

**AGENDA  
CAS BOARD OF DIRECTORS MEETING  
MARCH 16-17, 2002  
Cancun, Mexico**

**Present**

Board Members: Phillip Ben-Zvi, Ralph Blanchard, Amy Bouska, Stephen D'Arcy, Gary Dean, Janet Fagan, David Hartman, Frederick Kist, Michael Miller, Janet Nelson, Deborah Rosenberg, and Susan Witcraft

Immediate Past President: Patrick Grannan

President: Robert Conger

President-Elect: Gail Ross

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

Vice Presidents: LeRoy Boison, Gary Josephson, Mary Frances Miller and Sheldon Rosenberg.

Vice Presidents Not Present: Chris Carlson and Roger Schultz

Other Attendees: Michael Boa – Manager, Communications and Research, CAS Staff; Todd Rodgers – Manager, Finance and Administration, CAS Staff; Dan McCarthy, President, American Academy of Actuaries; Steve Lehmann, Vice-President of Casualty Issues, American Academy of Actuaries; Rick Lawson, Executive Director, American Academy of Actuaries; and Jerome Degerness, Chair of the 2001 Long Range Planning Committee.

Mike Toothman attended as an observer.

Pat Grannan called the meeting to order at 8:30 a.m. on Saturday March 16, 2002.

**1. WELCOME NEW BOARD MEMBERS**

Pat Grannan welcomed new Board members Phillip Ben-Zvi, Gary Dean, David Hartman and Janet Nelson.

**2. MINUTES OF PAST MEETINGS**

The minutes of the November 1, 2001 and January 9, 2002 telephone conference meetings were approved.

The minutes of the November 11, 2001 Board meeting were approved.

**3. REPORT OF THE ELECTION PROCESS TASK FORCE**

Bob Conger thanked the Election Process Task Force for producing its report in a short timeframe. Susan Witcraft introduced the Task Force Report, included as attachment 2.1 of the agenda. The Task Force has recommended four motions.

A Board member was concerned about why the report was presented directly to the Board without feedback from the EC. Susan Witcraft responded that the Task Force was formed as a Board Committee and wanted to present its recommendations to the Board within a tight timeframe. There was disagreement about whether the EC should have been asked for input before the proposal was presented to the Board, especially relative to the election of Vice Presidents. Susan Witcraft responded that the proposal did not make significant changes to the process for electing vice-presidents.

There was also discussion about the issue of candidates campaigning. Susan Witcraft said the Task Force had diverse opinions on this issue, but decided to recommend no changes. A Board member suggested that the discussion on campaigning question be deferred. The Board asked that the report be explicit about staggered terms for Nominating Committee members.

The first motion proposed by the Task Force laid out requirements for selecting the Nominating Committee. The Board requested clarification about the Nominating Committee members' eligibility for appointment to CAS positions. Susan Witcraft replied that Nominating Committee members were only ineligible for offices whose candidates were chosen by the Nominating Committee; Nominating Committee members would be eligible for other volunteer positions.

There was a question about the need for a distinction between members who have been Fellows for at least 10 years and for less than ten years in the Nominating Committee composition. Susan Witcraft replied that this proposal was an effort to involve new Fellows and to overcome perceptions that the CAS Board was an "old-boys" network. Many Board members felt that it is important that the Nominating Committee members have CAS and AAA experience so that they are familiar with the requirements of the position.

It was suggested that the composition of the Nominating Committee be expressed through guidelines, rather than requirements. The minimum number of candidates for open Board positions was changed to be eight. There was also discussion about whether the proposed changes could be implemented in 2002 or 2003.

As a result of the discussion, the Board made three changes to the Election Process Task Force recommendations regarding the Nominating Committee. The implementation date was changed from 2002 to 2003. The composition of the Nominating Committee was changed from a requirement to a recommendation with a preference that volunteers for the Nominating Committee have a record of CAS service. A statement that Nominating Committee member terms would be staggered was added.

**There was a motion that the Board directs the VP-Administration to adopt the following recommendation for the 2003 elections:**

**A Nominating Committee will be formed of seven Fellows, with a targeted composition of:**

- **The two immediate Past Presidents (the penultimate Past President to serve as chair).**
- **One past Board member.**
- **Two members who have been Fellows for at least ten years.**
- **Two members who have been Fellows for less than ten years.**

**Preference will be given to volunteers who have served on CAS and/or relevant AAA committees and/or task forces for a minimum of three years.**

**Terms of service will be two years and will be staggered. Members (other than the two *ex officio* members) will be selected by the Board, as follows:**

- a. **Interest will first be solicited on the Participation Survey.**
- b. **From among the volunteers, the Board will fill any vacancies, giving preference to volunteers who have not served on the Nominating Committee previously.**
- c. **If an insufficient number of members in any of the three categories expresses an interest, the Board will recruit additional members observing the general criteria for the four at-large members and again giving preference to members who have not served on the Nominating Committee.**

**Service on the Nominating Committee would preclude a committee member from being nominated to any open office while serving on the Committee.**

The motion was called to a vote. The motion passed with twelve members in favor and two members opposed.

**It was moved that each year the second most recent class of Board members be assigned to propose the Nominating Committee membership to the full Board.** The motion was seconded and approved with thirteen members in favor and one member abstaining.

There was debate about making changes to the 2002 Nominating Committee. Pat Grannan asked the EC to make a proposal on how to implement the change for the 2002 Elections. It was suggested that we ask for volunteers as soon as possible and that the EC identify any implementation issues for the May Board meeting.

**There was a motion that the Board direct the VP-Administration to adopt Steps 7, 8 and 10 from the Election Process Task Force Report for the 2002 elections:**

- **Ballots for President-Elect and the Board are distributed to all Fellows. These ballots do not contain any indication as to whether candidates were self-nominated or selected by the Nominating Committee (Step 7).**
- **If any President-Elect candidate receives a vote count of more than 50% of the number of ballots, that candidate is elected (Step 8).**
- **All vote counts are released to the membership (Step 10).**

The motion was seconded. There was debate about whether CAS members should know which candidates the Nominating Committee selected. There was a question about whether Step 7 is a change from the current procedures. Susan Witcraft replied that only Step 10 is a change to the current procedure. There was debate about whether all vote counts should be released to the membership.

The motion passed with thirteen members in favor and one opposed.

**There was a motion to adopt Steps 2-6 from the Election Process Task Force Report for the 2002 elections with one change.** The motion was seconded.

There was discussion about the minimum number of candidates. Several Board members felt that the Nominating Committee should select at least one President-Elect candidate. A Board member questioned why the petition must be signed by 2% of the Fellows to nominate the President-Elect, but only 1% of the Fellows to nominate Board members. It was recommended that, since the President-Elect has more responsibilities, there should be a higher requirement for nomination.

The motion was amended twice and the Board voted on the following motion:

**It is moved that the Board direct the VP-Administration to adopt Steps 2 through 6 from the Task Force's Report for implementation for the 2002 elections. Specifically, these steps are:**

- **In the spring, a call for nominations will be distributed to members. This call will include (a) a request for suggested candidates for the Board, President-Elect and the Vice President positions, similar to the current Preferential Ballot; and (b) information needed by people interested in being petition candidates for the Board or President-Elect (Step 2).**
- **For all positions other than the Vice President positions, the CAS Office will provide the Nominating Committee with a list of the names suggested for each position along with the number of times a person has been "nominated." In the case of the Vice President positions, only the names mentioned will be provided with no count of how many times an individual name has been**

**“nominated.”** The exception for the Vice President positions is introduced to eliminate the possibility of politicking (Step 3).

- **Any person interested in seeking a seat on the Board or seeking to be President-Elect will be requested to submit three things (Step 4):**
  - a. **A resume using the current format.**
  - b. **A petition signed by 1% of the Fellows for Board positions and 2% of the Fellows for the President-Elect.**
  - c. **A statement, not to exceed one page, on “Why I want to serve” and another statement not to exceed one page, to identify issues that are of special interest to the individual and any position he or she may have on those issues.**

**The Nominating Committee may nominate one additional person per open position. The Nominating Committee must always nominate a sufficient number of candidates to attain a minimum of eight Board candidates and one President-Elect candidate, even if the number nominated is more than one per open position (Step 5).**

**The Nominating Committee nominates candidates for the Vice President positions and provides those nominations to the Board, as in the past (Step 6).**

The motion passed with twelve members in favor, one member opposed and one abstaining

Susan Witcraft made a motion to adopt Steps 9, 11 and 12 from the Task Force Report. It was noted that this step would require changes to the CAS Constitution and/or Bylaws.

**It was moved that the Board direct the VP-Administration to develop appropriate amendments by the May Board meeting to the CAS Constitution and/or Bylaws to implement the adoption of Steps 9, 11 and 12 from the Task Force Report. Specifically, these steps are:**

- **For the Board, anyone receiving a vote count of at least one-third of the number of ballots cast is elected, subject to a maximum of four successful candidates. If more than four candidates receive more votes than one-third of the ballots cast, the four with the highest vote count will be elected (Step 9).**
- **To the extent that there are still vacancies, say n positions, a runoff election will be conducted among the 2n candidates receiving the highest number of votes during the first round. The runoff election package will indicate the number of open seats and will include, for each candidate, the resume, the "Why I want to serve" statement, the statement on issues of special interest to the prospective candidate, and a one page paper on a topic selected by the Nominating Committee. The topic could be a broad one, such as the candidate's views on the most important issues facing the CAS, or a request for information about any particular issues on which the candidate has a strong view, or a narrow one focusing on a single issue (Step 11).**
- **The n candidates receiving the highest numbers of votes are elected. All vote counts are again released to the membership (Step 12).**

The motion was seconded and passed with twelve members in favor, one opposed and one abstaining. The EC was directed to consider any implementation issues.

**There was a motion to disband the Election Process Task Force with thanks.** It was seconded and approved unanimously.

#### 4. NOMINATING COMMITTEE PROCEDURES AND NOMINATING GUIDELINES

In light of the changes that will be necessary in order to implement the revised election processes, the Board took no action on the Nominating Committee Procedures and Nominating Guidelines, included as attachment 2.2 of the agenda. Revised procedures will be developed by the EC for Board review at the May meeting.

#### 5. 2002 TELLERING PROCEDURES

There was no action on the 2002 Telling Procedures, included as attachment 2.3 of the agenda. This item will be deferred to the May meeting.

#### 6. ELECTRONIC VOTING

Bob Conger presented a recommendation (included as attachment 2.4 of the agenda) for Staff to explore the issues associated with a shift to electronic voting for future elections after 2002. Confidentiality, randomization, and effects on participation would be among the issues examined through specialist vendors as well as other organizations that have introduced electronic voting. **The Board approved the motion for Staff to explore this initiative.**

#### 7. FY 2001 AUDIT COMMITTEE REPORT

Fred Kist commented on the FY 2001 Audit Committee Report, included as attachment 3.1 of the agenda.

The Audit Committee Report includes a report by Langan Associates, independent auditors, for FY 2001 (October 1, 2000 – September 30, 2001). The independent auditor's report is once again unqualified, the highest level of assurance that can be given in such an audit. The Audit Committee asked Langan Associates to prepare and include exhibits showing a five-year history of income statement and balance sheet accounts. These exhibits provide a good historical financial view of the CAS.

The items mentioned in last year's Management Letter and Report on the System of Internal Controls have all been adequately dealt with by the CAS Office to the satisfaction of the auditors and the CAS Audit Committee. The current year's Management Letter identifies no new or additional items.

The Report includes three specific recommendations for Board action:

- Note E in the Audited Financial Statements discloses a material increase in the shortfall of the projected Pension Fund benefit obligations over the fair value of plan assets from (\$10,213 in 2000 to \$156,531 in 2001). This increase is attributable to changes in asset valuations and interest rates. The Audit Committee recommends that the Board direct the EC to further investigate the change and identify what, if any, potential future funding obligations may be required.
- The Audit Committee recommends that the Board solicit an audit proposal from Langan Associates for an additional three-year period, and if the fee proposal is acceptable, appoint Langan Associates as the independent auditors for FY 2002 to FY 2004.
- Continue past practice for staffing the Audit Committee.

Todd Rogers provided further details on the pension issue. The CAS is part of a multi-employer plan and its pension plan is commingled with other organizations. The shortfall may be a short-term issue relative to interest rates, but may indicate future funding needs. A Board member asked about the implications of the large drop in investment rate. The Board requested that the EC study the interest rate situation and the implications of the multi-employer pension plan.

**There was a motion that the Board approve the FY 2001 Audit Committee Report, including the recommendations contained therein.** The motion was seconded and approved unanimously.

## **8. AUDIT COMMITTEE STAFFING**

Pat Grannan presented a recommendation for Audit Committee staffing, included as attachment 3.2 of the agenda. The Board approved an Audit Committee succession plan in 1999 by which an incoming Board member is to be appointed to the Committee each year. A second-year Board member is appointed the Chair of the Audit Committee and will present the Audit Committee's Report at the beginning of his or her third year on the Board and then rotate off the Audit Committee. The Board also approves non-Board members of the Audit Committee. Ralph Blanchard was approved as Chair of the 2001-02 Audit Committee during the September 14, 2001 Board meeting.

**There was a motion on the following recommendations:**

- **Appoint Phil Ben-Zvi, a newly elected member of the Board, to the 2001-02 Audit Committee.**
- **Approve Fred Kist as a new non-Board member of the 2001-02 Audit Committee to replace retiring member Tony Grippa. Fred Kist will have completed his term on the Board by the time of the next Audit Committee Report.** The motion was seconded and approved unanimously.

Pat Grannan thanked Fred Kist for his three years of service on the Audit Committee.

## **9. INTERNATIONAL STRATEGY**

Leroy Boison led the discussion of the International Strategy, included as attachment 4.1 of the agenda. The CAS Board had instructed the International Issues Committee (IIC) to develop and implement an International Strategy. At the November 2001 Board meeting, a draft International Strategy was given to the Board for their review and comment. At the meeting, the Board suggested several revisions. Additionally, the Board requested that an action plan be developed for the implementation of the strategy. The Board's suggestions have been incorporated into the revised strategy.

Leroy Boison reported that the overall International Strategy is consistent with the CAS Strategic Plan. Leroy Boison stated that success of the plan depends on the volunteers. The Board expressed support for the strategy, but recommended that the CAS develop an aggressive action plan with defined steps. It was also noted that the action plan would require a significant investment of resources. It was suggested that the Committee seek to engage CAS members that are currently practicing abroad to play a missionary role. Another Board member stated that the CAS needs to better understand the emerging issues in other countries and better articulate how the CAS can bring value to these countries.

**There was a motion to adopt the proposed International Strategy.** The motion was seconded and approved with thirteen members in favor and one member abstaining.

## **10. INTERNATIONAL ISSUES UPDATE**

Leroy Boison presented the International Issues Update, included for the Board's information as attachment 4.2 of the agenda. Upon adoption of the International Strategy, the International Issues Committee's focus has turned to implementation and the creation of an appropriate infrastructure to support the initiatives. Originally, this committee was organized under both "regional" and "general areas of responsibility" structures. A "task force" approach is being implemented where specific assignments and objectives will be defined and turned over to a dedicated task force. It should be noted that the entire international committee structure will be reassessed this year, and it is possible that some of these task forces may evolve into formal committees. Specific task force assignments are:

- Implement the International Issues section of CAS Web Site.
- Implement an Ambassador Program designed to identify high priority actuarial organizations outside of North America with whom to begin discussions regarding actions plans for developed actuarial professions and markets, as well as emerging markets/professional growth opportunities.
- Survey CAS members working abroad.

The Board then discussed the role of ASTIN. An effort is underway to encourage CAS members' participation in ASTIN. Items under consideration include a revised dues structure, possible changes to ASTIN itself, and planned educational communications to CAS members. Dave Hartman has been taking the lead on this project, as he is currently on the ASTIN Committee.

## 11. MUTUAL RECOGNITION TASK FORCE

Mary Frances Miller provided an update on the new Mutual Recognition Task Force. It is expected that a proposal will be made at the September Board meeting.

## 12. ACAS'S SERVING ON EXAM COMMITTEE

Mary Frances Miller discussed the proposal to allow ACAS's to serve on the Examination Committee, included as attachment 10.1 of the agenda. The CAS Examination Committee officers have recommended that Associates of the CAS be permitted to serve as Examination Committee members for Associateship exams. There would be no conflict of interest if the Associate were limited to Associateship exams. The Society of Actuaries has allowed their Associates to serve on Associateship exam committees for many years. Currently there are Associates of the Society of Actuaries who serve on joint exam committees for Exams 1-4.

**There was a motion that CAS Associates be permitted to serve on the Examination Committee for Associateship exams.** The motion was seconded and approved with thirteen members in favor and one member abstaining.

A Board member suggested articles in the Actuarial Review and Future Fellows newsletter noting this rule change and explaining that such committee membership would not give an Associate any advantage with respect to passing the remaining Fellowship exams.

## 13. ABCD/CIA INFORMATION RE MEMBER REINSTATEMENTS

The EC sought feedback from the Board during its November 1, 2001 teleconference about continuing the current practice of requesting ABCD information on former members requesting reinstatement. The ABCD has not consistently responded to these requests in the past, with an increasing frequency of non-responses citing confidentiality of the process. After some discussion, noting an important distinction between investigations and recommendations, the Board passed a motion to direct the EC to only seek information on ABCD recommendations for discipline.

Sheldon Rosenberg reported on discussions with the ABCD and CIA about the information that would be available on disciplinary actions. It was concluded that, since the CAS Discipline Committee should be notified when an investigation results in an adverse recommendation for discipline, there was no need to seek information from the ABCD or CIA. Both the ABCD and CIA recommended, as did a member of the CAS Board, that we ask the CAS member seeking reinstatement about disciplinary investigations and/or adverse findings. A draft letter and Reinstatement Application are included for consideration in attachment 10.2 of the agenda.

The EC has recommended that the Board of Directors resolve to 1) no longer seek disciplinary information from ABCD/CIA on members requesting reinstatement; rather 2) review with the Executive Director any action taken by the CAS Discipline Committee on members requesting reinstatement; and 3) request information on disciplinary actions directly from the member seeking reinstatement.

In response to a question about whether private reprimands were within the scope of the required disclosure, Sheldon Rosenberg replied that they were. Board members suggested consulting legal counsel on the matter and researching other organizations' procedures before taking action.

#### **14. REINSTATEMENT REQUEST**

Sheldon Rosenberg presented a request for member reinstatement, included as attachment 10.3 of the agenda. **There was a motion to reinstate the former member subject to repayment of the past five years' dues (1997, 1998, 1999, 2000 and 2001; \$260, \$270, \$280, \$290 and \$300, respectively (total \$1,400)) in addition to the current year's dues (\$310).** The motion was seconded and approved unanimously. The Board discussed the requirement of payment of past dues for reinstatement and asked the EC to look at the issue.

#### **15. DUES WAIVER REQUEST**

A member, who does not currently meet the minimum age qualification of 55 years for an automatic permanent dues waiver, has submitted a request for a permanent dues waiver, included as attachment 10.4 of the agenda. The EC recommended denying the member's request for a permanent dues waiver this year.

**There was a motion to deny the member's request for a permanent dues waiver this year.** The motion was seconded. The motion was approved with seven members in favor, six opposed and one abstaining.

The meeting was adjourned for lunch at 12:45 p.m.

The meeting reconvened at 1:20 p.m.

#### **16. AFFILIATE MEMBERSHIP APPLICATION**

A Fellow of the Society of Actuaries and a member of the IAA has completed an application for Affiliate Membership, included as attachment 10.5 of the agenda. The applicant has experience with accident and sickness benefits and was involved in the development of reserve requirements for Jamaican general insurance companies. He does not personally know an FCAS to sponsor his affiliate membership. The CAS Executive Council was polled by e-mail during November 2001 and agreed that an FSA is an acceptable substitution. Howard Hines, FSA, submitted a letter of recommendation for this applicant. The Board discussed whether he has exhibited evidence of significant practice in the P&C field.

**There was a motion to deny this application for Affiliate Membership given the information provided.** The motion was seconded and approved unanimously. The Board encouraged the EC to leave the door open for resubmission. Mary Frances Miller was asked to draft a letter to the applicant informing him of the Board's decision.

#### **17. CROSS BORDER DISCIPLINE AGREEMENT**

Bob Conger reported that discussions of the Cross Border Discipline Agreement are ongoing among the North American actuarial organizations. Those discussions have identified additional issues to be resolved before the Agreement will be ready for CAS Board action. The Council of Presidents will continue to work on this issue, and the President will update the CAS Board, as appropriate.

## **18. ADVISORY COMMITTEE ON ENTERPRISE RISK MANAGEMENT**

Bob Conger reviewed the EC recommendation (included as attachment 10.7 of the agenda) to disband the Advisory Committee on Enterprise Risk Management. Approximately 18 months ago, the CAS created several advisory committees to evaluate the research and education needs of the CAS and its members in four areas of emerging activity, one of which was Enterprise Risk Management. The Advisory Committee on Enterprise Risk Management submitted its final report in November 2001. In addition to evaluating research and education needs, this Committee also provided several ideas and recommendations in the area of increasing the CAS's visibility in the arena of Enterprise Risk Management.

**There was a motion to disband the Advisory Committee on Enterprise Risk Management with thanks to the Committee, chairperson, and staff.** The motion was seconded and approved unanimously.

## **19. CANDIDATE ACCESS TO PROTECTED MATERIAL ON WEB SITE**

Sheldon Rosenberg reviewed the proposal, included for the Board's information as attachment 10.8 of the agenda, for candidate access to protected material on the Web Site. During its October 12, 2001 meeting, the EC approved a Committee on Online Services (COOS) recommendation to make information in the password-protected "Member Services" section available to candidates and other interested parties, with a few exceptions. During its December 13, 2001 teleconference, the EC approved the COOS recommendation to provide active CAS candidates (CAS candidates who have sat for a CAS exam in the past four sittings) with access to all sections of the Web Site.

## **20. COPE MARCH 14-15 DEBRIEF**

Gail Ross reported on the Council of Presidents-Elect (COPE) meeting, and shared the "Vision for the Actuarial Profession" developed at the meeting. Board feedback on the vision was favorable. COPE's next step is to develop a mission statement for the profession. There was a question about whether the vision statement overlaps with other professions that consider themselves the architects of financial security. The COPE vision statement is "The public recognizes actuaries as the architects of financial security."

## **21. 2001 LRPC REPORT**

Jerry Degerness, Chair of the 2001 Long Range Planning Committee (LRPC) presented the LRPC Report, which was included as attachment 6.1 of the agenda. The report made eight recommendations. There was discussion about the recommendation to create a standing employers/clients committee charged with maintaining ongoing perspective on our critical constituents and how to serve them. There was debate about the need to form such a committee given that the CAS already has a Long Range Planning Committee. There were also questions about where such a committee would fit in with the CAS governance, since it crosses multiple areas.

**There was a motion that the Board accept the 2001 LRPC Report and consider the recommendations on their merits and in the practical context of how and when they should be implemented.** The motion was seconded and approved unanimously.

## **22. CHANGES TO CAS STRATEGIC PLAN**

There was discussion about whether the Board should make modifications to the Strategic Plan at this time or wait for the feedback from the upcoming CAS Leadership Meeting. Jerry Degerness agreed with the recommendation to wait.

### **23. PLANS FOR 2002 LEADERSHIP MEETING**

Gail Ross described the plans in attachment 6.3 of the agenda for the March 26, 2002 Leadership Meeting in Philadelphia. The theme for the meeting will be “The CAS at 100.”

### **24. PLANS FOR SEPTEMBER 2002 BOARD MEETING**

The Board discussed the idea of holding a half-day facilitated session on the Strategic Plan at the September Board meeting. The Board decided to wait until they review the results from the Leadership Meeting at the May Board meeting to determine whether to hold this session.

**The Board passed the motion to thank Jerry Degerness for his three years of leadership on the Long Range Planning Committee.**

### **25. IAA STATEMENT: COMMENTS ON “PROPOSED PUBLIC SECTOR ACCOUNTING STANDARD”**

Leroy Boison led the discussion of the IAA Statement providing comments on a “Proposed International Public Sector Accounting Standard on Provisions, Contingent Liabilities and Contingent Assets,” included as attachment 5.1 of the agenda. The IAA Committee on Insurance Accounting Standards prepared the IAA comments on this proposed standard, and Ralph Blanchard was instrumental in that effort. The proposed standard asked for help determining how risk might be measured and incorporated in accounting values. Ralph Blanchard noted this was an opportunity for actuaries to demonstrate their ability to assess risk. The IAA comments, on which the CAS is being asked to vote, references the CAS Fair Value White Paper. The EC recommends that the Board direct the CAS IAA delegate to vote in favor of releasing the IAA Statement.

**There was a motion that the Board direct the CAS IAA delegate to vote in favor of releasing the IAA Statement.** The motion was seconded and approved with thirteen members in favor and two members abstaining. The members who abstained indicated that they did so because they did not feel qualified to vote on them. It raised the question about whether there is a better process to review the statements. Dave Hartman felt that the Financial Reporting Committee of the American Academy would be in the best position to review the statements.

### **26. IAA STATEMENT: COMMENTS ON “AUDITING FAIR VALUE MEASUREMENTS AND DISCLOSURES”**

The CAS received the IAA draft submission commenting on the International Federation of Accountants’ Exposure Draft entitled “Auditing Fair Value Measurements and Disclosures,” included as attachment 5.2 of the agenda.

This submission has been referred to the CAS Committee on Valuation, Finance, and Investments (VFIC) for its review and recommendation to the EC.

### **27. IAA REPORT: “REPORT OF SOLVENCY WORKING PARTY”**

The CAS has been asked to vote to support the release of the IAA Report titled “Report of Solvency Working Party” (included as attachment 5.3 of the agenda) to serve as a basis of ongoing discussions between the International Association of Insurance Supervisors (IAIS) and the IAA. The paper was prepared by the Working Party on Solvency of the IAA Committee on Insurance Regulation. Dave Hartman is Vice-Chair of this IAA Committee and Glenn Meyers and Harvey Sherman of the CAS were two of the twelve members on the Working Party.

A Board member questioned why the actuarial organizations are being asked to vote on this report, which does not make any recommendations. Dave Hartman thought that the IAA felt that the paper is close enough to a public statement. The CAS is only being asked to support the release of the paper.

Bob Conger initiated a discussion of a process to facilitate review of IAA statements. A discussion thread on the CAS Web Site was suggested as a method of review.

**There was a motion that the Board direct the CAS delegate to the IAA Council to support the release of the Report of the IAA's Working Party on Solvency.** The motion was seconded. The motion was approved unanimously. The Board suggested that Dave Hartman report back to the IAA that the CAS does not feel it needs to approve the release of IAA reports that are not public statements.

## **28. IAA STATEMENT: COMMENTS ON THE JOINT FORUM CORE PRINCIPLES CROSS-SECTORAL COMPARISON**

The CAS has been asked to vote on the release, as a public statement, of the IAA comments on the Joint Forum Core Principles Cross-Sectoral Comparison, included as attachment 5.4 of the agenda. The IAA Committee on Insurance Regulation, of which Dave Hartman is Vice-Chair, prepared the IAA comments. Dave Hartman has reported that the comments are very narrow in scope. It recommends that the International Association of Insurance Supervisors reduce the differences in core principles with the other two members of the Joint Forum—Bank for International Settlements and the IOSCO (securities regulators)—and modify the core principles to eliminate, or at least reduce, opportunities for regulatory arbitrage.

**There was a motion that the Board direct the CAS delegate to the IAA Council to support the release, as a public statement, the IAA comments on the Joint Forum Core Principles Cross-Sectoral Comparison.** The motion was seconded. The Board asked to defer a vote on the motion until it has reviewed the IAA comments. The IAA comments were distributed to the Board.

## **29. REPORT ON THE CAS VOTE ON "ROLE OF THE ACTUARY"**

Dave Hartman gave a status report on the IAA Statement regarding "The Role Of The Actuary in Prudential Supervision of Insurance Companies." In its January 9, 2002 telephone conference, the CAS Board indicated its support of the concept of a paper outlining the actuary's role, to the extent that consensus on this role is achievable among IAA members, but voted "no" with respect to releasing the current version of the paper. The CAS shared its comments regarding modifications to the paper with the IAA and indicated a willingness to participate in the development of subsequent drafts. The CAS response, as well as responses from the AAA, SOA and Norwegian Actuarial Association, was included in attachment 5.5 of the agenda. The AAA recorded a "no" vote, while the SOA and Norwegian Actuarial Association voted "yes."

## **30. EXECUTIVE SESSION**

The Board went into Executive Session at 4:45 p. m.

## **31. ADJOURN UNTIL MARCH 17, 2002**

The meeting was reconvened at 8:00 a.m. on March 17, 2002.

## **32. CASUALTY PRACTICE COUNCIL PRIORITIES**

Pat Grannan introduced Dan McCarthy, President, American Academy of Actuaries; Steve Lehmann, Vice President of Casualty Issues, American Academy of Actuaries; and Rick Lawson, Executive Director, American Academy of Actuaries. Steve Lehmann said that he felt that the dialogues between the AAA and the Board were beneficial. Steve Lehmann presented the Casualty Practice Council (CPC) status report,

included as attachment 7.1 of the agenda. Priority issues identified by the Council include federal chartering of insurers, federal reinsurance for terrorism, enterprise risk management and extreme event/catastrophic losses. The CPC is striving to be more proactive and has also identified fifteen other priority issues, including the impact of 9/11 on the Statements of Actuarial Opinion. Other major activities in 2001 included developing catastrophe management and asbestos monographs, responding to terrorism issues, and reorganizing the CPC.

### **33. VALUE OF ACADEMY MEMBERSHIP**

A series of e-mails discussing the value of AAA membership were included for the Board's information in attachment 7.2 of the agenda.

### **34. QUALIFICATIONS TO SIGN P/C LOSS RESERVE OPINIONS**

A letter from Bob Conger to Steve Lehmann on Threshold Qualifications to Sign P/C Loss Reserve Opinions was included as attachment 7.3 of the agenda. Steve Lehmann stated that he did not see an urgent need to make a change in the requirements, as requests for approval have averaged only one per year.

### **35. REVIEW OF ABCD**

Last year, the Council of Presidents (COP) created a Task Force to review the ABCD. The Task Force has distributed a written survey to people who had made complaints and members who have had complaints made against them. The Task Force also held a conference call with individuals who have served as investigators. The Task Force has completed most of its work and is close to consensus in setting forth its findings and recommendations, but there are some open issues about the balance between the fair treatment of the member who is being investigated versus our professional responsibility.

### **36. REVIEW OF ASB**

The Council of Presidents recently decided to undertake a review of the ASB. A proposed charge for the ASB Task Force was distributed to the Board. This charge was developed by a subgroup of the members of the COP and COPE.

### **37. REVIEW OF ASOPS WITH CASUALTY IMPLICATIONS**

The Board discussed how to ensure that there is complete review of ASOP's with Casualty implications.

### **38. IAA STATEMENT: COMMENTS ON THE JOINT FORUM CORE PRINCIPLES CROSS-SECTORAL COMPARISON (CONTINUED)**

The Board resumed the discussion of the motion that was made on March 16 to direct the CAS delegate to the IAA Council to support the release, as a public statement, of the IAA comments on the Joint Forum Core Principles Cross-Sectoral Comparison. The motion was passed unanimously.

### **39. IMPLEMENTATION OF CHAUNCEY GROUP REPORT (STATUS REPORT)**

Mary Frances Miller provided a status report, included as attachment 8.1 of the agenda, on the implementation of Chauncey Group Report recommendations. The Chauncey Group has been contracted to work with the CAS on four projects: (a) development of educationally sound learning objectives for Exams 5-9; (b) training for question writers; (c) selection of pass marks; and (d) development of whole-exam statistics.

Learning objectives and knowledge statements have been developed for Fall Exams 6 and 9. Initial sessions for the Spring exams have been scheduled. The draft question-writer training manual has been developed and pilot training sessions will be held for Fall exam committees with refinement of the manual expected

thereafter. We expect that most question writers will be trained over the next 18 months and all new Exam Committee members will be required to be trained prior to writing questions. The Exam Committee has met with the Chauncey statisticians and is working to develop whole-exam statistics for upcoming exams.

#### **40. DISCUSSION OF SELECTION OF CUT SCORE THRESHOLD**

In its audit of CAS education and examination issues, The Chauncey Group noted that a criterion-referenced process was more appropriate than the norm-referenced process the CAS has historically used in selecting pass marks. In response, the CAS engaged The Chauncey Group to conduct cut score studies for the Fall 2001 Exams 6 and 9 in order to investigate the impact of using a criterion-referenced process. Examination Committee Chair Thomas Myers provided an evaluation of the Fall cut score studies, which was included as attachment 8.2 of the agenda. Results of Fall 2001 Exam Sitting were distributed in attachment 8.3.

Part Chairs documented the grading results, including the traditional estimate and the cut score estimate for the pass mark. Examination Committee officers felt that the cut score study process was useful in affirming that the pass marks for Exams 6 and 9 set by the traditional norm-referenced process were not unreasonable. In addition, the definition of the knowledge level expected of minimally qualified candidates might be useful for shaping future exams. The Committee has not determined how frequently this process should be undertaken. A Board member asked if the Admissions Committee was considering increasing the pass mark benchmark to make sure that candidates study all of the material.

#### **41. TASK FORCE ON EXAMS 3 AND 4 REPORT**

Mary Frances Miller provided a brief status report on the Task Force on Exams 3 and 4, included as attachment 8.4 of the agenda. In response to the charge from the Board at its November meeting, Nancy Braithwaite was appointed Chair of the Design Task Force for Exams 3 and 4. Progress has been slower than expected.

#### **42. PROGRESS REPORT ON SOA EXAM (WORKING GROUPS)**

Mary Frances Miller provided a status report on the SOA Exam Working Groups. A status report from Stuart Klugman was included as attachment 8.4 for the Board's information. The SOA has formed two working groups: the Preliminary Education Working Group and the Actuarial Education Working Group. The CAS representatives on the Preliminary Education Working Group are David Chernick, Don Mango, David Oaken, and Manalur Sandilya. A CAS representative will also be appointed to the Actuarial Education Working Group.

Mary Frances Miller reported that the SOA is getting pushback from some employers, particularly in the pension area, about the elimination of nation-specific material. The QRA concept has served as a useful basis for SOA's discussions with other nations to determine whether they can develop common learning objectives.

A CAS Future Education Task Force has been charged with determining whether current learning objectives are appropriate for casualty actuaries. A job-skill focused survey to practicing actuaries is underway. Two sub-task forces are being formed to consider credit for non-exam activities, including university credit and other professional exams, seminars, and open book exams. Board members questioned the CAS's ability to verify that work submitted in a non-exam setting was actually performed by the candidate submitting it and not some other individual. In general, the Board expressed support of the Task Force thought process and direction, as well as the inclusion of new participants in the process.

#### **43. CIA CO-SPONSORSHIP OF EXAMS**

The CIA has asked to co-sponsor both the SOA and CAS exams. Co-sponsorship would entail including a CIA representative as a general member on the Exam and Syllabus Committees and adding the CIA logo to

the exams. The CAS has submitted revisions to the CIA proposal. The bilingual aspects of their proposal may be an issue. There are no financial implications of co-sponsorship.

#### **44. ADVANCE CIRCULATION OF BOARD MOTIONS BY E-MAIL**

Dave Hartman discussed his motion for advance circulation of board motions by e-mail, included as attachment 9.1 of the agenda. The motion was seconded.

Dave Hartman said that he proposed the motion out of concern for good governance. A Board member was concerned the proposed procedure might cause the Board to be perceived as closed. Another Board member was concerned about logistics and was worried that the process might paralyze the Board. While thorough discussion among the Board is important, it was thought that distributing the motions and discussing the issues via e-mail prior to the meeting might be valuable. Other Board members suggested posting agenda items on the Web Site as soon as they are available and a discussion forum on the Web Site. There was some concern that an e-mail discussion might not be adequate for certain topics and that the Board material might have to be expanded to make sure the Board is thoroughly informed.

A Board member suggested a “consent agenda.” Under a consent agenda, all the consent items could be approved with a single motion. However, Board members would always have the option to request that an item on the consent agenda be discussed at the meeting. There was general support on the Board for moving towards a consent agenda. Dave Hartman said he was still concerned that major policy decisions, such as the Exam 3 and 4 motion at the November Board, should be circulated in advance.

The motion was amended. The Board voted on the following motion:

**It is moved that all policy setting motions to be acted upon at a Board meeting be circulated to all Board members at least three weeks prior to the meeting and that any proposed amendments or substitute motions be circulated via e-mail to all Board members as soon as possible prior to the Board meeting.** The motion failed with one member in favor and thirteen opposed.

Gail Ross proposed that a consent agenda be piloted for the May meeting. Pat Grannan asked that if the EC is unable to decide on a specific motion to propose to the Board, the EC should submit alternatives for the Board’s consideration. It was also recommended that a discussion of all the pros and cons of a proposal be included in the Board material.

#### **45. OTHER INFORMATION ITEMS**

Pat Grannan asked for feedback on the following information items included in Tab 11 of the agenda:

- EC Meetings: Minutes of October 12, November 13, December 13, January 7, January 16 Meetings; February 12 Meeting (Attachment 11.1)
- Executive Director’s Report (Attachment 11.2)
- First Cycle Reports/Review of Progress on 2001-02 Goals (Attachment 11.3)
- Schedule of Ambassadorial Travel (Attachment 11.4)
- IAA Committee Membership (Attachment 11.5)
- Debrief of November 30, March 14-15 COP Meetings (Attachment 11.6)
- Q1 FY 2002 Financial Statement (Attachment 11.7)
- Joint Exams Agreement/Financials (Attachment 11.8)
- Overall Chart of Exam Committees and Task Forces (Attachment 11.9)
- Progress Report on Study Notes (Attachment 11.10)
- Exam-Related Dialog from CASNET (Attachment 11.11)
- Report From Minority Recruiting Committee (Attachment 11.12)
- List of Affiliate Members (Attachment 11.13)

- Report on Publicizing Web Site Content to Membership (Attachment 11.14)
- Update on CAS Web Site Discussion Forum (Attachment 11.15)
- 2002 Board Meeting Schedule (Attachment 11.16)
- 2003 Board Meeting Schedule (Attachment 11.17)

Gail Ross commented that she liked the format of the Executive Directors Report and suggested that the format be adopted for the Cycle Reports. The suggestion will be discussed at the EC.

**46. ADJOURN**

The meeting was adjourned at 11:35 a.m.

Respectfully submitted,

Joanne S. Spalla  
Assistant Secretary - Board of Directors

Approved May 19, 2002