

**MINUTES
CAS BOARD OF DIRECTORS MEETING
MAY 15, 2005
Phoenix, AZ**

Present

Directors: Regina Berens, Christopher Carlson, Robert Deutsch, Sholom Feldblum (joined by teleconference while the meeting was in progress), Gary Josephson, Allan Kaufman, Andrew Kudera, David Oakden, Karen Terry, Patricia Teufel, Oakley Van Slyke, and Robert Wolf.

Immediate Past President: Mary Frances Miller.

President: Stephen D'Arcy.

President-Elect: Paul Braithwaite (arrived after meeting commenced).

Vice Presidents: Amy Bouska, Beth Fitzgerald, Donald Mango, Thomas Myers, Deborah Rosenberg, and Joanne Spalla (arrived after meeting commenced).

CAS Executive Director, Cynthia Ziegler; Assistant Secretary - Board of Directors, Kenneth Quintilian (arrived after meeting commenced; some minutes were recorded by CAS Staff).

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

Observers / invited guests in attendance (for some portion of the meeting): Charles Emma, Curtis Gary Dean, Aaron Halpert, Clive Keatinge, Michael Larsen, Aleksey Popelyuhkin.

Mary Frances Miller called the meeting to order at 8:05 a.m. on Sunday, May 15, 2005.

1. CONSENT ITEMS

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

- (a) Minutes of March 2-3, 2005 Board Meeting
The minutes of the March 2-3, 2005 Board Meeting were approved.
- (b) Ratification of Board Email Approval of March 2-3, 2005 Board Meeting Executive Summary
The previous non-unanimous email approval of the March 2-3, 2005 Board Meeting Executive Summary was ratified.
- (c) Ratification of Board Email Approval of VP-Risk Integration Title and Position Description
The previous non-unanimous email approval of the VP-Risk Integration Title and Position Description was ratified.
- (d) Dues Waiver Policy
The Board resolved to adopt the revised "CAS Policy for Waiver or Deferral of Dues."
- (e) Revised NAAC Working Agreement
The Board resolved to approve the revised Working Agreement of the North American Actuarial Council.

(f) Member Reinstatement Request

The Board resolved to accept an application for reinstatement from a former member subject to payment of dues for the current year (\$355); and, due to special circumstances detailed in the application, to waive the \$500 reapplication fee that would otherwise be applicable.

The motion was seconded and approved unanimously, with 13 members voting.

2. 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 assessed each of the recommendations according to the following criteria:

- Will the suggested initiative improve the credibility of the actuarial profession?
- Does the recommendation have a reasonable chance of being implemented successfully?

The Task Force's assessments resulted in six key recommendations. Pat noted the Task Force's belief that no single recommendation would alone achieve the desired effect. The cumulative effect of all six initiatives would however significantly enhance the credibility of the actuarial profession. Therefore, the Task Force strongly believes that all six recommendations should be accepted by the Board.

Pat also noted that the recommendations involve other organizations, namely the American Academy of Actuaries, the Actuarial Standards Board (ASB), and the Actuarial Board for Counseling and Discipline. If the recommendations are adopted, the CAS will need to gain the cooperation and support of those organizations.

Pat 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."

She related that the CAS Member Advisory Panel (MAP) was asked to comment on this recommendation, which although potentially the most controversial has in the Task Force's opinion the greatest potential for significant impact on credibility. She reviewed the results of the MAP survey on the topic, which indicated that the MAP was generally supportive of the recommendation.

While the strengthened disclosure requirement could be implemented through the NAIC's Annual Statement Instructions, the Task Force believes that a more feasible route to rapid implementation would be through revision of the Actuarial Standard of Practice (ASOP) No. 36. However, that process could take two years or more to complete, and there is a need to take swift action to strengthen public confidence in the actuarial profession. The disclosure requirement could therefore 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 ASB.

It was noted that the Task Force's work was geared primarily to U.S. practice, and that some of the recommendations had already been implemented in other jurisdictions. It was suggested that the report of the Task Force be shared with the General Insurance Reserving Issues Taskforce (GRIT) of the Faculty / Institute of Actuaries in the United Kingdom. GRIT is addressing similar issues and is expected to present its final report at the GIRO meeting in October 2005. It was further suggested that the report be broadly disseminated internationally.

Members of the Board expressed support for the work of the Task Force and the recommendations contained in the report. A few members of the Board suggested that, in light of the pressure that the profession is coming under from multiple quarters in this regard, the recommendations could actually be stronger in some areas.

The Board temporarily suspended discussion of this item, and agreed to take it up again later in the meeting.

3. INFORMATION ITEMS

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

- EC Minutes (February 16 and March 31, 2005) and April 20, 2005 Agenda (Attachment 10)
- Highlights of 2005 Spring Meeting
- Q2 FY 2005 Financial Statement (Attachment 11)
- Report on 2005 Leadership Meeting Evaluations by Attendees (Attachment 12)
- International Activities (Attachment 13)
- Schloss Scholarship Recipient (Attachment 14)
- Executive Director's Report (Attachment 15)
- Report on NBER Congress (Attachment 16)
- Book Review (Attachment 17)
- Computer-Based Testing Update (Attachment 18)
- CAS Vital Statistics (Attachment 19)

4. BOARD GOVERNANCE – POLICY FOR ELECTRONIC VOTING

Ken Quintilian introduced this item and outlined for the Board the reasons that a policy has become necessary for the governance of Board actions taken by email. Although a highly convenient medium for quick deliberations, email is not considered a "meeting" by the laws of most states because it does not provide the forum for a free exchange of ideas that the state laws consider necessary for the appropriate application of parliamentary procedure. Therefore, by law, only unanimous decisions may be considered binding when voting is conducted by email. All other votes must be ratified at a normal meeting or at a teleconference.

In addition, a policy is needed to clarify the order of business as it will be practiced when the Board is deliberating through email exchanges.

Ken then walked the Board through the steps of the procedure. These steps are included in the Board materials as Item 6a. Ken explained that, except for the Chair, most members of the Board should rarely notice that this policy is in use, as it will be implemented by the Chair in conjunction with the Executive Director and the Assistant Secretary, with little input needed from the Board and therefore minimal disruption.

There was a motion to adopt the proposed Board Policy on Electronic Voting.

The motion was seconded and approved unanimously, with 14 members voting.

Steve D'Arcy introduced the next item and led a brief discussion on the article "Toward Better Governance," contained within the Board packet as Item 6b.

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

Don Mango introduced the speakers presenting the next item: Mike Larsen (Co-chair of the Working Party) and Aleksey Popelyuhkin, the writer of the Working Party's paper and the designer of a combination PowerPoint/Excel template for executive-level presentations. The Working Party's report was completed in 2004 and made available on the CAS Web Site. Members of the Working Party are scheduled to present these results in a concurrent session of the 2005 CAS Spring Meeting. The Board's guests gave the Board a preview of these 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.

6. EXECUTIVE SESSION

At 11:15 a.m. Sunday, May 15, the Board went into Executive Session until about 11:30 a.m..

7. REPORT OF TASK FORCE ON PUBLICATIONS

The Board welcomed Gary Dean, who presented the report of the Task Force on Publications, contained at Item 8 of the Board materials. The common theme of the recommendations is facilitating the accomplishment of the Centennial Goal (CG). The CAS's publications have a central role in achieving both the research and education components of the CG. 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 periodical would be published (hopefully twice a year, depending on volume of submissions) in softcover format (like a magazine in appearance, similar to the scholarly journals common in other fields). This new journal would use a revised, streamlined peer review process to shorten the time from submission to publication. Steps will 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, such as committee membership lists and the like.
- 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 but consideration would be given to replacing the hardcopy with an exclusively electronic version at some time in the future.

It was suggested that efforts should be made to get the new journal cited in the Citation Index. If this and other initiatives could be accomplished to increase the academic credibility of the journal, it would be more likely for academics and non-actuaries to submit papers to it. It might also be beneficial to have non-CAS members on the recommended Advisory Panel of the new journal, and to have one or more universities cosponsor the journal with the CAS.

It was suggested that additional oversight and editorial input regarding the content of the Forum could be of some benefit in remedying concerns that were expressed about the level of its content. Increasing volunteer

opportunities in this way is consistent with the increase in the size of the CAS and the SAM goal to increase volunteer participation rates.

There was a motion to accept the report of the Task Force on Publications, to dismiss the Task Force with thanks, to direct the Executive Council to implement the report's recommendations (giving consideration to the discussions at the Board), and to request that the EC report its progress on the goals to the Board by November 2005.

The motion was seconded and approved unanimously, with 14 members voting.

It was requested that the minutes reflect that the Board was not individually approving each of the several Task Force recommendations, and that the EC deliberations should include consideration of the appropriateness of each of these recommendations.

8. ACTUARIAL CREDIBILITY TASK FORCE REPORT (Cont'd)

Pat Teufel resumed the discussion of this item and mentioned a few more important points regarding the Task Force's deliberations. The Task Force was able to complete its work in less than two months. This is in some ways a model of the way that the typical Task Force is intended to operate, providing a short-term volunteer opportunity with a well-defined, important goal. The group did not attempt to settle or solve all actuarial credibility issues. They focused on concrete, actionable items that could be implemented in an approximately two-year time frame. They recognized that some of their suggestions would necessarily be controversial; and as such they welcome input from the Board or the EC regarding which of the recommendations should be adopted, modified, or dropped. That having been said, Pat proceeded to propose a series of resolutions for Board consideration:

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.

It was mentioned in the ensuing discussion that a difficult issue would be establishing whether the items identified by the Task Force were the right ones to restore actuarial credibility; whether they were being successful in improving that credibility; and whether additional or alternative task steps might need to be identified.

The motion was seconded and approved unanimously, with 14 members voting.

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

The motion was seconded and approved unanimously, with 14 members voting.

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.

The motion was seconded and approved unanimously, with 14 members voting.

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).

The motion was seconded and approved unanimously, with 14 members voting.

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.

The motion was seconded. After discussion it was withdrawn but then reintroduced and seconded. The motion was then defeated, with 6 voting in favor and 7 against (and 1 abstention).

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

The motion was seconded and approved unanimously, with 14 members voting.

9. LONG RANGE PLANNING COMMITTEE (LRPC) STATUS REPORT

The Board welcomed Aaron Halpert who presented an update on the progress of the LRPC in monitoring the implementation of the Centennial Goal (CG) and its attendant SAMs. As reported at the November 2004 Board meeting, the LRPC conducted a wide variety of “environment scans,” which are now complete. The purpose of these scans was to evaluate the current status of the 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 SAMs themselves, the LRPC has concluded that there are a number of significant risk factors that will make the SAMs, 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 SAMs or adding new SAMs. 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 SAMs relating to this goal. Since it is the Board’s belief that the CAS should be the primary experts on both hazard risk and risk integration, this is an area that will require careful attention.
- Although they are aware of the importance of international issues, the CAS’s general membership is not sufficiently focused on them for the international elements of the CG to have a good chance of being successful. For many of the members, the international components simply 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.
- The CG and the SAMs may require more intensive advertising, since the membership currently seems to underappreciate their significance in the CAS planning process.
- 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, during which it became clear that the committees of the CAS are not currently well apprised of the current status of the SAMs; are concerned about the effectiveness of many of the current SAMs in achieving the CG; and are concerned that even accomplishing all of the SAMs may not ensure the accomplishment of the CG. This topic engendered some further discussion 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 stated that he would take this back to the LRPC for discussion and that they would consider it as a high priority to be resolved as quickly as possible.

A final comment was that the lack of significant progress to date on the SAMs does not concern the LRPC due to the early stage of the CG implementation process; but that a lack of progress by year-end 2005 would be construed as a warning sign that the CAS is lagging in the implementation of its CG.

10. EXECUTIVE SESSION

At 3:50 p.m. Sunday, May 15, the Board went into Executive Session until about 4:00 p.m.

11. ADJOURN

The Board meeting was adjourned at 4:00 p.m.

Respectfully submitted,

Kenneth Quintilian
Assistant Secretary - Board of Directors

Approved: September 15, 2005

Subsequent to the meeting, the Board unanimously approved via e-mail the recommendation to post on the CAS Web Site the May 15, 2005 Board Meeting Executive Summary, with 14 voting.