

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

Present

Board Members: Phillip Ben-Zvi, Curtis Gary Dean, Robert Deutsch, Sholom Feldblum, 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 (present by teleconference for a part of the meeting), 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 (present by teleconference on September 9); Paul Braithwaite (President-Elect Designate); Beth Fitzgerald (Vice President – Professional Education Designate); Sheldon Rosenberg (present for Board meeting on September 9); Mary Miller (AAA Vice President Elect, Casualty Practice Council – invited guest present for Board retreat meeting on September 10).

Observers in attendance: Clive Keatinge.

Gail Ross called the meeting to order at 8:35 a.m. on Thursday, September 9, 2004.

1. CONSENT ITEMS

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

(a) Minutes of May 16 and July 7, 2004 Board Meetings

The minutes of the May 16, 2004 Board meeting and July 7, 2004 Board teleconference were approved as written.

(b) Nominating Committee Membership

The Board approved the recommendation that the “sophomore class” of the Board, along with the current President and President-Elect, be tasked with presenting a slate of candidates for the Nominating Committee at the November 2004 Board meeting.

(c) 2004-05 Chairs of Board Committees and Discipline Committee Membership

The Board approved the proposed slate of Chairs (for those Committees and Task Forces that report directly to the Board) as well as the proposed membership of the Discipline Committee.

(d) Vote to Approve IAA Draft Response to “Strengthening the IASB’s Deliberative Process”

Consistent with the recommendation of the IAA Response Coordination Committee, the Board voted to instruct the CAS representative to the IAA to vote to approve the IAA’s draft comments on the IASB’s

draft document, “Strengthening the IASB’s Deliberative Process,” and to deliver to the IAA the comments provided by the Response Coordination Committee on the IAA’s document.

- (e) Vote to Approve “IAIS Consultation Paper on the Proposed IAIS Bylaws”
Consistent with the recommendation of the IAA Response Coordination Committee, the Board voted to instruct the CAS representative to the IAA to vote to approve the IAIS’s draft document, “IAIS Consultation Paper on the Proposed IAIS Bylaws,” and to deliver to the IAA the comments provided by the Response Coordination Committee on both the document and the IAA’s response to it.
- (f) COP Working Agreement Revisions
Consistent with the recommendation, the Board voted to approve the revisions to the Council of Presidents Working Agreement as proposed.
- (g) U.S. Organizations and CIA Cross-Border Discipline Agreement
The Board accepted this item as information.
- (h) CAS Investment Policy – Proposed Change to How Investable Assets are Distributed
The Board adopted the revised methodology of distributing investable assets between the Operating and Short-Term Funds, as proposed by the CAS Investment Committee, with an effective date of October 1, 2004 (beginning of FY 2005).
- (i) Request to Disband SRFAC
The Board resolved to disband the Securitization / Risk Financing Advisory Committee, with thanks.
- (j) March 2005 Board Meeting Dates
The Board approved the rescheduling of the March 2005 Board meeting in Boston, Massachusetts to March 10-11, 2005.

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

2. EXAM WAIVER PHILOSOPHY

Tom Myers initiated this discussion by outlining the background of the issue, as described in the agenda material at Item 9. 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.

3. EXAM 7 WAIVERS

Tom Myers introduced this item and briefed the Board on the issue. The EPC is seeking guidance on whether there should be an alternative approach to requiring the testing of nation-specific material for candidates in countries other than the U.S. and Canada (the only two countries for which the relevant portions of Part 7 are now produced). 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.

There were several observations offered by Board members regarding this issue. One member suggested that there be offered a generic “international laws and regulations” test for those who do not wish to practice in the U.S. or Canada. It was mentioned that the SOA had previously removed its nation-specific requirement, but is now finding it necessary to reinsert those learning objectives into its syllabus in order to meet IAA education requirements.

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).

4. INFORMATION ITEMS

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

- 2004 LRPC Report Update (Attachment 14)
- CAS Insurance Program for 2004-05 (Attachment 15)
- Report on ASTIN 2004 (Attachment 16)
- The Actuarial Foundation Solicitation Request (Attachment 18)
- Results of May 2004 Exams (Attachment 19)
- CNA Presentation (Attachment 20)
- *Rough Notes* Article on ERM Information (Attachment 21)
- ABCD Status Report (Attachment 22)
- Q3 FY 2004 Financial Statement (Attachment 23)
- CRO Media Coverage (Attachment 24)
- Meeting/Seminar Attendance Data (Annual Report) (Attachment 25)
- EC Minutes (May 18, June 17, July 15, August Agenda) (Attachment 26)
- Debrief on July 2004 COP Meeting (Attachment 27)
- Executive Director’s Report (Attachment 28)
- Building Better Boards (Attachment 29)
- Drucker HBR Article, “What Makes an Effective Executive” (Attachment 30)
- Media Relations Committee Request for Volunteers (Attachment 31)
- Cal State Fullerton Report (Attachment 32)
- ARIA Report (Attachment 33)
- Cycle 3 2003-2004 VP Cycle Reports (Attachment 34)
- Member Feedback on ACAS Voting Rights (Attachment 35)

There was some discussion of the low pass ratio for the May 2004 administration of Joint Exam 2 (Item 19). 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. By straw vote (9 in favor; 1 against; and 4 abstaining) 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.

5. FY 2005 CAS BUDGET

Debbie Rosenberg led the discussion on the FY 2005 Budget. 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%.

The Board discussed the fees to be charged for obtaining Validation by Educational Experience (VEE) credit and for sitting for the VEE exams to be offered by the CAS. Tom Myers explained that the fee for taking VEE exams should not be set so low that the exams become the preferred method of obtaining VEE credit, since the primary reason for developing VEE was to allow candidates a better educational experience than is obtained through a pencil and paper exam. In addition, if the CAS VEE Exams are priced too low, the CAS may price other alternatives out of the market. The CAS VEE exams are intended to be offered for a limited period of time while other alternatives are developed.

Tom Myers clarified the fee for obtaining VEE credit as outlined in the Budget Action Summary. The fee for applying for credit for one topic is \$50, the fee for two topics is \$75, and the fee for three topics is \$100.

There was also some discussion of the fees for the preliminary exams. Ultimately it was agreed that the charges as proposed were reasonable, especially in light of the additional expense that will soon be incurred as the exams transition to computer-based testing.

There was a motion to approve the Exam Fee Structure for FY 2005 as amended in Section 2 of the Action Summary for the proposed budget.

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

There was a motion to approve the fees for CAS VEE Examinations as presented in Section 3 of the Action Summary for the proposed budget.

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

There was some discussion of the proposed dues structure as outlined in Section 1 of the Budget Action Summary. The budget contains a proposed \$5 dues increase for FY 2005 to \$355. Debbie Rosenberg explained that the dues increase, while originally proposed at \$10, was reduced to \$5 in order to keep the projected CAS surplus within the target range. It was mentioned that CAS dues are significantly lower than those of other actuarial organizations. It was agreed that the CAS is a more volunteer-dependent organization than many of the other actuarial organizations, and that, given the current sensitivity of many employers to these types of expenses, it is more important to maintain a streamlined, low-cost operation (with strong volunteer participation) than to substantially increase revenues through dues increases.

There was a motion to approve the dues and fees for FY 2005 as presented in Section 1 of the Action Summary for the proposed budget.

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

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. This budget modification was added by consensus. 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. This suggestion met with general approbation.

There was a motion to approve the proposed 2005 Budget as modified.

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

6. APPLYING ENTERPRISE RISK MANAGEMENT TO THE CAS

Steve D'Arcy led the Board through a PowerPoint presentation on this topic. The talk began with an overview of the basics of ERM, and went on to discuss how such an analysis could be applied to the CAS as an organization. Steve D'Arcy contended that a detailed ERM analysis and organizational strategy would be a way to demonstrate the CAS's leadership in and commitment to the ERM concept.

There was some discussion of the various unique risks that the CAS faces as an organization. One Board member suggested that a major risk faced by the Board itself arises from its insular nature and that the Board should include outside members, such as representatives of consumer groups, employers or other actuarial organizations. Many other risks were also mentioned.

The Board requested that the EC study the issue and provide the Board at a future meeting with a recommendation for a Task Force with a clearly defined scope and a timetable for implementation of this initiative. It was proposed that part of the task might involve the participation of consultants in order to ensure that the task force has access to sufficient expertise for the satisfactory completion of its mission. It was also noted that a similar project had been conducted by the CAS several years ago, and it was suggested that the best starting point for this analysis would be to find and review the report that was written as a result of that previous endeavor.

7. REPORT OF TASK FORCE ON CLASSES OF MEMBERSHIP

The Board welcomed Shelly 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, including:

- There was broad support for the concept of moving to one class of membership.
- Most attendees supported the idea of trying to accomplish adequate training in eight exams (or perhaps seven, with a workshop), although it was frequently mentioned that the CAS must take care to retain all important learning objectives in its realigned syllabus. Some suggested that the number "8" should be studied – perhaps the right number is different, especially in light of travel time considerations.
- Most favored an approach that would allow Associates to remain Associates indefinitely, or to choose to become Fellows by taking additional exams. It was noted that this was also the sentiment of those members of the CAS at large who provided comments over the past few months on this topic. Some suggested that no special transition rule was needed – that a current Associate could simply pass the remaining exams to become a Fellow.
- 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.

Steve D'Arcy walked the Board through his memo on the topic. This memo, dated September 6, 2004, outlines the reasons Steve D'Arcy opposes a change to the status quo.

A straw poll was conducted to obtain a clear sense of the Board's position on involving the membership at-large in this decision:

Should the CAS submit to the current Fellows the question of whether to move to one class of membership?

The vote was 13 in favor and 1 against.

The following motions were proposed and voted upon:

There was a motion that the CAS Board 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.

It is the Board's sense that this can be accomplished with eight exams (or seven exams with a workshop or seminar).

The motion was seconded and approved, with 13 in favor and 1 opposed.

There was a motion that the CAS Board 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. (It is expected that the then-current Associates will either complete their remaining exams and become Fellows, or remain Associates until they cease their membership in the CAS.)

The motion was seconded and approved, with 11 in favor, 2 opposed, and 1 abstaining.

There was a motion to disband the Task Force on Classes of Membership, with thanks.

The motion was seconded and approved unanimously, with 14 in favor. The Board asked the Chair of the Task Force (Shelly Rosenberg) to convey to its members the Board's appreciation for its efforts.

There was a motion that the CAS Board postpone further action on the ACAS Vote, pending resolution of the Classes of Membership issue.

The motion was seconded and approved, with 13 in favor and 1 opposed.

8. EXECUTIVE SESSION

The Board held an Executive Session from 4:15 p.m. to 4:45 p.m.

9. BOARD RETREAT

The Board convened at 8:00 a.m. on September 10 for the scheduled half-day retreat. The announced purpose of the meeting 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. Extensive prior material was disseminated on the topic, and included in the Board agenda material as Item 13.

All Board meeting attendees (including Board members, EC members, other actuaries in attendance, and CAS staff) were invited to participate in the brainstorming session. Mary Miller, the AAA Vice President Elect – Casualty Practice Council, was specially invited and participated in the retreat. The CAS did send out a general invitation for other actuaries from the local area to attend this meeting, but only one other member participated in the retreat.

As Chair of the Retreat Task Force, Dave Hartman led the meeting and facilitated the discussions. He briefly reviewed the contents of the Board materials on this topic. He then divided the group into four working groups, which held discussions on key relevant questions and developed proposed action plans. These groups documented their findings and their answers to the proffered questions. At the end of the retreat, each group briefly presented its conclusions. The written documentation of these findings will be compiled by the Retreat Task Force, which will produce a report for the November 2004 Board meeting.

10. ADJOURN

The Board meeting was adjourned at 12:00 p.m. on Friday, September 10, 2004.

Respectfully submitted,

Kenneth Quintilian
Assistant Secretary - Board of Directors

Approved: November 17, 2004

Subsequent to the meeting, the Board approved via e-mail vote the recommendation to post the September 9-10, 2004 Board Meeting Executive Summary, with 11 in favor and 4 abstentions.