

**CAS BOARD OF DIRECTORS MEETING
SEPTEMBER 9-10, 2004
Niagara Falls, ON
Executive Summary**

1. EXAM WAIVER PHILOSOPHY / EXAM 7 WAIVERS

Currently, the CAS Constitution allows the Board to waive any examination if an applicant has “passed an examination” required by another recognized actuarial body that the Board “deems equivalent” to a corresponding CAS examination. The Education Policy Committee (EPC) is seeking Board guidance regarding how to apply this in practice.

The general consensus of the Board was that a greater focus should be placed on substantial equivalency of learning objectives instead of the current detailed consideration of the content of the examination itself. The difficulty of the substituted exam was also mentioned by some as being an important consideration, but very difficult to assess. The Board requested that the Executive Council provide a draft policy statement for the Board’s consideration at a future meeting that will clarify the appropriate treatment of these issues.

As a specific instance of this issue, the EPC further sought guidance on whether there should be an alternative approach to requiring the testing of nation-specific material for candidates in countries other than the US and Canada. The EPC recommends that the CAS grant a candidate credit for the “nation-specific” education requirement if that person is considered a fully qualified actuary in his/her home country, and if that nation’s actuarial training requirements include study of that nation’s laws and regulations. However, this may run afoul of the Constitutional requirements that the candidate has expressly “passed an examination,” and that that examination be “deemed equivalent” to the corresponding CAS examination. It was agreed that this issue be tabled until November 2004, at which time the EC should provide the Board with a revised and clarified policy statement (in conjunction with the policy statement discussed previously).

2. INFORMATION ITEMS

There was some discussion of the low pass ratio for the May 2004 administration of Joint Exam 2. The method consistently used in the process of setting pass marks for the joint exams makes reference to the pass mark panel’s perceived difficulty of the exam (criterion-based), as opposed to explicit consideration of the pass ratio (norm-based). This method usually yields a fairly consistent pass ratio. This was not the case for the May 2004 Joint Exam 2. The Joint Exam Committee resolved the aberration by “splitting the difference” between the criterion-based procedure, which would have passed 20% of the candidates; and a “norm-based” procedure which would have passed 30%. This yielded a 25% pass ratio.

The Board expressed dissatisfaction with the low pass ratio for the May 2004 administration of Joint Exam 2. By straw vote the Board approved the following statement: “It is the sense of the Board that 40% or more of the candidates should get a score of 70% or more on any given exam; and all candidates that get such a score should pass.” This statement was intended not as definitive guidance, but as the general consensus of the Board. The Board asked the VP-Admissions to discuss the issue with the Joint Exam Committee and to provide a draft policy statement for the Board’s consideration in November 2004.

3. FY 2005 CAS BUDGET

Debbie Rosenberg led the discussion of the FY 2005 Budget included with the agenda material. The budget projects a net loss of \$109,363 for FY 2005, with a year-end surplus ratio of 56%. The target range for the surplus ratio is 40-60%. It was suggested that the budget for supporting the 2007 ASTIN Colloquium be increased from \$5,000 to \$10,000 in order to ensure that the event will be adequately funded. It was

mentioned that the International travel budget, which is not currently being fully utilized, could be utilized for bringing overseas leaders and speakers to CAS meetings and seminars, in addition to its current role of providing funds for CAS leaders to travel to international meetings. Dues were set at \$355 for FY 2005, an increase of \$5. The Board approved the proposed budget as modified.

4. APPLYING ENTERPRISE RISK MANAGEMENT TO THE CAS

Steve D'Arcy led the discussion on applying enterprise risk management (ERM) to the CAS. He stated that a detailed ERM analysis and strategy, applied to the CAS itself, would allow the CAS to demonstrate its leadership in, and commitment to, the ERM concept. The Board requested that the EC consider the issue and prepare a recommendation for a Task Force with a clearly defined scope and a timetable for the Board's consideration during the November 2004 meeting.

5. REPORT OF TASK FORCE ON CLASSES OF MEMBERSHIP

The Board welcomed Shelley Rosenberg, who presented the updated report of the Task Force on Classes of Membership. Since the previous presentation on this topic at the last Board meeting, there have been several information-gathering initiatives, which were summarized in the Board agenda materials.

An extensive discussion ensued, with the Chair inviting input from all of the meeting attendees. The opinions ran along several broad themes, which were codified into a series of Board polls and motions.

The Board resolved to instruct the Executive Council to establish a Task Force to propose within the next year a set of learning objectives by which FCAS can be attained:

- with less material than the current exams,
- with fewer than the current 9 exams,
- while meeting the requirements of the IAA,
- while being consistent with the Centennial Goal.

As part of its resolution, the Board expressed its sense that this can be accomplished in eight exams (or seven exams with a workshop or seminar).

The Board further resolved to inform the CAS membership of the foregoing action, with an indication that the Board supports a move to an eventual single class of credentialed membership, with no more new Associates, concurrent with the movement to a shorter syllabus; and will seek membership reaction to this plan. (The then-current Associates would either complete their remaining exams and become Fellows, or remain Associates permanently.)

There was considerable discussion but no agreement on the topic of adding an "interim designation," with no practice rights, at about 4-5 exams. Its supporters considered such a designation a necessary recognition of substantial candidate progress. Others considered it unnecessary and confusing.

The Board further resolved to postpone further action on the ACAS Vote, pending resolution of the Classes of Membership issue. Finally, the Board disbanded the Classes of Membership Task Force with its thanks for the excellent work on a difficult topic.

6. BOARD RETREAT

The purpose of the half-day retreat on September 10 was to discuss and brainstorm how to maintain (or improve) the credibility of the actuarial profession in light of recent substantial unanticipated reserve developments, corresponding rating downgrades, and reports written by rating agencies and others containing language highly critical of casualty actuarial opinions. As Chair of the Retreat Task Force, Dave Hartman led the meeting and facilitated the productive discussions and breakout groups. The Retreat Task Force will produce a report on the findings of the retreat for the November 2004 Board meeting.

Approved October 12, 2004