

CAS BOARD OF DIRECTORS MEETING
MAY 15, 2005
Phoenix, AZ
Executive Summary

1. ACTUARIAL CREDIBILITY TASK FORCE REPORT

Pat Teufel, chairperson of the Task Force on Actuarial Credibility, presented the Task Force's report to the Board. She began by reviewing the Task Force's charge: to identify, prioritize, and investigate the feasibility of possible strategies for enhancing the perceived credibility of the actuarial profession, and to develop action plans for implementing strategies considered to have the greatest potential for high impact. She stated that the Task Force started its work by considering the recommendations developed by the Board at its September 2004 retreat on this topic.

The Task Force's assessments resulted in six key recommendations. Pat Teufel noted the Task Force's belief that only the cumulative effect of all six initiatives would significantly enhance the credibility of the actuarial profession. Therefore, the Task Force strongly believes that all six recommendations should be adopted. If the recommendations are to be adopted, the CAS will need to gain the cooperation and support of other organizations, including the American Academy of Actuaries and the Actuarial Board for Counseling and Discipline.

Pat Teufel highlighted the first (and strongest) recommendation, which is "to enhance the transparency of the actuary's conclusions by clearly identifying differences, if any, that exist between management's 'best estimate' of the loss and loss adjustment expense reserves as of a valuation date and the actuary's 'best estimate' of the reserve need as of that valuation date within the statement of actuarial opinion." The CAS Member Advisory Panel (MAP) was asked to comment on this recommendation, and was generally supportive of the recommendation. The Task Force considers the most feasible route to rapid implementation of such a requirement to be through revision of the Actuarial Standard of Practice (ASOP) No. 36. The disclosure requirement could be more quickly implemented on a voluntary basis, with guidance and assistance from the CAS to individual practitioners, prior to passage of a revised ASOP by the Actuarial Standards Board.

It was noted that the Task Force's work was geared primarily to U.S. practice, and some of the recommendations have already been implemented in other jurisdictions. It was suggested that the report of the Task Force be shared with international groups such as the General Insurance Reserving Issues Taskforce (GRIT) of the Faculty / Institute of Actuaries in the United Kingdom.

Pat Teufel acknowledged that the Task Force did not attempt to settle or solve all actuarial credibility issues. It focused on concrete, actionable items that could be implemented in an approximately two-year time frame. It welcomes input from the Board or the EC regarding which of the recommendations should be adopted, modified, or dropped.

There was a motion to accept the Task Force's report and charge the EC to consider the recommendations and implement them as appropriate, and to report back to the Board regarding progress in November 2005.

There was a motion to acknowledge that the Task Force recommendations have a U.S. emphasis, but that they will likely have broader applicability.

There was a motion to acknowledge that the Task Force recommendations are first steps, and that additional tracking and refinement of these goals will likely be required going forward.

There was a motion to recommend that the Task Force recommendations be coordinated with the recommendations of other actuarial organizations, including the Institute / Faculty's GRIT (General Insurance Reserving Issues Taskforce).

Each of these motions was approved by the Board.

There was a motion to acknowledge that there are other issues (such as discounting, mandatory disclosures on surplus at risk, reserve uncertainty and margins, and other items) that are not addressed in this Task Force's recommendations and that require further research, and on which the Board is not taking action at this time.

Although discussed at length, this motion was defeated.

The Board then dismissed the Task Force with thanks for its quick deliberations and thorough report under a short timeline. [The Report is now available through the CAS Web Site at <http://www.casact.org/members/reports/tfacrpt.htm>.]

2. PRESENTATION BY THE CAS WORKING PARTY ON EXECUTIVE-LEVEL DECISION MAKING USING DYNAMIC RISK MODELING

The Working Party's report was completed in 2004 and made available on the CAS Web Site. Two of its authors gave the Board a presentation of the results by showing an entertaining animated PowerPoint program that walked the viewer through some of the Working Party's major findings, particularly with regard to optimizing the effectiveness of graphical presentations to senior management.

3. REPORT OF TASK FORCE ON PUBLICATIONS

Gary Dean presented the report of the Task Force on Publications. The CAS's publications have a central role in achieving both the research and education components of the Centennial Goal. Among other aims, it is desired that CAS publications reach a wider audience of readers as well as attract a wider group of contributors. In both cases, the CAS would particularly value the participation of academics, non-actuaries, and professionals from outside North America. The recommendations of the Task Force that stimulated the most discussion were:

- A new, refereed journal would be instituted (this journal now has the working title of the "Journal of Casualty Actuarial Science"). This new journal would use a revised, streamlined peer review process to shorten the time from submission to publication. Steps would be taken to increase the amount of theoretical research submitted to the Journal (as compared to the current PCAS).
- The Proceedings would be restricted to encompass solely the records of the CAS. As such, Presidential addresses, lists of new members, records of CAS elections, changes to CAS charter documents, etc. would continue to be memorialized in this book. This book would also contain the material (other than the general membership listing) currently included in the Yearbook.
- The name of the Forum would be changed to reduce its connection to the CAS and to accentuate its role as a "clearinghouse." The Forum would initially continue to be published in hardcopy.

The Board accepted the report of the Task Force on Publications, dismissed the Task Force with thanks, and directed the Executive Council to implement the report's recommendations (giving consideration to the discussions at the Board) and report back to the Board. The Board requested that the EC consider the appropriateness of each individual recommendation before proceeding to implement it.

[The Report is now available through the CAS Web Site at <http://www.casact.org/members/reports/tfpubs.htm>.]

4. CENTENNIAL GOAL STATUS REPORT

Aaron Halpert presented an update on the progress of the Long Range Planning Committee in monitoring the implementation of the Centennial Goal and its attendant SAM's. The LRPC has completed a wide variety of "environment scans," the purpose of which was to evaluate the current status of the CAS Centennial Goal (CG) – in effect to establish a "benchmark" at the beginning of the implementation process.

In the course of evaluating the feedback from the scans and considering the SAM's themselves, the LRPC has concluded that there are a number of significant risk factors that will make the SAM's, and perhaps the CG itself, more difficult to achieve. An immediate priority for the Committee is therefore to evaluate those risks and attempt to mitigate them, among other things by modifying the SAM's or adding new SAM's. Since such a large amount of information has already been collected, the Committee has decided not to conduct any further scanning for the time being, and instead to focus on absorbing and responding to the scan results. A few risk factors the Committee has identified to date include:

- Although Risk Management is central to the Centennial Goal, it is likely that at this moment the CAS is losing ground to other organizations in attaining the SAM's relating to this goal.
- For many among the CAS membership, the international components of the CG do not impact them on a day-to-day basis. Therefore, it will be necessary to educate the membership further regarding the importance of international issues to the future of the CAS generally, as well as to all members regardless of their area of specialty, if the international components of the CG are to succeed.
- The CG and the SAM's may require more intensive advertising to increase member awareness.
- There is a concern that the average CAS member needs additional risk management training to successfully undertake the risk management tasks that will be required for the CG to be achieved.

The Committee will also be taking a further look at the feedback from the 2005 Leadership Meeting. Among the Board and EC members, the strong sentiment was expressed that there needs to be an enhancement in communications regarding all phases of the CG. Aaron Halpert stated that he would take this back to the LRPC for discussion.