Finance and Investment Committees to jointly prepare a report to address its questions on (i) the purpose of CAS surplus; (ii) how the targeted surplus range was determined; and (iii) how surplus was considered when developing the CAS Investment Program.

The Finance Committee has completed Part 1 of the study, which addresses the first two questions. The Finance Committee concluded that the current target surplus ratio range of 40% -60% of annual operating expenses is still appropriate. A Board member asked if the Finance Committee considered the financial impact of a 'disaster' during its discussions of surplus. It was noted that the CAS is currently working on a disaster recovery plan. Another Board member asked about the possibility of jeopardizing our tax-exempt

status if the surplus grows too large. Cynthia Ziegler replied that the IRS uses 70% of one year's operating expenses as a guideline. The Board expressed its thanks to the Finance Committee for the report.

The Investment Committee has been provided with the Finance Committee's report and is working on Part 2 of the study. Part 2 will address the third question raised by the Board, which is how surplus was considered when developing the CAS Investment Program. A Board member commented that a significant portion of the assets held in the defined benefit pension plan are also subject to equity risk and should be considered in addition to CAS investments in equities when the Investment Committee conducts its modeling.

## **11. EXECUTIVE SESSION**

The Board held an Executive Session from 4:20 p.m. to 4:45 p.m.

## **12. ADJOURN**

The meeting was adjourned at 4:45 p.m.

Respectfully submitted,

Joanne S. Spalla  
Assistant Secretary - Board of Directors

Approved \_\_\_\_\_

**Minutes**  
**Board of Directors Teleconference**  
**July 30, 2003**  
**2:00 PM (EDT)**

**Members Present:** Robert F. Conger, Gail M. Ross, Mary Frances Miller, Ralph S. Blanchard, Curtis Gary Dean, Janet L Fagan, David G. Hartman, Gary R. Josephson, Janet R. Nelson, David J. Oakden, Deborah M. Rosenberg.

**Others Present:** Cynthia Ziegler, Executive Director, Todd Rogers, Manager Finance and Administration.

**Members Absent:** Phillip N. Ben-Zvi, Michael J. Miller, Patricia A. Teufel, Oakley E. Van Slyke.

Board chairman Bob Conger called the meeting to order at 2:05 PM (EDT) and requested a role-call attendance.

**1. IAIS Standard for Supervision of Reinsurers.**

Gail Ross presented the Action Paper on the "IAIS Standard for the Supervision of Reinsurers." The IAIS Standard was reviewed by the Reinsurance Research Committee which recommended a "yes" vote and provided additional comments to be included when the ballot is cast. The motion to cast a "yes" ballot was approved unanimously. An additional comment is to be added referring to page 9, paragraph 26, substituting the word "stress" for "street."

**2. IAIS Draft Revision to the Insurance Core Principles and Methodology.**

Gail Ross presented the Action Paper on the "IAIS Draft Revision to the Insurance Core Principles and Methodology." This paper was forwarded to a research committee for review, however no comments were received. There was discussion whether the Core Principles were too strenuous for developing nations to achieve and whether similar regulatory results could be accomplished through alternative methods. It was determined that paragraph 9 provides this flexibility. The motion to cast a "yes" ballot was approved unanimously.

**3. IAA Draft Submission on the IASB Standard on Disclosures Concerning Technical Performance and Risks for Non-Life Insurers and Reinsurers.**

Gail Ross presented the Action Paper on the IAA Draft Submission on the IASB Standard on Disclosures Concerning Technical Performance and Risks for Non-Life Insurers and Reinsurers." The principal author of this draft is Ralph Blanchard. The current version is the fourth iteration of the document. Ralph indicated the earlier versions had been reviewed extensively and the comments he received have been incorporated. The motion to cast a "yes" ballot was approved unanimously.

**4. IAA Draft Comments on the Exposure Draft of the Proposed Amendment to IAS 36 Impairment of Assets, IAS 38 Intangible Assets, and ED 3 Business Combination.**

Gail Ross presented the Action Paper on "IAA Draft Comments on the Exposure Draft of the proposed Amendment to IAS 36 Impairment of Assets, IAS 38 Intangible Assets, and ED 3 Business Combination." The subject matter is not within the purview or expertise of the CAS and the motion to cast an "abstain" ballot was approved unanimously.

**5. Processing IAA Statements.**

Gail Ross advised the Board that the Executive Council would be making a recommendation at the September Board Meeting to implement a new system for processing and voting on future IAA Papers. It is likely the Board will have to anticipate teleconferences to vote on IAA Papers since they are issued

throughout the year and voting deadlines may not fall within regularly scheduled Board Meetings. She further advised that all the COP/COPE member organizations are facing challenges trying to process IAA papers effectively, efficiently and within time constraints, and that any recommendations developed by the COP will be shared with CAS.

**6. September Board Schedule**

Cynthia Ziegler provided the revised September Board schedule for travel planning purposes and advised that meeting specifics will be sent the first week of August.

The meeting was adjourned at 2:45 PM.