

MINUTES
CAS BOARD OF DIRECTORS MEETING
JUNE 17, 2007
Disney's Contemporary Resort, Lake Buena Vista, FL

Present

Directors: Irene Bass, Regina Berens, Brian Brown, Charles Bryan, Eugene Connell, Allan Kaufman, Donald Mango, Glenn Meyers, Robert Miccolis, Mary Miller, Roosevelt Mosley, Joanne Spalla, Karen Terry, Mark Vonnahme.

Board Chair: Paul Braithwaite.

President: Thomas Myers.

President-Elect: Christopher Carlson.

Vice Presidents: Amy Bouska (International), James Christie (Admissions), Roger Hayne (Research & Development), John Kollar (ERM), Andrew Kudera (Professional Education), Kenneth Quintilian (Administration), Patricia Teufel (Marketing & Communications)

CAS Executive Director, Cynthia Ziegler; Assistant Secretary – Board of Directors, Alice Underwood.

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

Observers: Clive Keatinge, Oakley Van Slyke.

Invited Guests: Derek Newton (Institute of Actuaries – UK), Greg Taylor (Australia), Gail Ross (by teleconference for part of the meeting).

Paul Braithwaite called the meeting to order at 8:00 a.m. on Sunday, June 17.

I. CONSENT ITEMS

A motion to approve the following consent items (numbered as per the Board materials) was made and seconded:

1. Minutes of March 15-16, 2007 Board Meeting

The Board approved these minutes as submitted.

2. Implementation Task Forces for Development of Educational Material for Ratemaking and Reserving

The Board approved the structure of the two implementation task forces and gave authority to the VP-Admissions to appoint the individual members to be in place by the end of June 2007.

3. ERMII Administrative Support Renewal

The Board approved ERMII's request for the 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.

6. Task Force on Board Governance Report

The Board approved the three recommendations as submitted: to dissolve the Task Force, to charge the Nominating Committee with making recommendations to the Board for future nominees to the appointed

positions, and for the President to obtain feedback each year from the Board as to the effectiveness of incumbent appointed members.

7. Audit Committee Charge

The Board approved the revised Audit Committee charge as submitted, codifying the current practice of the Audit Committee accepting the independent audit report.

8. Joint Exam Administration Committee's Recommendation on Releasing of Passing Candidate Scores

The Board approved the recommendations of the Joint Exam Administration Committee to release passing scores, and to continue the practice of releasing only decile grades to candidates.

9. Offer Exam 2/FM by Computer Based Testing (CBT)

The Board approved the recommendations of the Computer-Based Testing Task Force to implement CBT for Exam 2/FM in select sites in spring 2008 with complete implementation in fall 2008, subject to determining feasibility in consultation with Thomson Prometric.

The motion to approve these items was carried unanimously, with 17 members voting.

II. Actuarial Society of India Exam Waiver Policy

Jim Christie introduced this topic (Item 4 in the Board materials): the Executive Council recommends that the Board approve waivers for the Actuarial Society of India (ASI) exams based on the same mapping used for the UK Faculty of Actuaries and Institute of Actuaries.

The question was raised as to why this issue is being brought before the Board before the Education Policy Committee has made a recommendation; Jim explained that this process has been delayed and the EC would prefer to move forward. He pointed out that the UK Faculty and Institute do give credit for the ASI exams, which have the same syllabus as the Faculty and Institute exams. Board members familiar with the ASI system offered their opinion that the Indian exam system is rigorous.

About three years ago the CAS Board of Directors approved exam waivers for the ASI exams, contingent upon approval from the SOA and CIA. The CIA has approved, but the SOA has not yet done so.

A motion was made and seconded that the Board approve exam waivers for the ASI exams based on the same mapping used for exams of the UK Faculty of Actuaries and Institute of Actuaries effective 1/1/08, so long as the Education Policy Committee does not recommend against such waivers by 12/31/07.

The motion was carried with 11 in favor and 6 opposed.

III. Updated Exam Waiver Policy

As per Item 5 in the Board materials, the Executive Council recommends that the Board approve an updated CAS Examination Waiver policy for examinations of the Faculty of Actuaries, Institute of Actuaries, Institute of Actuaries of Australia, and Actuarial Society of India.

A motion was made and seconded that the updated exam waiver policy as proposed should be approved with the exception that approval for the Actuarial Society of India should be contingent upon final approval of the Exam Waiver Policy for that society.

The motion was carried unanimously, with 17 voting in favor.

IV. ERM Task Force Report

There was discussion of this report (Item 10 in the Board materials), noting that it contains some of the old Centennial Goal language. Although the ERM Task Force had included this language to reflect a historical perspective, the sense of the Board was that the report should be changed to reflect the refreshed language of the Centennial Goal. On a similar note, the Board felt that the phrase “international expansion” should be changed to “international coordination.”

A motion was made and seconded to accept the report with the revisions to reflect the refreshed Centennial Goal language.

The motion was carried unanimously, with 17 voting in favor.

V. Vital Statistics

Paul introduced this discussion item (numbered 11 in the Board materials) and a question was raised about the reduction in meeting and seminar attendance. It was reported that the EC is investigating this issue.

VI. ERM Vision

John introduced this item (numbered 12 in the Board materials).

A motion was made and seconded to accept the ERM Vision document as submitted.

The motion was carried unanimously, with 17 voting in favor.

VII. Global ERM Credential

Paul introduced this topic (Item 13 in the Board materials) and explained that there is discussion across several actuarial societies of the idea of creating a global ERM credential. He noted that the recommendation before the Board is that the CAS should participate in the initiative to develop the designation, but without making a commitment to support the final outcome. As it stands, the concept is still in preliminary stages. There would presumably be a syllabus and exams; it is unclear whether membership in one of the sponsor organizations would be required. In general, the intent is to establish an international designation which would create a meaningful footprint for the profession in ERM.

It was noted that in 2005 the Board decided not to support the development of an ERM credential; this initiative has since resulted in the new SOA “Certified Enterprise Risk Analyst” (CERA) credential, which is being implemented this year. CERA is not the starting point for the global ERM credential discussion, but the SOA is supportive of the global process.

The sense of the Board was that the CAS should be prepared to communicate to our members, liaisons, and other audiences regarding what the CERA credential is and why the CAS does not currently offer a specific ERM credential. The Board asked the VP – Marketing & Communications to create a communication plan.

One member expressed the opinion that any process to develop a global ERM designation should start with market research to clarify the needs of employers and students. Another member pointed out that this issue is viewed differently in different countries due to the nature of local practice, and discussion of a global credential

should be mindful of this. Finally, it was noted that anyone representing the CAS in this matter must stay in close contact with the EC and Board.

A motion was made and seconded that the CAS should participate in this initiative without a commitment to support the final outcome, and that the President should be authorized to choose the CAS representatives(s).

The motion was carried unanimously, with 17 voting in favor. The Board will consider its support of the designation at some point in the future.

VIII. Qualification Standards

Tom Myers introduced this topic (Item 22 in the Board materials), noting that CAS members practicing in the U.S. will be bound by the new qualification standards even if they are not AAA members. One aspect of the new standards is the establishment of a three-year experience requirement for issuing Statements of Actuarial Opinion (SAOs); these are not limited to Prescribed Statements of Actuarial Opinion (PSAOs). The current formulation creates a “reversal”: in principle, practitioners with less than three years’ experience are able to perform duties the day before they become an ACAS that they can no longer perform the day after. The new candidate code of conduct does not plug this gap.

At the current time a 30 day “cease & desist” is in effect while certain changes that were approved by the AAA Board are implemented. These changes include footnoting the Casualty Practice Council approval process for non-CAS members issuing PSAOs, and clarifying standards for the exchange of “draft” communications between practitioners and clients.

The CAS plans to coordinate with the AAA’s communication plan. The CAS has encouraged the AAA to draft a “frequently asked questions” document, and qualification standards will be covered in the Course on Professionalism, among a myriad of other communications activities.

The issue of whether the CAS should have its own Continuing Education standard is under review and will be brought before the board again at a future meeting.

IX. Highlights of ASTIN Meeting Plans

Chris Carlson provided a brief oral presentation on this topic. About 190 people are registered for ASTIN, with about 170 of these being delegates. Forty papers will be presented as well as four guest lectures, one of which is being presented jointly with the CAS Spring Meeting. Financially, this meeting is expected to break even for the CAS.

X. Task Force on Developing Education Materials

Gail Ross joined the meeting by conference call for the discussion of this topic (Item 19 in the Board materials). She explained that the Task Force did not arrive at a strong mandate to endorse a single recommendation. Instead they are providing two alternatives, either of which they believe would provide a strong product:

- (1) Hiring a sole author to write one unified document
- (2) Contracting with a consulting firm to write the ratemaking material and another consulting firm to write the reserving material, without involving the outside press suggested by the second firm.

The Task Force expressed a slight preference for Option 1, but believed firmly that either option would result in a high-quality text.

There was discussion of the process that led to the first textbook, “Foundations of Casualty Actuarial Science.” At that time the CAS considered a proposal to write a unified book, but the final decision was to engage different authors for different chapters. In part this decision was made because writing that particular textbook would have been such a huge undertaking. However, a number of Board members expressed support for the idea of a unified textbook covering reserving and ratemaking, i.e. the entire actuarial control cycle.

There was some discussion of how more “cutting edge” topics such as stochastic reserving methods and GLM would be covered in the text. Gail pointed out that this text is intended to be a foundational text on ratemaking and reserving; any “cutting edge” topic would be covered in the book to the extent that these were described in the learning objectives. Currently, GLM is not covered on Exam 5 and stochastic reserving is not covered on Exam 6. This led to the question of how the CAS plans to update the text for changes in the syllabus; the plan is to address the current objectives with a living document that would evolve over time, and not necessarily with the same author. The authors who have put forward proposals understand this concept and understand that the material they provide would belong to the CAS.

There was some discussion of contingency planning for the text development project. The plan is for the chairs of the Ratemaking and Reserving syllabus committees to chair the two separate task forces charged with overseeing the process.

A motion was made and seconded to go into Executive Session to further review the recommended options.

This motion passed unanimously with 17 members voting.

The Board went into Executive Session at 10:00 a.m. and adjourned for the morning break at 10:15 a.m. The meeting reconvened in open session at 10:30 a.m.

XI. Variance

Joanne Spalla announced that the first issue of the new journal, Variance, has been published. Variance is a sponsor of ASTIN, so those who register for ASTIN will get a promotional bag and a copy of the journal. The Board was pleased to note that the first issue of Variance includes material written by non-CAS members and material written by authors residing outside the U.S. and Canada. The Board offered Joanne and others who contributed to Variance a congratulatory round of applause.

XII. Task Force on CAS Exam 3 and SOA Exam M

Jim Christie introduced this topic (Item 20 in the Board materials) and explained the two recommendations of the Task force:

- (1) Partition Exam 3 into two parts: a jointly offered part 3A/MFE, and a part offered separately as 3B (CAS) and MLC (SOA)
- (2) Transition 3A/MFE to Computer Based Testing as soon as possible.

It was noted that, should the CAS decide to change the exam structure in the future, transition rules must be considered very carefully so as to minimize disruptions for candidates.

A motion was made and seconded to approve the two recommendations of the Task Force.

This motion was passed with 16 members voting in favor, none opposed, and one absent.

XIII. White Paper Follow Up

Tom Myers introduced this discussion item (numbered 17 in the Board materials). The recommendations are:

- (1) Move the CPCU-type topics from Exam 5 to a CAS-administered internet course
- (2) Reconfigure the remaining portions of Exams 5-9 into four exam units instead of five (recognizing that portions of Exam 8 were recently moved to Exams 2 and 3)
- (3) Add a Capstone Seminar

The Capstone Seminar would be a three- to five-day limited attendance seminar, similar to the DFA Limited Attendance Seminar, including a structured project to be completed individually by each participant. It is anticipated that the pass rates for these seminars would be high. Candidates would have a variety of Capstone Seminars from which to choose. The selection of a particular Capstone Seminar topic would not be noted in a member's designation (for example, someone who attended a Capstone Seminar on ERM would be recognized as an FCAS, not an "FCAS-ERM") but of course individuals could note this information on their resumes if they chose to do so. One possibility is that the Capstone Seminars could serve as both Basic Education and Continuing Education. It would be possible to offer a certificate for such seminars. There was some discussion of whether a Capstone Course was really necessary, given the increase in Continuing Education requirements.

The Task Force presented several ways to group the material on Exams 5-9 into four exam units. Under all of the options presented, the difference between ACAS and FCAS would be one exam and the Capstone Seminar. There was discussion of the advantages and disadvantages of the various options presented. A key item mentioned by many board members was the desire to keep the transition as simple and seamless as possible. The Board requested that the Task Force develop proposed transition rules for each option.

Tom asked for the sense of the Board as to whether the Task Force is on the right track. Many expressed the sentiment that a decision on education needs to be coordinated with the strategic goals of the CAS. Many on the Board said they would prefer to get additional feedback from employers and chief actuaries on the Task Force proposals.

At 11:30 a.m. the Board went into Executive Session.

The open Board meeting reconvened at 1:00 p.m. after lunch.

XIV. Executive Session Items.

The following motions were approved in executive session:

- (1) **To award the contract to develop Ratemaking and Reserving study materials to Charles McClenahan, and to dismiss the CAS Task Force to Develop Educational Materials with thanks.**
- (2) **The election of 2007-2008 Vice Presidents:**
 - Administration: Kenneth Quintilian**
 - Admissions: James K. Christie**
 - ERM: Kevin G. Dickson**
 - International: Ralph S. Blanchard III**
 - Marketing & Communications: Patricia A. Teufel**
 - Professional Education: Andrew E. Kudera**
 - Research & Development: Roger M. Hayne**
- (3) **To refer a CAS candidate claiming to be another candidate to the CAS Discipline Committee to review the complaint and recommend action.**
- (4) **To move forward with the Executive Council developing a position description for a staff "Guest Actuary."**

(5) To approve the funding of a staff Director of Professional Education and Research effective August 1, 2007.

It was moved and seconded that these motions be approved.

This motion carried with 16 members voting and one absent.

XV. Report from General Insurance Board (UK)

Derek Newton, Chair of the UK General Insurance Board, made a short presentation to the Board outlining the main technical issues and structural issues facing the UK profession. Technical issues include reserving and how to communicate uncertainty, pricing, capital assessment (ICAS & Solvency II), and transfer values. Structural issues include regulation, the role of actuaries, alignment of the profession into functional areas, restoring the image of the profession, and finances. He noted that the Associateship credential is being “re-launched” in the UK, based on passage of the core exams which precede the specialist tracks.

XVI. Report from Institute of Actuaries of Australia

Greg Taylor, a member of the Institute of Actuaries of Australia, made a short presentation on issues facing the profession in Australia.

A key item is that since June 2001 there has been a statutory requirement to set reserves at the 75th percentile of liability estimates (in total across all lines of business, including both premium and claim liabilities) – thus, stochastic loss reserving becomes a necessity. Difficulties include achieving coherence between the model used to produce the central estimate and the model used to produce the risk margin, and estimating credit for diversification across lines of business. Technical responses to the requirement of risk margins include benchmark studies, simple recipes from the literature (e.g. Mack, stochastic Chain-Ladder), bootstrapping, time series analysis of loss ratios, and the bottom-up inclusion of subjective risk factors.

Other issues facing the profession in Australia include involvement with East Asia; consequences of the Morris Review (and HIH collapse), growing the profession outside the insurance business, and enhancing the reputation of the profession.

The Institute is also discussing creating an Associate-level credential. In Australia, the majority of students begin their actuarial education at university; the five accredited universities have a high academic standard. However, there is a very low (25-35%) pass rate on exams offered after graduation. Therefore, many people with an actuarial education stop pursuing the Fellowship credential. There is a strong employment market for such individuals. Given this situation, there is discussion that the Institute penalizes itself by not offering a credential prior to Fellowship.

XVII. International Vision

Amy Bouska introduced this topic (Item 16 from the Board materials) with the comment that while members seem to support an international role for the CAS, there does not appear to be a lot of active interest in the subject.

There was discussion of how the CAS could do a better job of putting forth a value proposition for its members. It was observed that the accounting changes are going to create interest because these will affect U.S. practitioners. One Board member asked whether it would be possible to identify the costs associated with international efforts; that would help to quantify the cost / benefit relationship.

Some members of the Board asked whether there could be a clearer picture of where the CAS is headed, and where it hopes to be in five years – what is the desired end state? It was noted that the Strategic Planning Committee has a subcommittee working on international goals, though these may not get to the level of an overall vision. The Board asked Amy and the EC to produce a more concise vision statement for review at the September meeting.

XVIII. Standards of Practice vs. Statements of Principles & Principles Underlying Actuarial Science

Roger Hayne introduced this topic (Item 18 in the Board materials); he explained said the EC generally concurs with the Task Force paper, which makes six recommendations:

1. Foundational Statements are needed.
2. CAS needs to maintain this set.
3. Board needs to establish a process to monitor, with periodic reports back to the Board.
4. Enhance Board involvement in the process.
5. Enhance communication with other actuarial organizations.
6. Conduct proactive communication of the statements to the membership.

The proposal is to create one reasonably small set of Foundational Statements, which are intended to update and replace the Statements of Principles as the fundamental statements about casualty actuarial science. These would communicate the essence of casualty actuarial work, but not prescribe methodology.

Paul asked for a rough draft of these Foundational Statements for review during the November Board meeting.

A motion was made and seconded to approve recommendations 1-6.

This motion passed unanimously, with 17 voting in favor.

The Task Force also proposed two Contingent Actions.

1. Advice to Membership on new ASOP on Unpaid Claim Liabilities
2. Advice to Membership on General Principles of Actuarial Science

Some members expressed concerns about these Contingent Actions.

There was a lengthy discussion about the ASB actions on Unpaid Claims Liabilities. Significant issues emerged in the process of developing this standard, motivating the Task Force’s recommendation to establish better high-level interactions. The proposed document uses new nomenclature (“unpaid claim estimates” as opposed to “reserves”) and does not provide a standard for determining reasonability. “Reasonability” is currently defined in the Statement of Principles on Reserving.

When there is a conflict between an Actuarial Standard of Practice (ASOP) and another professional guidance document, the ASOP governs (of course, if there is conflict between an ASOP and applicable law then the law governs). As far as the Board can determine, there is no actual conflict between the proposed ASOP on Unpaid Claim Liabilities and the Statement of Principles on Reserving; therefore, while the proposed ASOP is silent on “reasonability,” the Statement of Principles would apply.

In light of this discussion, the Board took no action on Contingent Action 1 and turned to Contingent Action 2.

A joint CAS / SOA Committee was established some time ago to develop what was originally called “General Principles,” now referred to as “Principles Underlying Actuarial Science.” The SOA Board of Directors does not intend to adopt these as an official set of statements like the CAS Statements of Principles. Instead, the committee report would go out to the SOA membership as an exposure draft and if the SOA Board decides to accept the final version, it would be accepted as a committee report rather than as Board-promulgated principles.

The question before the CAS Board is whether the document should be exposed to the CAS membership for comment.

The document on “Principles Underlying Actuarial Science” is not prescriptive, but rather consists of observations about actuarial work and how it relates to statistics and economics. Several Board members expressed the opinion that the observations in this document would not be appropriate for adoption as Principles or Foundational Statements, and therefore it would not be appropriate to expose the document to the CAS membership for comment.

A motion was made and seconded to adopt Contingent Action 2, namely: to decline the request to release the Exposure Draft of Principles Underlying Actuarial Science to the CAS membership; to advise the SOA of the CAS view on the document; and, if the “General Principles” are circulated, to advise the membership of the view of the Board that these statements are an interesting exercise, but do not satisfy the requirements of Principles as we see them for our work products and audience.

This motion passed with 10 in favor, 1 opposed, 4 abstentions, and 2 absent from the vote.

XIX. Meetings Task Force Report

Andy Kudera introduced this topic (Item 21 in the Board materials) and explained that the main question is whether to eliminate the subsidy for accompanying person registration fees. However, the proposal would not entirely eliminate all subsidies, given the 5-10% discount for the purchase of a “bundled” accompanying person package; but remaining subsidies would be minimal. It was noted that a move to offer “unbundled” participation by accompanying persons would require issuing tickets or some similar process.

A motion was made and seconded that the Board adopt the following recommendations:

- 1. The accompanying person fee should be determined based on the best available estimate of actual costs for each meeting. This will vary by location and duration of the meeting.**
- 2. Fees for accompanying persons should be offered on an unbundled basis as well as on a packaged basis with a nominal discount (5% or 10%).**
- 3. Update the Policy Manual to reflect these decisions.**

This motion passed unanimously, with 17 voting in favor.

XX. INFORMATION ITEMS 23-45

The following items (numbered as in the Board meeting materials) were presented for the Board’s information. Board members were given the opportunity to comment on any item:

23. Minutes of February 13 and April 10, 2007 EC Meetings plus May 15 and June 19 agendas
24. Highlights of 2007 Spring Meeting
25. Q2 FY 2007 Financial Statement
26. Report on 2007 Leadership Meeting
27. Reports from IIA Meetings – Mexico
28. Report from President’s Forum
29. Highlights of ASTIN Meeting
30. Publications Management Board Activity Summary
31. NAAC Commitment to Public Interest
32. Executive Director’s Report
33. Regional Affiliates Presentation Reports

34. Strategic Planning Committee Report
35. 2007 Schloss Scholarship
36. ERM for the CAS Report
37. Syllabus Changes for 2007
38. Joint Hong Kong Office Report
39. SOA & CAS Demographics
40. SOA FAP Course
41. Investment Committee Report
42. VP Second Cycle Reports
43. VP Risk Integration & ERM Title
44. Actuarial Foundation Report
45. Statistics on Meeting Attendance

Seeing that these items did not generate lengthy discussion, Paul called for a motion to adjourn.

A motion to adjourn was made, seconded, and approved unanimously. The meeting adjourned at 4:50 p.m. on Sunday, June 17.

Respectfully submitted,

Alice Underwood
Assistant Secretary – Board of Directors

Approved September 17, 2007

Subsequent to the meeting, the Board unanimously approved via e-mail the recommendation to post on the CAS Web Site the June 17, 2007 Board Meeting Executive Summary, with 13 voting.

Subsequent to the meeting, the Board's selected author to develop Ratemaking and Reserving study materials for basic education withdrew his bid due to unforeseen circumstances. The Board unanimously approved via e-mail the recommendation to approve the selection of EMB America to write the ratemaking material for basic education and KPMG to write the reserving material for basic education.