

**MINUTES**  
**CAS BOARD OF DIRECTORS MEETING**  
**March 22 - 23, 2010**  
**Charlotte, North Carolina**

**PRESENT**

Directors: Albert Beer, David Chernick, Eugene Connell, Richard Delaney, Wayne Fisher, Beth Fitzgerald, Richard Goldfarb, Morton Lane, Kathryn Morgan, Arlie Proctor, Kenneth Quintilian, John Tierney, Alice Underwood, Michael Wacek, Mavis Walters.

Board Chair: John Kollar  
President: Roger Hayne  
President Elect: Ralph Blanchard

AAA Liaison to the CAS Board: Gary Josephson  
CIA Liaison to the CAS Board: Hugh White

Vice Presidents: Nancy Braithwaite (Marketing and Communications), Kris DeFrain (International), Kevin Dickson (ERM), Louise Francis (Research & Development), Leslie R. Marlo (Administration), David Menning (Admissions), Chet Szczepanski (Professional Education).

CAS Executive Director, Cynthia Ziegler; Assistant Secretary – Board of Directors, M. Wendy Germani

Invited Guests: Andy Doll, chair of Strategic Planning Committee (by telephone), Aaron Halpert, chair of Risk Management Committee.

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

Observers: Clive Keatinge

John Kollar called the meeting to order at 8:00 a.m. EDT on March 22, 2010 and welcomed the new members of the Board.

**I. BOARD MANUAL**

- A. John Kollar referred to the 2010 Board Manual, which was provided to the Board as an information item, and invited comments either at the meeting or subsequent to the meeting. The Manual is intended to assist the members of the Board with understanding their role and to improve the efficiency of the Board. The Manual will be posted in the Board section of the CAS Web Site as an informational resource for members of the Board. The Manual will be updated as needed.

**II. BOARD STRATEGY**

- A. John Kollar introduced this discussion, and Andy Doll joined the meeting via teleconference at this point. John asked the Board members for comments and suggestions on items the Board needs to consider in establishing strategy for the CAS.
- B. There was a discussion on developments in Europe with Solvency II that will have an effect in the U.S. Solvency II is scheduled for implementation in September 2012. This will affect U.S. companies with EU connections, since the U.S. companies will also have to report using Solvency II calculations with items evaluated on a market basis.

- C. The discussion then turned to ERM. The key questions to anticipate with regard to strategic planning for the CAS's priorities in this space are:
  - 1. What do employers need and want?
  - 2. How do CAS members keep up with relevant changes?
  - 3. What is the long term goal of the CAS?
  - 4. Should the CAS focus just on the P&C insurance industry or the risk management industry as a whole?
 Andy Doll agreed to ask the Strategic Planning Committee to look at the ERM issue.
- D. A comment was made that the Board should be focused on long term strategic issues, such as what the CAS will look like in the next 10 to 15 years or 50 years.
- E. The Board decided to form a task force to consider the ERM issues raised earlier. The task force will consider conducting independent surveys or interviews with CEO's on some of these issues such as:
  - 1. Should ERM focus on P&C issues including CAT risks?
  - 2. Should CAS research be oriented to gaps in ERM that other groups have created?
 Alice Underwood and Wayne Fisher volunteered to help with this task force.

### **III. STRATEGIC PLANNING COMMITTEE REPORT**

- A. Andy Doll, chairperson of the Strategic Planning Committee, introduced this item. He mentioned that in 2010, the committee is restructuring to a smaller size.
- B. The Committee is currently reviewing other organizations' strategic plans for format, content, mission, vision, and strategy. The Committee expects to present a CAS strategic plan to the Board in November 2010.
- C. John Kollar will set up a joint conference call with Roger Hayne, Aaron Halpert, and Andy Doll to follow-up on the discussion from the Board meeting.

### **IV. RISK MANAGEMENT COMMITTEE REPORT**

- A. Aaron Halpert, chair of the Risk Management Committee (RMC), presented a report to the Board that included the results of a survey on the importance and urgency of risks identified in the RMC's Strategic Risk Identification Report. The survey identified the following risks that require immediate attention:
  - 1. Operational Risks
    - a. The CAS has no clearly defined process for removing ineffective leaders.
    - b. The current CAS leadership roles are not organized in a manner that makes these roles attractive to a wider pool of qualified candidates.
  - 2. Reputational Risks
    - a. The current discipline process is not always perceived to be meaningful.
    - b. A reduction in the credibility of the AAA affects the whole profession.
- B. The Board discussion indicated that it supported the idea of conducting the survey every year, editing and changing the questions as needed.
- C. The Board agreed through a straw poll (12 agreed, 1 disagreed, 4 abstained) that the current discipline process is perceived to be a reputational risk. Part of the risk is that the CAS may lose the chance to regulate itself. Transparency of the actions of the ABCD is needed. Mitigation plans are in place for this risk; see the Discipline Process report below.
- D. The EC confirmed that the two operational risks were being addressed. The Risk Management Committee will provide oversight on what is being done and whether it is working, and will advise the Board on this.
- E. Aaron Halpert presented the report on Reputational Risk Mitigation. The RMC reviewed the work done by the Executive Council and found that a lot of the items focused on reserving issues, but more work was needed on non-reserving issues.

- F. Three other items were identified in the survey that should be addressed in short order. These reputational risks are:
  - 1. The CAS needs to continue to identify new areas that benefit from actuaries expertise so that employers and clients value CAS membership.
  - 2. ERM practitioners have several other avenues in which to pursue their professional designation, and it is not clear that the CAS will continue to play a pivotal role in driving the ERM agenda.
  - 3. A number of the more significant recommendations have not been implemented or have only recently been addressed.
- G. The Board directed the EC to oversee mitigation plans for reputational risks.

## **V. DISCIPLINE PROCESS**

- A. Roger Hayne led the discussion on the discipline process and described the proposed joint discipline process developed by the Council of U.S. Presidents that would allow a more unified approach to discipline within the profession in the U.S. The Board approved a motion, with 15 voting in favor and 3 voting against, to:
  - 1. revise the CAS disciplinary process,
  - 2. recommend amending the CAS Constitution and Bylaws to implement the process, and
  - 3. authorize the CAS President to enter into a compact with other U.S.-based actuarial organizations to implement the joint disciplinary process as outlined.
- B. This process replaces the current system of separate decision points in the various organizations with a joint decision process. The proposal envisions a pool of potential hearing panel members populated by the various U.S.-based actuarial organizations. The ABCD will then select the hearing panel from this pool with the proviso that a majority of members on the panel will be from each of the organizations to which the subject actuary belongs. Once this process results in a discipline decision, the five U.S.-based organizations will agree to implement that discipline, up to a suspension of two years or less. If the decision is for suspension longer than two years, the individual membership organizations will have the right to review that decision and reduce the penalty to no less than a suspension for two years.
- C. There was concern raised regarding whether the proposal has been reviewed for antitrust compliance. This issue will be investigated.

At 11:30 a.m. EDT the Board went into Executive Session. Open session was reconvened at 1:00 p.m.

## **VI. AUDIT COMMITTEE REPORT**

- A. Michael Wacek introduced this topic with the recommendation that the Board accept the FY 2009 Audit Report and the recommendation that the CAS Board delegate the responsibility to review the annual tax filings to the CAS Audit Committee.
- B. The highlights of the report included:
  - 1. The auditor's report is once again unqualified.
  - 2. The Management letter recommended:
    - a. Adding a member of governance to the reporting structure on the whistle blowing policy. It was recommended that members of the Board be a part of the whistle blowing list.
    - b. That the CAS Risk Management Committee reviews the information security protocols surrounding the use and transfer of exam data to ensure that controls are in place.
    - c. That the CAS becomes familiar with new rules of the payment card industry and perform necessary steps to comply.
- C. Michael reported that all appropriate steps have been taken to comply with these recommendations.

- D. The committee membership will be changing for next year with Michael rotating off and Mavis Walters to become Chair and Ken Quintilian, Vice Chair. David Kline will replace Stephen Johnston and Dave Foley will stay on the committee.
- E. The Board voted unanimously to approve the recommendations of the committee.

#### **VII. SUBSTANTIVE BUDGET ITEMS FOR FY 2011**

- A. Ralph Blanchard and Leslie Marlo introduced this topic and presented proposed new budget items for 2011. Major new budget items included a compensation and benefits study that is done every 5 years; upgrade and re-launch of the CAS web site, and a donation to the Actuarial Foundation of Canada.
- B. Major potential budget items expected to impact the FY 2011 budget include updating the Association Management System for CPD requirements, additional revenue from the Internet modules, and potential revenue or expense from the new CERA designation.

#### **VIII. CONSTITUTION AND BYLAWS CHANGES**

- A. John Tierney presented the six recommendations of the Constitution and Bylaws Revision Task Force. The revisions approved by the Board at this meeting will be submitted to the CAS Fellows for approval in conjunction with the 2010 CAS elections. Proposals that were not approved may be revised and resubmitted to the Board for consideration at the next Board meeting.
- B. Revisions to Article XII of the Constitution and Article IX of the Bylaws to allow CAS members to propose a change to the Constitution or Bylaws were approved unanimously by the Board.
- C. Revision to Article V of the Bylaws to remove a redundant provision on the filling of openings on the Board of Directors was approved unanimously by the Board.
- D. Revisions to Article IV and V of the Constitution relating to the timing of the terms of office of the Officers and Directors were not approved by the Board with 12 voting against, 2 voting in favor, and 4 abstaining.
- E. Revisions to Article IV and V of the Constitution relating to the removal of an elected officer or director from office were tabled. The Board supported the concept, but rewording was needed.
- F. Revisions to Article V and VI of the Constitution allowing the Board to delegate authority to fulfill specific duties to the EC, subject to ongoing supervision of the Board was sent back to the Task Force for rewording.
- G. Revisions to Article IV of the Constitution and Article IV of the Bylaws to allow a Vice President to be designated as Secretary and Treasurer and to indicate additional duties of the Chief Staff Executive were tabled for further discussion.

#### **IX. CERA CERTIFICATION REQUIREMENTS**

- A. David Menning recommended that the Board approve the options for qualifying for a CERA designation and also approve "Chartered Enterprise Risk Analyst" as the name for CERA. He also recommended that the Board approve the Experienced Practitioner pathway, by which individuals with sufficient ERM expertise could receive the designation without having to complete additional exam requirements.
- B. There are four options for qualifying for a CERA designation, all of which require the successful completion of an exam on Risk Management (Exam RM) given by the AICPCU. These options are:
  - 1. Under the 2011 syllabus, CAS Associateship requirements plus successful completion of new Exams 7, 9 and RM.
  - 2. For those Fellows who do not satisfy Option 1, they will be required to successfully complete a rigorous three-day ERM seminar plus Exam RM. This will only be offered for a tentative period of time on a transitional basis.

3. For those Associates who do not satisfy Option 1, they will need to have credit for the current Exam 8 and successfully complete the rigorous three-day ERM seminar plus Exam RM. This pathway will be offered on a transitional basis for a tentative period of time.
  4. Under Options 2 and 3 above, Exam RM and the rigorous three-day ERM seminar can be replaced by either of the following examinations: (a) SOA Advance Finance/ERM exam including its related internet modules or (b) the U.K. ST9 Enterprise Risk Management Specialist Technical Exam. This path is anticipated to still be available when the rigorous three-day ERM seminar will no longer be offered. Otherwise, after the ERM seminar is no longer offered, the only way to qualify for CERA designation is Option 1 above.
- C. The Board approved these four options with 17 voting yes and 1 abstention.
  - D. The Board approved the use of “Chartered Enterprise Risk Analyst” as the name of CERA by a vote of 15 in favor, 2 against, and 1 abstention.
  - E. Under the Global Enterprise Risk Management Designation Treaty, the CAS is licensed to use the word CERA and after approval by the CERA board of the CAS application, the CERA board will grant the CAS the right to award the designation of CERA.
  - F. The EC recommended that the Board approve the Experienced Practitioner pathway, by which individuals with sufficient ERM expertise could receive the designation without having to complete additional exam requirements. This Experienced Practitioner’s pathway is similar to the SOA’s recent transition program for the CERA designation. The CERA board would have to approve each individual. The Board approved this recommendation with 17 voting yes and 1 abstention.

## **X. FUTURE EDUCATION METHODS**

- A. David Menning recommended that the Board approve a resolution that would allow the CAS to grant waivers for CAS exams to those who have been granted exam credit through the Canadian Institute of Actuaries (CIA), subject to review and recommendation by the CAS Education Policy Committee and approval by the EC. This is similar to the waivers currently granted for examinations of the Faculty of Actuaries and Institute of Actuaries (U.K.), the Institute of Actuaries of Australia and the Institute of Actuaries of India. The Board approved this resolution by a vote of 13 in favor, 3 against, and 2 abstentions.
- B. The Board agreed that the CAS would not pursue a partnership with the CIA in establishing and administering the Future Education methods program. The Board expressed its thanks to CIA for allowing the CAS to provide input on this program.

## **XI. CONTINUING EDUCATION POLICY**

- A. Ralph Blanchard led the discussion on the proposed CAS Continuing Education Policy. He explained that the task force that is working on the policy was seeking guidance on two issues. Is the Board comfortable with the proposal that 1) each member self-certifies their compliance, and 2) those statements would be subject to random audits by the CAS? No one on the Board expressed concerns with the current direction of the Task Force.
- B. The Task Force will present a revised proposal to the EC in April and the Board in May.
- C. The policy will have an effect on all CAS members, with the biggest impact on those members who are not currently adhering to national-body CE requirements, such as those of the American Academy of Actuaries or the Canadian institute of Actuaries.

## **XII. CONSENT ITEMS**

- A. The following consent items were moved and approved unanimously:
  1. Minutes of November 15, 2009 Board Meeting
  2. Proposal to upgrade vacant member resource representative position to CAS membership and volunteer coordinator position.
  3. 2010 Audit Committee Staffing

4. Board and Chair Position Descriptions
  5. Approval of Discipline Committee Member
  6. Deferral of mutual recognition with Actuarial Society of South Africa
- B. After a brief discussion on Presidential Goals the item was unanimously approved.
- C. The Board did not approve the proposed changes to the investment policy.

The Board adjourned for the day at 5:30 p.m. EDT.

John Kollar called the Board meeting to order at 8:00 a.m. EDT on March 23.

### **XIII. RESEARCH CENTENNIAL GOALS**

- A. Louise Francis led a brainstorming session on potential research topics to pursue and more than 25 topics were suggested.
- B. The Board did not have an opportunity to review the suggested topics or refine and prioritize them. This will be accomplished during a follow-up discussion at the May Board meeting.

### **XIV. RESTRUCTURING CAS MEETINGS**

- A. Chet Szczepanski introduced the discussion on the restructuring of CAS meetings.
- B. A motion was made and seconded that the Board requests the EC re-evaluate its resolution of the Task Force on Restructuring CAS Meeting recommendation #2, in which the EC decided to make no changes to the Spring Meeting. The Task Force had concluded that the elimination of a major continuing education event from the CAS calendar would have a measurable positive impact of the cost-to-value ratio of CAS members attending continuing education events. Four options to accomplish this are discussed in the Task Force report on pages 12 – 14 (including the option of combining a meeting and major seminar), and the EC should reconsider implementing one of the four options as a two year test in calendar years 2011 and 2012. The motion did not carry with two voting in favor.
- C. The Board agreed with the EC recommendation that further study was need on changes to new Fellow recognition.

### **XV. FOUNDATIONAL STATEMENTS**

- A. Louise Francis introduced the proposal to replace CAS Statements of Principles with Foundational Statements and recommended the release of the Foundational Statements for exposure to the membership.
- B. The Board reviewed the Foundational Statements and it was suggested that further editing to the Statements was needed. Board members will provide comments to the CAS staff. Subject to the editorial review by CAS staff, the Board approved the Foundational Statements for exposure to the membership. The Board approved this recommendation with 15 voting in favor, 2 voting against, and 1 abstaining.

### **XVI. INFORMATION ITEMS**

- A. The following items were presented for the Board's information.
  1. EC Cycle Reports/Progress on Goals
  2. EC minutes
  3. CAS Vital Statistics
  4. Q1 FY 2010 Financial Statement
  5. 2010-2011 Board Meeting Schedule
  6. Results of Fall 2009 Exam Sitting
  7. CUSP Meeting Notes
  8. Presidents' Forum Notes
  9. Board Topics

10. ABCD Report
11. Academy Board Meeting Notes
12. Institute of Actuaries of Australia Article

Board members commented that the cycle reports were not easily digestible; they need less detail, with more reporting on strategic goals instead of ongoing tasks. The EC will discuss how to address the Board's concerns.

The Chair adjourned the open session at 10:30 a.m. EDT and the Board entered Executive Session.

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

Respectively Submitted by

M. Wendy Germani  
Assistant Secretary – Board of Directors

Subsequent to the meeting via e-mail vote:

- The Board unanimously approved the recommendation to post on the CAS Web Site the March 22-23, 2010 Board Meeting Executive Summary, with 17 voting.
- The Board unanimously approved the 2010 Election and Telling Procedures, with 18 voting.
- The Board considered the following motion and the motion failed, with 16 voting in favor and one abstention. The motion proposed that “the officers and staff of the CAS are hereby authorized to take such further actions as may be necessary or appropriate to carry out the intents and purposes of the Global Enterprise Risk Management Designation Treaty, signed by the CAS November 13, 2009.” Per e-mail voting procedures, if any Directors vote nay or formally abstain written consent will not have been achieved, which is required for e-votes, and the motion does not carry.

Approved May 23, 2010