

MINUTES
CAS BOARD OF DIRECTORS MEETING
MAY 3, 2009
New Orleans, LA

PRESENT

Directors: Albert Beer, Brian Brown, Charles Bryan, David Chernick, Eugene Connell, Wayne Fisher, Morton Lane, Mary Miller, Joanne Spalla, John Tierney, Alice Underwood, Mark Vonnahme, Michael Wacek, Mavis Walters.

Board Chair: Christopher Carlson

President: John Kollar

President-Elect: Roger Hayne

AAA Liaison to the CAS Board: Gary Josephson

CIA Liaison to the CAS Board: James Christie (via phone for the discussion of the Joint CIA/CAS/SOA FEM Task Force Report)

Vice Presidents: Ralph Blanchard (International), Kevin Dickson (ERM), Louise Francis (Research & Development), Andrew Kudera (Professional Education), Kenneth Quintilian (Administration), Patricia Teufel (Marketing & Communications).

CAS Executive Director: Cynthia Ziegler

Invited Guests: Regina Berens, Chair, Strategic Planning Committee;(via Phone) Scott Bradley, Chair, CPD Task Force(via Phone); Nancy Braithwaite, Chair, Quinquennial Membership Survey Task Force(via Phone); David Hartman, representative of The Actuarial Foundation; Tom Myers, member of the CIA/SOA/CAS Joint Working Group on Future Education Methods; Fred Rowley, Institute of Actuaries of Australia.

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

Observers: Clive Keatinge, Bob Wolf

Absent: David Menning, VP-Admissions; Chester Szczepanski, Assistant Secretary – Board of Directors.

Chris Carlson called the meeting to order at 8:00 a.m. CDT on May 3, 2009.

I. CONSENT ITEMS

A motion to approve the following consent items was made:

ERMII Administrative Services Renewal

The Board approved ERM Institute International's (ERMII) request for CAS to serve as Treasurer and provide other administrative services and to renew the services contract, at no fee to ERMII, for one additional year through June 2010.

Mutual Recognition - India

The Board approved commencement of negotiations with the Institute of Actuaries of India to establish a mutual recognition agreement based on the conditions outlined in the agenda material.

Proposed Revisions to the Rules of Procedure for Disciplinary Actions

The Board approved the recommendation to amend the November 13, 1998 Rules of Procedure for Disciplinary Actions, as presented in the agenda material. The changes are intended to clarify the process for notifying the appropriate parties when public disciplinary action is recommended.

The motion to approve the items listed above was seconded and carried unanimously.

One additional item from the consent agenda was identified for separate discussion.

Minutes of March 2009 Board Meeting

A clarification to the minutes was requested.

There was a motion to approve the minutes as amended.

The motion was seconded and carried unanimously.

II. VITAL STATISTICS REVIEW

A Board member noted that the 2009 CAS Spring Meeting attendance figures were low, but that this was offset by higher than expected attendance at both the 2008 CAS Annual Meeting and 2009 Ratemaking and Product Management Seminar.

III. FY 2010 BUDGET

Ken Quintilian introduced this item (numbered 6 in the Board materials). He noted that in accordance with the new budgeting procedure, the budget is presented as a draft budget for the Board's review and discussion, with the final budget to be presented in September. He noted that issues being addressed by the CAS Board Expense Task Force could have an impact on the final budget, so he relinquished the floor to Brian Brown, chair of the Task Force.

Brian explained that at the last Board meeting, the Board asked the Task Force to explore two expense initiatives: increased subsidies to meeting/seminar speakers and a free webinar for members funded from dues.

The Task Force did not believe it was necessary to increase the speaker subsidy (currently \$200 for meetings and one-half the fee for seminars) at this time because there does not appear to be a problem with recruiting speakers and there was a concern regarding the impact on dues. It was noted that there is a process for dealing with exceptions.

There was a motion to decline to take action on increasing the speaker subsidy at this time.

The motion was seconded and carried unanimously.

The Board discussed the idea of increasing dues and using the funds to offer a free webinar to all members. Concerns were expressed with the size of the dues increase that would be necessary to offset the costs of the webinar.

There was a motion to increase FY 2010 dues to cover the cost of offering a free webinar to the membership.

The motion was seconded and failed by a vote of 8 in favor, 8 opposed, and 1 abstention.

There was a motion to dismiss the CAS Board Expense Task Force with thanks.

The motion was seconded and carried unanimously.

Both of the defeated issues should be considered again in the FY 2011 budgeting process. Ken continued with the presentation of the budget and noted that a \$20 dues increase is proposed for FY 2010. Overall, the draft budget projects a profit of approximately \$256,000, which would leave the surplus ratio at 42%, within the target surplus ratio of 40% - 60%.

Ken noted that there are still a number of approximations in the budget that will be solidified before the second pass. Various adjustments might be made to the budget at that time; the current figures should not be considered as final. For example, the second pass may contain a small increase in registration fees for seminars.

Members of the Board asked a variety of questions about the budget and explanations were provided. The surplus ratio generated substantial discussion, as it was noted that the ratio has declined over the past several years. It was mentioned that the CAS Risk Management Committee was conducting sensitivity tests to assess the appropriateness of the target surplus ratio range.

The Board will discuss the second pass FY 2010 budget during its September 2009 meeting. In discussing the shorter version of the budget as presented in this pass, there was general agreement that it would be helpful to see diagnostics akin to those included in last year's budget, especially in the area of expense trends. These diagnostics will be presented with the second pass.

IV. ACAS AND SIGNING RIGHTS

Roger Hayne explained that it has been determined by a sub-group of the CAS and the Casualty Practice Council of the AAA that a person becoming an ACAS under the 2011 education structure will not satisfy the education requirements to sign NAIC statutory reserve opinions. The Board's intent when approving the new education structure was that Associates should meet the IAA requirements for a qualified actuary, but not the educational requirements to sign NAIC statutory reserve opinions.

The Board is asked to consider two questions:

- Should the number of exams required for the ACAS designation in the new education structure be moved from six exams to seven exams in order to permit any Associate under the new education structure to meet the basic education requirements to sign NAIC statutory reserve opinions?
- Should the new education structure be kept as approved in March 2008 and a communication sent to candidates to clarify the need for new ACAS to also obtain credit for the new exam, "Advanced Reserving, Reinsurance, and ERM," in order to meet the minimum educational requirement to sign an NAIC statutory reserve opinion in the United States?

Roger stated that the Executive Council recommends that the new education structure be kept as approved.

It was clarified that only Associates who earn their credentials in the new education structure would be affected; current Associates would not be impacted. While the issue could be simplified by moving the

requirements for Associateship from six to seven exams, it was pointed out that Fellowship will require nine exams and the new education structure was deliberately designed to include a more substantial difference between the requirements for ACAS and FCAS.

There was a motion to request that the Casualty Practice Council of the AAA communicate to candidates to clarify that an Associate of the CAS admitted under the 2011 education structure will also need credit for the exam, “Advanced Reserving, Reinsurance, and ERM,” in order to meet the minimum educational requirements to sign NAIC statutory reserve opinions.

The motion was seconded and approved with 14 in favor, 1 opposed, and 2 abstentions.

V. CAS CENTENNIAL GOAL

John Kollar began the discussion of the CAS Centennial Goal by stating that the Board should have focused discussion on the Goal at every meeting. He proceeded to inform the Board of recent activities that will help the CAS achieve the Goal. A member of the Board asked about the status of the SAM Goals. The EC will prepare a report on the status of the SAM Goals for the September 2009 Board meeting.

VI. XRX ERM CREDENTIAL UPDATE

Chris Carlson began the discussion of this topic by providing background on the CAS’s decision to pursue an ERM designation, and its options for offering a designation as described in the agenda materials. John Kollar then introduced Fred Rowley, past President of the Institute of Actuaries of Australia, who has been a driving force behind the development the “XRX” global ERM credential, which is one of the options that the CAS is considering.

Fred gave a presentation on the current status of the XRX credential. He began by describing the history of the effort to create a designation that would globally unify the efforts of the actuarial profession in the area of ERM. He explained that the group developing the credential has been in discussions with the SOA regarding the possibility of reconciling XRX and CERA such that there would be one ERM designation for the CAS, SOA, and other actuarial associations globally. There are a number of issues that are being negotiated, such as the quality assurance standards and the name of the designation. Much of the current activity is taking place in preparation for the upcoming IAA meetings in late May in Tallinn, Estonia. The actuarial organizations involved in developing the global credential (including the CAS) will be represented at the IAA meetings and there is a possibility that agreements to establish the designation could be signed there. It was noted that the CAS Board might not reach a decision on this issue before the Tallinn meetings. With the next Board meeting scheduled for September, an interim CAS Board meeting might be needed on the topic.

John thanked Fred for the informative presentation and stated that Fred would be participating in the upcoming EC meeting to further discuss logistical issues related to CAS participation in the global ERM credential.

VII. EXECUTIVE SESSION

At 11:00 a.m. CDT the Board went into Executive Session. Open session was reconvened at 12:50 p.m. CDT following the lunch break.

The following actions were unanimously approved during Executive Session:

1. The Board voted to elect the following 2009-10 Vice Presidents:

Administration	Leslie R. Marlo
Admissions	David L Menning
ERM	Kevin G. Dickson
Marketing & Communications	Nancy A. Braithwaite
Research & Development	Louise A. Francis

A nominee for the Professional Educational position will be presented for the Board's consideration shortly.

- 2. The Board passed a motion to refer two CAS members to the Actuarial Board for Counseling and Discipline (ABCD).**
- 3. The Board passed a motion to deny the membership resignation request of a CAS member.**
- 4. A motion was passed stating that the CAS Board believes the American Academy of Actuaries needs to critically evaluate all of its activities, eliminating activities that do not respond directly to the Academy mission and providing greater focus on those that do.**
- 5. A motion was passed stating that the CAS Board believes it is appropriate to critically evaluate whether the Academy should continue to be an individual membership organization or whether a change in the Academy's structure to a federation (an association of associations) of the other US-based actuarial organizations, or some other structure, should be considered.**

A motion to ratify the motions passed in Executive Session was approved unanimously in open session.

VIII. THE ACTUARIAL FOUNDATION REPORT

Chris Carlson introduced Dave Hartman, Vice-Chair of The Actuarial Foundation Board of Trustees. Dave thanked the CAS for its support of the Foundation and expressed the hope that this support will continue. Dave explained that the five U.S.-based actuarial organizations' monetary support allows the Foundation to utilize all other donations for the support of programs. Dave outlined the Foundation's three main areas of operations (youth education, consumer education, and research / actuarial education) and described programs that fall under each area. Data was provided regarding the amount of donations from individuals and corporations, and expenses were reviewed. The Board thanked Dave for providing an update on the Foundation.

IX. QUINQUENNIAL SURVEY REPORT

Nancy Braithwaite, Chair of the Quinquennial Membership Survey Task Force, joined the meeting via teleconference to present the report of the Task Force. She began by providing background on the administration of the survey, and described the process undertaken to develop the report.

Nancy explained that one of the key findings was that CAS members are not fully aware of the organization's activities, and there are a number of areas identified for enhanced communication efforts. Board members commented on various aspects of the results and it was noted that:

- the declining readership of the E-Forum was cause for concern.
- CAS office staff again garnered the highest satisfaction ratings when members were asked to rate their level of satisfaction with specific aspects of the CAS.
- members want the CAS to maintain its focus on its core areas such as ratemaking and reserving, in addition to moving into new areas such as ERM.

There was a motion that the Board receive the Report of the 2008 CAS Quinquennial Membership Survey Task Force (“Report”), release the Report to the CAS membership, and direct the Executive Council to consider the recommendations contained therein. The Board disbands the Task Force with thanks, after a period of ninety (90) days, during which the Task Force will be available to respond to questions regarding the Report.

The motion was seconded and carried unanimously.

X. INVESTMENT COMMITTEE REPORT

Ken Quintilian introduced the Investment Committee report and highlighted the investment losses incurred in 2008 and 2009. He stated that one purpose of the presentation was to inform the Board of the current CAS investment policy and to discuss a change to how the policy is being carried out in practice. Historically, the Investment Committee has made adjustments to the allocation between the operating, short-term, and long-term funds annually. Recently, the Committee agreed that it should update the allocation quarterly. In addition, the Committee is using continuously updated surplus figures in its calculations instead of the figure identified at the beginning of the fiscal year.

One consequence of the new approach is that the Committee needs to sell bond funds to bring the allocation in line with the policy, and there was some discussion as to whether this would be appropriate. Members of the Board offered various viewpoints on whether the Committee should adhere to the letter of the policy or make an informed judgment on the best course of action.

There was a motion to charge the Investment Committee with determining whether it is in CAS’s best interests to sell bonds at this time, and if not, to hold the bonds and rebalance according to the allocation policy within six months.

The motion was seconded and additional discussion ensued. It was explained that the Investment Committee would consider the question: "If you did not have to sell bonds to rebalance to adhere to the investment policy, would the Committee recommend selling bonds at this time?" Several members of the Board expressed concern with contradicting a preexisting policy that was intended to remove the type of judgment call being asked of the Committee.

The motion failed by a vote of 4 in favor, 10 opposed, and 3 abstentions.

XI. REPORT OF THE CONTINUING PROFESSIONAL DEVELOPMENT (CPD) TASK FORCE

Scott Bradley, Chair of the CPD Task Force, joined the meeting via teleconference to present the report of the Task Force. He began by providing background on the Task Force’s original efforts to develop a continuing education (CE) requirement applicable to all CAS members regardless of their geographic area of practice. An exposure draft had been distributed to the CAS membership in late 2008, which proposed that CE requirements apply to all members internationally who are not subject to a sufficiently rigorous local code. As a result of comments received on the exposure draft, the Task Force is now making the broader recommendation that CE requirements apply to all members, except for those in dues-waived

status. Scott proceeded to outline additional Task Force recommendations related to implementing the policy.

There was a motion that all CAS members should be subject to CPD requirements, with exceptions.

The motion was seconded. John Kollar explained that the motion was intended to focus the Board on the key strategic issue, and that the Board should charge the Executive Council with recommending a fleshed-out, detailed policy. The EC will submit the implementation plan to the Board for its review and approval at a future Board meeting. There was a question regarding whether the revised requirements would need to be released as an exposure draft for membership comment. The EC will consider this question during development of the details. Members of the Board shared various viewpoints on issues related to implementing the policy.

The motion was approved with 13 in favor, 2 opposed, and 2 abstentions.

A motion to dismiss the CPD Task Force with thanks was made, seconded, and approved unanimously.

XII. JOINT CIA/CAS/SOA FEM TASK FORCE REPORT

The Board Chair welcomed Tom Myers, member of the CIA/SOA/CAS Joint Working Group on Future Education Methods for discussion of this item. In addition, Jim Christie, CIA Liaison to the CAS Board, joined the Board meeting via teleconference for this item.

Tom led the discussion by providing background on this issue. In 2006, the CIA formed the Future Education Methods Task Force, which recommended that the CIA grant exemptions for all of the preliminary actuarial exams based on performance in appropriate university programs. A joint CAS/SOA Task Force reviewed this proposal, identified a number of concerns, and asked the CIA to delay implementation for at least a year to allow time for further study. The Joint Working Group on Future Education Methods (JWG) was formed to follow up on the concerns expressed by the CAS and SOA and to find some way to move forward on this initiative as partners. Tom and Al Beer served as CAS representatives on the JWG.

The JWG recommends that the CIA, SOA and CAS Boards enter into a joint agreement to proceed with a program for exemptions from individual preliminary exams for students taking approved university courses at accredited US and Canadian universities and obtaining appropriate grades, subject to requirements outlined in the agenda material. These requirements include:

- delay of the implementation date until September 2011 or later;
- communication of the proposal to all members at an early date;
- initially setting the criteria for the exemption at a level somewhat higher than that for students writing exams;
- clearly outlining criteria before the program starts and appropriate statistics collected so that it can be monitored on a regular and frequent basis;
- including both US and Canadian universities when this program is launched;
- concentrating on exam by exam exemptions with no intention to proceed to a program exemption;
- excluding Course P (CAS 1) from the program since it is frequently available on a computer-based examination system and since it provides a uniform entry point and standard for all entrants to the profession;
- granting no exemptions to any student who has not passed Course P (CAS 1) prior to graduation from the university program associated with the exemptions;
- establishing a steering committee consisting of 3-5 members from each of the CIA, SOA and CAS.

Some members of the Board expressed opposition to the approach of granting credit for exams. Tom explained that all of the concerns that had been raised were addressed, resulting in a number of changes to the initial program put forward by the CIA. For example, the program will concentrate on an exam by exam exemption with no intention to proceed on a program exemption, and U.S. universities will be considered for inclusion when the program is launched, which are changes from the initial proposal.

John Kollar provided the input of the Executive Council, which held a recent teleconference to discuss the issue. The teleconference included a number of straw polls, which indicated that the EC was split on the question of whether the CAS should award credit for preliminary actuarial exams based on performance in university courses. The EC otherwise generally agreed with the JWG on the plans for implementation.

However, the EC was concerned that limiting the exemption program to universities that have an actuarial science major or an actuary on staff was counter to the CAS's goal to attract candidates from a diversity of majors and backgrounds. It was explained that the number of universities expected to be accepted for accreditation was small and that the requirements regarding curriculum and faculty were intended to ensure adherence to high quality standards. The CAS will be a participant on the Accreditation Committee, which will make decisions on which courses are approved for exemption.

Some members of the Board expressed that the CAS could be at a competitive disadvantage if it did not participate in this program. It was noted that the CAS examination waiver policy grants waivers for CAS exams for specified exams of the Actuarial Profession in the U.K. (UKAP) and that the policy allowed for CAS waivers to be granted if the UKAP exam credit was obtained through coursework at a university on the UKAP list of approved universities. So, in practice, the CAS has essentially already endorsed this approach.

There was a question regarding the lost revenue implications resulting from fewer students sitting for the preliminary actuarial exams, as well as the expense implications attendant to implementing this program. This issue will be explored and reported upon as the waiver plan takes form.

There was a motion to approve the recommendation of the Joint Working Group on Future Education Methods, as presented in the agenda material.

The motion was seconded and approved, with 10 in favor, 5 opposed, and 1 abstention.

XIII. GLOBALIZATION WHITE PAPER

The Board Chair welcomed Regina Berens, Chair of the Strategic Planning Committee, who joined the meeting via teleconference to discuss the Globalization of the Actuarial Profession White Paper. The Committee had started the project with a focus on offshoring and outsourcing, but expanded it to consider the globalization of the actuarial profession.

Some members of the Board and the EC had previously had an opportunity to offer various comments on the White Paper. There was general agreement that the CAS, as a global organization, should be partnering with other actuarial organizations around the world and preparing its students to work around the world. There was some discussion regarding the White Paper Appendix I: "Straw Man" Vision. Ralph Blanchard agreed to recraft aspects of the Vision in accordance with the work of the International Leadership Team.

The Board thanked Regina and the Committee for its work on the White Paper and agreed to refer the paper to the International Leadership Team for further consideration.

XIV. INFORMATION ITEMS

The following items, numbered as per the Board materials, were presented for the Board's information. Members were given the opportunity to comment on any item:

16. EC Minutes
17. Highlights of the 2009 Spring Meeting
18. Q2 FY 2009 Financial Statement
19. Report on 2009 Leadership Meeting
20. Executive Director's Report
21. Exam 3-L (Life Contingencies)
22. Regional Affiliates Presentation Reports
23. Strategic Planning Committee Update
24. 2009 Schloss Scholarship Winner
25. Travel Time Report
26. Annual Event Multiple Attendance Report
27. VP Second Cycle Reports
28. ABCD Report
29. Joint Risk Management Section Update
30. Annual Event Attendance Report
31. Jt. Hong Kong Office Report

The Chair presented CAS lapel pins (routinely presented to CAS Committee Chairs) to Cynthia Ziegler, Morton Lane, and Mark Vonnahme in recognition of their service to the Society.

A motion to adjourn was made, seconded, and approved unanimously.

The meeting was adjourned at 5:00 p.m. CDT on Sunday, May 3, 2009.

Respectfully submitted,

Mike Boa
Director of Communications and Marketing

Approved: _____

Subsequent to the meeting, the Board unanimously approved via e-mail the recommendation to post on the CAS Web Site the May 3, 2009 Board Meeting Executive Summary, with 15 voting.