

MINUTES
CAS BOARD OF DIRECTORS MEETING
MAY 16, 2004
Colorado Springs, CO

Present

Board Members: Phillip Ben-Zvi, Curtis Gary Dean, Robert Deutsch, Sholom Feldblum (by telephone), David Hartman, Gary Josephson, Andrew Kudera, David Oakden, Patricia Teufel, Oakley Van Slyke and Robert Wolf.

Immediate Past President: Gail Ross.

President: Mary Frances Miller.

President-Elect: Stephen D'Arcy.

Vice Presidents: Christopher Carlson, Thomas Myers, Donald Mango, John Narvell, Deborah Rosenberg and Joanne Spalla.

Executive Director, Cynthia Ziegler; Assistant Secretary-Board of Directors, Kenneth Quintilian.

Board member not present: Janet Nelson.

Other Attendees: Michael Boa – Manager, Communications and Research, CAS Staff; Todd Rogers – Manager, Finance and Administration, CAS Staff.

Observers in attendance: Amy Bouska, Nasser Hadidi, Aaron Halpert, Clive Keatinge, Martin King, James MacGinnitie, David Menning, Glenn Meyers, Arthur Placek, Sheldon Rosenberg, George Rudduck, Susan Szkoda, Jeanne Swanson, and David Walker.

Gail Ross called the meeting to order at 8:30 a.m. on Sunday, May 16, 2004.

1. CONSENT ITEMS

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

- (a) Minutes of March 8-9, 2004 Board Meeting and March 31, 2004 E-mail Vote
The minutes of the March 8-9, 2004 Board meeting and March 31, 2004 e-mail vote were approved as amended.
- (b) IAA Voting Ballot / IASC Foundation Constitution Review
The Board resolved to cast the CAS's IAA voting ballot in favor of the IAA's draft comments on the proposed IASC Foundation Constitution. The Board further resolved to communicate to the IAA the concern of the IAA Response Coordination Committee regarding the choice of the term "Asia / Oceanic" in the text of the document.
- (c) Exam 3 Waiver Policy
The Board approved continuation of the current Exam 3 waiver policy with respect to the new 2005 version of CAS Exam 3.

(d) Exam 8 Waiver Policy

The Board approved the waiver policy recommended by the Education Policy Committee: that a waiver be granted for current CAS Exam 8 if a candidate has passed both SOA Courses 6 and 8V (2000 sitting or later), with the proviso that the policy would need to be reevaluated if any of the syllabi change significantly.

(e) 2004 Rodermund Service Award Recipient

The Board resolved to name Arthur R. Cadourine as the recipient of the 2004 Matthew Rodermund Service Award.

(f) March 2005 Board Meeting Dates

The Board approved the rescheduling of the March 2005 Board meeting in Boston, Massachusetts to March 2-3, 2005.

The motion was seconded and approved unanimously, with 12 members voting.

2. IAA PUBLIC STATEMENTS

John Narvell introduced the discussion of the “Fast Track” proposal for making IAA public statements in response to a time-bound specific request. He stated that the current process to obtain approval of the IAA’s Public Statements has been cumbersome. The “fast track” proposal is intended to allow a more timely response on behalf of the IAA. Some concern was expressed regarding the possibility that such a process would undercut the ability of member organizations to have a voice on such statements. The Board reviewed the provisions in the proposal that address this concern. In addition, it was mentioned that CAS representatives should be participating in the development of public statements.

There was a motion to instruct the CAS Representative to the IAA Council to vote in favor of the “Fast Track” proposal.

The motion was seconded and approved unanimously, with 12 members voting.

3. JOINT CAS/SOA RISK MANAGEMENT SECTION

Don Mango introduced this item and began by reporting that the ERM Symposium, conducted jointly with the SOA, PRMIA, and Georgia State University, was a huge success, with even more attendees than the symposium had been prepared to accommodate. He reported that the approximately 400 attendees hailed from the insurance, banking, energy, and other industries.

The SOA recently started a Risk Management Section, which is a special interest group within the SOA. Membership in the Section is open to anyone, and the Section currently has over 300 members. At the September 2003 Board meeting, the Board endorsed the idea of encouraging CAS involvement in the SOA’s Section.

The proposed Joint CAS/SOA Risk Management Section is intended to build upon the success of the recent joint symposium. The action plan for establishing the joint section involves a four-phase approach that will encompass oversight of future symposia, research into the elements of risk, and other initiatives. John J. Kollar, liaison to the SOA’s Risk Management Section Council, has started discussions with the Council about evolving the Section into a jointly sponsored entity. There was discussion among the Board members of ways in which the CAS will seek to encourage its members to join the Section (which is conceptually similar to a Special Interest Section within the CAS, like CARE). The CAS will publicize the Section and its benefits, and

offer a link on the CAS Web Site directly to the Section's Web page. The CAS will also mention the Section in the Actuarial Review.

One Board member suggested that, in addition to PRMIA, the Joint Section also seek to establish liaison with GARP (the Global Association of Risk Professionals).

There was a motion to approve the proposal to form a Joint CAS/SOA Risk Management Section, and to direct the Executive Council implement it.

The motion was seconded and approved unanimously, with 12 members voting.

4. INFORMATION ITEMS

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

- Minutes of February 12 and March 25, 2004 EC Meetings (Attachment 13)
- New Format for Board Exams Report (Attachment 14)
- Highlights of 2004 Spring Meeting (oral)
- Q2 FY 2004 Financial Statement (Attachment 15)
- Report on Leadership Meeting (Attachment 16)
- Schloss Scholarship Recipient (Attachment 17)
- Midwestern Actuarial Forum Report (Attachment 18)
- SOA Correspondence re Syllabus Changes (Attachment 19)
- The Sarbanes-Oxley Act and Implications for Nonprofit Organizations (Attachment 20)
- Executive Director's Report (Attachment 21)
- Reserving Article from May 2004 "Best's Review" (Attachment 22)
- April ERM Meeting Report (Attachment 23)
- AAA Meeting Report (Attachment 24)

A Board member stated that it appears that the SOA misunderstood CAS concerns with regard to organizational sensitivity (Item 19). Mary Frances Miller indicated that sensitivity is on the agenda for the July COP/COPE meeting and she will resurface this item at that meeting.

A Board member indicated that the Exams Report (Item 14) would be more effective if it included one or more graphs. Tom Myers stated that he would take this request under advisement.

General approval was expressed regarding the quality of the article published in Best's Review (Item 22). Gail Ross and Mary Frances Miller indicated that the bulk of the credit for the article is owed to Jon Michelson and Tom Ryan.

There was some discussion of the implications of Sarbanes-Oxley for the CAS (Item 20). Certain best practices mentioned in the agenda material are not currently used by the CAS. It was stated that the requirement that all audit committee members be members of the Board was not appropriate for the CAS, and that in fact the CAS practice is superior given the particular structure of the organization. CAS Staff said it would pursue two of the recommendations: that the audit firm or at least the audit partner assigned to the CAS be rotated periodically; and that the financial statements be certified by the CEO (Executive Director in the CAS's case) and the CFO (for the CAS, the Manager, Finance and Administration).

Chris Carlson reported that the initially dire outlook for the 2004 Spring Meeting has now been reversed. The Spring Meeting budget had planned for a potential \$96,000 attrition penalty based on decreasing attendance

trends and an unfavorable contract with the Broadmoor. However, strong attendance combined with a fortuitous request from the hotel for the CAS to relinquish some of its room block has erased this liability.

5. TASK FORCE ON MODELING WORKSHOP REPORT

Sue Szkoda, chair of the Task Force, and Glenn Meyers presented the Task Force report. Due to the difficulty in adequately testing the topic, DFA was recently removed from the exam syllabus. In order to ensure that CAS members and candidates nevertheless be conversant with the subject, the Task Force on Modeling was established to explore the concept of constructing a Workshop on DFA. If the Workshop is successful, it may be considered as a mandatory part of the basic education process. The Task Force issued an RFP to solicit bids from firms interested in developing such a workshop. After reviewing the proposals, the Task Force selected Gen Re Capital Consultants. It appeared that this respondent most thoroughly grasped the learning objectives of the workshop, and also understood the desire of the Task Force that the workshop emphasize the best ways to evaluate the model output and communicate the results to non-actuarial publics, as opposed to the mathematical underpinnings of the modeling process.

There was a motion that the Board direct the Modeling Workshop Task Force to contract with Gen Re Capital Consultants to develop and pilot a workshop for a fee of \$50,000 plus travel expenses, and that the Board approve an increase in the CAS 2004 budget for the \$12,500 to be incurred during the current fiscal year.

The motion was seconded and approved, with 11 members voting in favor and 1 abstaining.

6. EXECUTIVE SESSION

The Board held an Executive Session from 10:15 a.m. to 10:30 a.m.

7. REPORT OF TASK FORCE ON CLASSES OF MEMBERSHIP

Shelley Rosenberg presented the report of the Task Force on Classes of Membership. The Task Force concluded that there should be only one class of membership for the CAS. The Task Force also recommends that a “certificate of achievement” (with no voting or practice rights) be established at approximately the 5-exam level to provide the candidate (and employers) with tangible evidence of progress before the achievement of Fellowship.

The Task Force believes that the amount of syllabus material necessary to achieve sufficient expertise for Fellowship is greater than the current ACAS exam structure, but less than the current Fellowship. One important consideration in this regard is satisfaction of the IAA requirements for the learning objectives that should be found in all actuarial education programs. The current ACAS syllabus does not meet that standard. The FCAS syllabus does meet the standard. Both the FCAS and ACAS syllabi also contain substantial additional material that is not mandatory to meet the IAA standard, although much of this additional material is important for the education of U.S. casualty actuaries. The Task Force believes that the ideal number of exams for Fellowship may be eight, and that the necessary material can be reorganized to fit into that number of exams.

The Task Force recommends that the ACAS designation continue to be awarded for a limited time (e.g., until 2008), and that all existing ACAS’s be subsequently awarded FCAS either upon the passing of their Fellowship exams, or five years after the last ACAS has been awarded (at a time approximately coincident with the CAS Centennial in 2014).

Most Board members endorsed the underlying basic recommendation to eliminate the ACAS designation. Some expressed concern that this change would adversely impact recruiting, since it would lengthen the time until achievement of a meaningful designation (Fellowship). This concern was made particularly pointed by the fact that the SOA will continue its ASA designation, and in fact is significantly reducing the number of credits needed to achieve the designation. The concern is that many students may elect the Life track on the basis that the ASA is easier to obtain than the FCAS. The counterargument was expressed that students are more often motivated by their employment opportunities than by travel time issues when picking actuarial tracks. It was also pointed out that, for many years, the ASA stood at 5 exams while the ACAS stood at 7, and this did not seem to adversely impact recruitment for the CAS.

Some expressed the opinion that, before taking action, the Board should publicize the report and the Board's views on it, in order to give the membership time to consider the topic before being confronted with the Board decision on it. It was also suggested that the report should be expanded to contain additional background material to educate the membership on the subject, such as discussion of how other nations' actuarial professions address this issue, and thoughts concerning the impact this change might have on recruiting.

Some expressed opposition to automatically granting FCAS credentials to existing ACAS. There was some sentiment to instead allow the existing ACAS to remain ACAS (and retain their practice rights) in perpetuity, but to grant no new ACAS designations.

There was some concern about the possible adverse impact of the elimination of the ACAS designation on dues income and meeting attendance. Although it was thought that this effect would be minimal, the Board nevertheless discussed ways of incorporating the new "junior members" sufficiently into the society to compensate for these issues.

The Board discussed alternative ways to make candidates and "junior members" subject to the professional standards and Code of Professional Conduct, such as signing a statement promising to uphold them when registering for the first actuarial exam.

There was discussion of the pros and cons of one Board member's suggestion that the implementation period be extended to as much as nine years, to provide everyone currently in the pipeline an opportunity to choose their course of action before the change becomes final.

The Chair recognized the guests observing the meeting and invited them to offer comments on the discussion. One guest suggested that a key to the "junior member" designation was obtaining the right to attend CAS meetings, and that the major hurdle in that regard is the willingness of employers to pay for these "junior members" to attend the meetings.

Another attendee stated that the Society of CPCU uses an interim designation after 5 exams called "matriculated candidate," which carries no connotation of membership or practice rights. She also stated that those candidates agree to abide by the organization's professional codes. Cynthia Ziegler added to these comments the observation that these individuals pay nominal dues, receive publications, and have the right to attend meetings of the Society.

The Chair conducted a series of straw polls of the Board and EC members, along with Shelley Rosenberg. All other CAS members in attendance were permitted to vote in a separate straw poll of "Observers" on the same questions. The results of all of these polls are recorded below.

Do you favor the establishment of only one class of credentialed member?

Board/EC: 17 Yes; 1 No; 3 Abstain.

Observers: 8 Yes; 0 No.

Do you favor the establishment of a class of non-credentialed junior affiliation, whether designated as a “member” or otherwise?

Board/EC: 19 Yes; 0 No; 2 Abstain.

Observers: 6 Yes; 2 No.

Should all candidates be subjected to the CAS’s professional standards such as the Code of Professional Conduct?

Board/EC: 21 Yes; 0 No.

Observers: 7 Yes; 0 No; 1 Abstain.

Should the junior affiliation, even though not credentialed, still be considered “membership” in the CAS?

Board/EC: 2 Yes; 14 No; 5 Abstain.

Observers: 0 Yes; 8 No.

What level of education should be required for the new FCAS?

Board/EC: 0 current level of ACAS; 6 current level of FCAS; 14 in between; 1 Abstain.

Observers: 0 current level of ACAS; 3 current level of FCAS; 5 in between.

How should the CAS handle existing ACAS at the time of the transition?

Board/EC: 10 an additional requirement to become FCAS; 9 no additional step except tenure; 2 Abstain.

Observers: 4 an additional requirement to become FCAS; 4 no additional step except tenure; 1 Abstain.

For how much longer should the CAS continue to offer the ACAS designation?

Board/EC: 14 Three to five years; 5 Seven to ten years; 2 Abstain.

Observers: 9 Three to five years; 0 Seven to ten years; 1 Abstain.

The results of both groups of polls were broadly supportive of most of the conclusions of the Task Force. The Board agreed that more discussion is needed on the implementation timeframes, with respect to both the length of time before new Associateships would cease to be offered and the manner in which existing Associates would migrate to Fellowship status, if the decision is made to migrate Associates to Fellowship.

A question arose regarding the period of time necessary to redesign the syllabus and begin offering realigned exams after approval of the single membership class and identification of the necessary subject matter for the exams. Tom Myers indicated that the earliest the new exams could be offered would be 2007 or 2008.

The straw polls were not binding on the Board. It was decided that the Task Force will not yet be dismissed, in order to permit it to revise the report to add the additional details requested by the Board. It was agreed that the revised report, along with a summary of the Board deliberations and the results of the straw polls, would be released to the membership. Comments from the membership will be solicited. The Board and other leadership will actively educate the membership (and candidates) on the issue. This issue will be a major focus of the September Board meeting, with the hope that a final vote can be taken on the issue at that time. While it is not clear whether the move to one class of membership will require a Constitutional amendment, the Board intends to develop a process that will allow thorough discussion and exchange of ideas among the members.

8. COMPUTER BASED TESTING TASK FORCE REPORT

David Menning, chair of the Computer-Based Testing Task Force, presented the Task Force report. The Task Force was formed in September 2003 with a charge to implement computer-based testing for one exam by spring 2005. The Task Force issued an RFP to solicit bids from vendors. After reviewing the proposals,

the Task Force selected Capstar to help convert Exam 1 to a computer-based format. There will initially be three computer-based administrations per year, with the frequency being increased in subsequent years. For some period of time, it may be necessary to maintain the paper-and-pencil alternative at some locations. The Task Force recommendation is being forwarded concurrently to the SOA and CIA for consideration, and the Board expressed approbation of the fact that the CAS took the lead on promoting this issue.

One Board member questioned the substantial additional cost per candidate that this testing approach will entail. It was suggested that the cost was becoming a fairly substantial burden for a college student's first attempt at an actuarial exam, and could therefore cause a recruiting problem. Tom Myers stated that he would ask the Joint Exam 1 Committee to discuss this issue further.

There was a motion to approve the report of the Computer-Based Testing Task Force, charge the joint Exam 1 committee to move forward with implementing the Task Force recommendations, and dismiss the Task Force with thanks.

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

9. REPORT OF TASK FORCE ON THE ACAS VOTE

Amy Bouska presented her Task Force's report on the ACAS Vote. She recapitulated the major points presented in her interim report at the Board meeting in March. She also described the changes to the report made by the Task Force in response to the Board straw polls and guidance provided at the March meeting.

There was some discussion of the way in which the changes recommended by this Task Force should be coordinated with those from the Task Force on Classes of Membership. It was decided that, after final decision by the Board on all of these recommendations (as well as those of the Task Force on Classes of Membership), the Board and CAS leadership will undertake an educational initiative to assist the membership in understanding the issues and reasons for the changes approved by the Board. This initiative will include talks at Regional Affiliates.

If both Task Forces' conclusions are accepted by the Board and passed on to the membership for adoption, there could be a Fellowship vote in approximately April 2005 on the classes of membership, and another vote in approximately June 2005 on the ACAS vote (after the results of the first election are public). This would permit voting members to vote on the second issue knowing the results of the first one. Then, with the results of both votes final, the vote-eligible ACAS members would potentially be able to vote in the regular August 2005 CAS elections.

It was noted that, after Board approval of the recommendations in the report, Items 1 2, 3, and 4c of that report are the only ones that will require specific approval by the CAS voting membership, although if Item 1 fails to win Society-wide approval, all of the other changes to current practice recommended in the Task Force Report (with the possible exception of Item 5) will automatically fail, whether approved by the Board (or the membership) or not. It was also decided that the ballot on the ACAS Vote would present each of the Board-approved recommendations separately, to allow the membership to vote individually on each relevant point of the report.

The Board voted on each of the specific recommendations of the Task Force on the ACAS Vote.

There was a motion to accept Task Force Recommendation 1, that the unrestricted right to vote be given to members either upon attainment of Fellowship or five years after their recognition as Associates, whichever should occur first.

The motion was seconded and approved, with 13 members voting in favor and 1 against.

There was a motion to accept Task Force Recommendation 2, that all voting members be allowed to stand for election to the Board of Directors, with no change in the current size or structure of the Board.

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

There was a motion to accept Task Force Recommendation 3, that voting Associates be allowed to hold all officer positions with the exception of President, President-Elect, and Vice President -- Admissions.

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

There was a motion to accept Task Force Recommendation 4a, that any voting member be permitted to serve on the Audit Committee.

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

There was a motion to accept Task Force Recommendation 4b, that the Discipline Committee continue to be restricted to Fellows.

The motion was seconded and approved, with 12 members voting in favor and 2 against.

There was a motion to accept Task Force Recommendation 4c, that two seats be added to the Nominating Committee, one for an Associate with more than 10 years as a voting member and one for an Associate with less than 10 years as a voting member.

The motion was seconded and defeated, with 7 members voting in favor and 7 against.

There was a motion to recommend to the membership that one seat be added to the Nominating Committee for an Associate with more than 10 years as a voting member.

The motion was seconded and approved, with 8 members voting in favor and 6 against.

(It was clarified that eligibility for positions of this type should be measured from the date that the ACAS would have obtained the vote if the current rules had always been in effect.)

There was a motion to accept Task Force Recommendation 4d, that the Education Policy Committee continue to be restricted to Fellows.

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

There was a motion to accept Task Force Recommendation 4e, that the Syllabus Committee continue to be restricted to Fellows.

The motion was seconded and approved, with 13 members voting in favor and 1 against.

There was a motion to accept Task Force Recommendation 4f, that the Examination Committee and Part Committee membership restrictions remain unchanged.

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

There was a motion to accept Task Force Recommendation 5, that any Associate who is eligible to serve on a Committee should become eligible to chair that Committee, with the exception of the Examination Committee and the Associateship Part Committees.

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

The Board dismissed the Task Force with thanks.

10. LONG RANGE PLANNING COMMITTEE REPORT

Aaron Halpert presented a status report on the Long Range Planning Committee, which he chairs. His report focused on the steps being taken by the Committee to begin to monitor progress towards the Centennial Goal.

The current primary focus of the Committee is on the first step of the monitoring process: conducting an environmental scan (both within and outside the CAS) to evaluate the selection of strategies (SAM goals), and whether alternative strategies should be adopted to better achieve the Centennial Goal. A secondary focus of the Committee at this time is on monitoring the progress of the CAS Committees toward implementing their assigned SAM goals.

The Committee has already piloted the scanning process and is evaluating the results. It has already gotten useful feedback from outside the profession. The Committee believes that it will soon be in a position to conduct the scan on a larger scale.

Cynthia Ziegler will present another update on this process at the September Board meeting. Aaron Halpert will present a report at the November Board meeting.

11. OTHER BUSINESS

There was a motion to direct the Executive Council to consider methods of implementing the suggested requirement that all candidates be subjected to professional standards, including the Code of Professional Conduct.

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

A Board member requested that the Board add to its future agenda the topic of continuing education requirements. This member would like the requirements to be broadened to include all CAS members in good standing. Consideration of this issue would be timely, in light of the continuing education issues currently under consideration by the American Academy of Actuaries.

12. ADJOURN

The meeting was adjourned at 5:30 p.m.

Respectfully submitted,

Kenneth Quintilian
Assistant Secretary - Board of Directors

Approved September 9, 2004

Subsequent to the meeting, the Board approved via e-mail vote the recommendation to post the May 16, 2004 Board Meeting Executive Summary as amended, with 14 in favor and 1 abstaining.