

MINUTES
CAS BOARD OF DIRECTORS MEETING
SEPTEMBER 28-29, 2009
Albuquerque, New Mexico

PRESENT

Directors: Albert Beer, Charles Bryan, David Chernick, Eugene Connell, Wayne Fisher, Mary Miller, Joanne Spalla, John Tierney, Alice Underwood, Mark Vonnahme, Michael Wacek, Mavis Walters.

Board Chair: Christopher Carlson

President: John Kollar

President-Elect: Roger Hayne

AAA Liaison to the CAS Board: Gary Josephson

CIA Liaison to the CAS Board: Hugh White

Vice Presidents: Ralph Blanchard (International), Kevin Dickson (ERM), Louise Francis (Research & Development), Andrew Kudera (Professional Education), David Menning (Admissions), Kenneth Quintilian (Administration), Patricia Teufel (Marketing & Communications).

CAS Executive Director: Cynthia Ziegler

Invited Guests: Michael Toothman, Member of ABCD

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

Observers: Clive Keatinge

Excused: Board Members - Brian Brown, and Morton Lane, along with Chester Szczepanski, Assistant Secretary – Board of Directors.

Chris Carlson called the meeting to order at 8:00 a.m. MDT on September 28, 2009.

I. CONSENT ITEMS

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

1. Minutes of May 3, 2009 Board Meeting
The minutes were approved as submitted.

2. 2009-10 Chairs of Board Committees and Discipline Committee Members, as amended

Audit	Michael Wacek
CAS Centennial Commemorative Steering	Steve D'Arcy
CAS Centennial Steering	Gail Ross
CAS Centennial History	C.K. Stan Khury
CAS Centennial Finance	Robert Deutsch
CAS Centennial Marketing	Joanne Spalla
CAS Risk Management	Aaron Halpert
Discipline	Janet Fagan

Leadership Development
Policy Manual Task Force
Nominating
Strategic Planning
Value Ladder Task Force

Pat Teufel
Ken Quintilian
Chris Carlson
Andrew Doll
Joanne Spalla

Discipline Committee members: Amy Bouska, Janet Fagan (Chair), Michael Fusco, Alice Gannon, Steven Goldberg, C.K. Stan Khury, Orin Linden, John Purple, Sheldon Rosenberg, and Richard Roth, Jr.

3. Variance Prize Funding

The Board resolved to ratify the expenditure of \$10,000 for the awarding of two Variance Prizes in FY 2009.

The motion to approve the items listed above was seconded and carried unanimously.

One item from the consent agenda was identified for separate discussion.

4. Risk Management Committee (RMC) Surplus and Investment Allocation Report

A Board member raised a concern with conflicting information in the report, which was provided as a set of PowerPoint slides. While the discrepancy was not substantive relative to the conclusions, the Board member expressed the opinion that a report provided in PowerPoint, without a complementary oral presentation to discuss the slides, was an ineffective means of communicating the type of analyses addressed in the report.

A motion was made to approve the recommendations to:

- **Accept the Surplus Ratio Report prepared by the RMC, including the recommended surplus ratio range of 40-60% (no change from current).**
- **Accept the Investment Committee Report to the Risk Management Committee, including the recommendation that no change be made to the CAS investment policy at this time.**

The motion was seconded and carried unanimously.

II. FY 2010 BUDGET

Roger Hayne introduced this item (numbered 5 in the Board materials) and noted that the FY 2010 budget proposes a dues increase of \$20 and projects net income of \$247,988, with a year-end surplus ratio of 47.5%. He pointed out that the allocation to the research fund had been reduced from \$177,000 to \$100,000 as a temporary measure and that the contribution will return to scheduled levels in 2011.

The Board discussed whether a dues increase should be included in the FY 2010 budget. There was support expressed for continuing with modest inflationary dues increases, which will help avoid a larger increase in a future year to make up for a year in which a dues increase was deferred.

There was concern expressed with reducing the research budget just a year after the Board established a policy committing higher funding levels to research. Some members of the Board voiced support for continuing to implement the policy of allocating \$35 per member (in 2007 dollars) to the research fund, or \$177,000 in FY 2010. Other members of the Board suggested that because the research fund currently stands at \$280,000, a reduced allocation is warranted. It was pointed out that the responses to the 2008

Quinquennial Membership Survey indicated a need for practical research and that there should be a high priority placed on utilizing the research funds for the benefit of the membership. Louise Francis explained that she has been overseeing an expanded effort to issue requests for proposals to conduct research and that four RFPs had been issued very recently with funding levels of \$25,000-\$40,000 each. She understands the recommendation to reduce the research allocation in FY 2010 but expects the funding to return to higher levels in FY 2011 to support her increased efforts to utilize allocated research funds. It was mentioned that an Information Paper on Centennial Research Goals had been provided to the Board, which outlines plans for future research projects.

There was a motion to approve the budget as proposed.

The motion was seconded and carried with 14 votes in favor and one against.

III. TASK FORCE ON BOARD OPERATIONS REPORT

Mark Vonnahme led the discussion on the Task Force on Board Operations Report, numbered 6 in the Board materials. The Task Force was formed to review the current operations of the Board and recommend improvements. The Board discussed various aspects of the report, which included five primary recommendations.

There was general agreement that a strong orientation program was needed for new Board members to emphasize the roles of the Board, Executive Council, and Executive Director, and to facilitate a more thorough understanding of current issues. A set of key documents on important and current issues should be maintained to provide background to new Directors on past Board discussions and decisions. It was suggested that Board members who rotate off could serve as a resource to incoming Board members.

The Board discussed ways to improve the effectiveness of the Board meetings and it was suggested (although not universally supported) that the Board could make greater use of the Web Site for consent items and information items. It was also suggested that the Board could advance some issues between meetings. Board members expressed support for the proposed template for presentation of items for Board action. In particular, recommendations should be written in the format of a motion that the Board can consider for action.

The Board discussed the revised position descriptions for the Board, Executive Council, and Executive Director, which better articulate their governance roles, and editorial suggestions were offered.

There was a motion to accept the report, dismiss the Task Force with thanks, and approve implementation of the recommendations, including:

- **Sharpen role definitions (for the Board, Executive Council, and Executive Director)**
- **Identify an *ex officio* executive committee**
- **Identify and implement a specific process for constructing the Board agenda.**
- **Identify and implement specific steps to improve the effectiveness of the Board meeting process.**
- **Adopt a number of general enhancements to the board process.**

The motion was seconded and approved unanimously.

EXECOM, consisting of the Board Chair, President, President-Elect, and Executive Director, will lead the effort to implement the recommendations.

IV. RESULTS OF CAS ELECTIONS

Chris Carlson reviewed the results of the 2009 CAS elections. He mentioned that a member of the Board requested discussion of this information item because of decreasing voter participation, which was 35% in 2009, down from 37% in 2008 and historical levels of at least 40%.

The Board expressed concerns about the declining levels of voting participation and instructed the EC to explore ways to increase voter turn-out.

V. CAS CREDIT FOR PROFESSIONALISM COURSES OFFERED BY ACTUARIAL ORGANIZATIONS OTHER THAN CAS

David Menning introduced this item, numbered 7 in the Board materials. He referred to the Education Policy Committee's report stating that it is appropriate for the CAS to recognize the professionalism courses offered by IAA-member actuarial organizations, subject to review and approval of the course by the Committee. He stated that the Committee recommends that the CAS develop an Internet-based module that addresses the CAS Code of Professional Conduct and that completion of the module should be a membership requirement for those candidates who do not complete the CAS Course on Professionalism.

There was a motion to approve the recommendations to:

- 1. Approve the policy of accepting professionalism courses offered by actuarial organizations outside the CAS, subject to the Education Policy Committee's recommendation and Executive Council approval.**
- 2. Approve the development of an Internet-based module that would address the CAS Code of Professional Conduct for those who did not take the CAS Professionalism Course. The course would be approved by the EC.**

The motion was seconded and approved unanimously.

VI. RECOMMENDATIONS ON NATION-SPECIFIC EXAMS

David Menning introduced this item, numbered 8 in the Board materials. He reviewed the recommendations on nation-specific exams put forth by the Education Policy Committee, which considered the role of such exams in the CAS basic education process in light of the Society's international goals. The issue was raised because of a request by the Actuarial Institute of Chinese Taipei, which asked the CAS to consider recognizing its nation-specific exam for CAS membership.

David reported that the Executive Council had approved the Education Policy Committee's recommendation to accept the nation-specific exam of the Actuarial Institute of Chinese Taipei, to be recognized as Exam 7T, effective after January 1, 2010, pending confirmation that the EPC reviewed and approved the exam.

There was a motion to approve the Education Policy Committee's recommendation that the CAS allow three possible options for a nation-specific exam.

- 1. National actuarial association administers all aspects of the exam.**
- 2. National actuarial association develops syllabus, but CAS administers the testing process.**
- 3. CAS administers all aspects of the nation-specific exam.**

The motion was seconded and approved unanimously.

VII. TECHNICAL EXCELLENCE

Andy Kudera presented the Action Paper on Technical Excellence (item 9 in the Board materials). He stated that the Task Force charged with exploring the issuance of certificates in the context of technical excellence recommended that technical excellence certificates should not be pursued at this time. However, the EC recommends that the Board approve the exploratory development of a technical excellence certificate for predictive modeling.

The Board proceeded to debate the merits and practical considerations of issuing certificates. While some members of the Board agreed with the EC suggestion to experiment with issuing certificates by offering them on one topic initially, others expressed reservations with the concept, citing reasoning outlined by the Task Force.

It was pointed out that issuing certificates is just one component of an action plan for technical excellence. While the Board requested that the idea of certificates be explored and that request has been fulfilled, there was support expressed with continuing to develop and offer robust continuing education that would enhance the technical excellence of members.

There was a motion to approve the issuance of a technical excellence certificate on predictive modeling.

The motion failed to carry with a vote of seven in favor, seven against, and one abstention.

There was a motion to resolve that the Board encourage the EC to decide on the next steps on certificate issuance.

The motion was approved with 10 in favor, four against, and one abstention.

VIII. EXECUTIVE SESSION

At 11:30 a.m. MDT the Board went into Executive Session. Open session was reconvened at 1:00 p.m. MDT following the lunch break and an off-agenda presentation on the new Society Partners Program, as well as one on the ICA 2010 tour packages organized by the Seasoned Actuaries Section.

IX. LEADERSHIP DEVELOPMENT COMMITTEE – ANNUAL REPORT

Pat Teufel presented the Annual Report of the Leadership Development Committee (numbered 10 in the Board materials).

There was a motion to approve the actions recommended by the Leadership Development Committee:

- 1. That the Board adopt the Inventory of Knowledge and Skills Expectations included in the report, as amended, and make it available to all CAS members through the CAS Web Site.**
- 2. That the Board permit the sharing of the results of the Committee's deliberations with comparable committees within the Society of Actuaries, the Canadian Institute of Actuaries, the American Academy of Actuaries and certain other actuarial organizations. In addition, that the Board permit the Committee to invite these organizations to join the CAS in the design, development and implementation of certain of the planned leadership development training programs.**

3. **That the Board endorse the proposed syllabus for “The CAS and You,” a two-module program geared to new members and to committee chairs. The first module would provide information on the CAS itself and would be geared to new members; the second module would be geared to committee chairs, providing reference materials and guidance to committees. Both modules are envisioned to be available online.**

The motion was seconded and approved unanimously.

Pat explained that the Leadership Development Committee requests guidance on the role, if any, that the Board would like this Committee to play in addressing how to attract qualified candidates to accept leadership positions within the CAS, given the time commitments required for many leadership positions. Specifically, does the Board agree with the following directions:

1. The Committee views its primary charge to be the identification and development of sufficient CAS leadership candidates such that enough qualified candidates exist for vacancies as they occur to be confident that at least one candidate will accept the invitation to serve in each leadership role.

There was support among members of the Board for the Committee to fulfill this role.

2. The Committee believes that the Board may need to reevaluate the roles and responsibilities, particularly for Vice President and President-Elect/President positions, in order to make these positions viable to potential candidates and their employers. This work is better addressed by the Board and/or Executive Committee and should not be delegated to the Leadership Development Committee.

Members of the Board agreed that this issue should be addressed by the Board and/or EC.

3. The Committee believes that the Nominating Committee may need to enhance its marketing efforts in order to attract qualified candidates to serve in leadership roles and would be willing to work with the Nominating Committee in this regard.

There was support among members of the Board for the Committee to fulfill this role.

X. CASUALTY PRACTICE COUNCIL REPORT

Gary Josephson, AAA Liaison to the CAS Board and VP- Casualty Practice Council, reviewed the 2008-2009 activities of the Casualty Practice Council. He provided an overview of the Report on the Financial Summit included with the agenda materials. The Summit resulted in an initiative to explore research opportunities in support of the Academy’s regulatory and policy agendas, which may bring about suggestions to the CAS for future research.

XI. ACTUARIAL BOARD FOR COUNSELING AND DISCIPLINE PRESENTATION

The Board welcomed Michael Toothman, a Board member of the ABCD, for a presentation on the ABCD. Michael explained that the presentation was intended as an educational session for discussion, and he presented a set of slides that provided a thorough understanding of the processes of the ABCD.

XII. CIA UPDATE

Hugh White, CIA Liaison to the CAS Board, gave a brief report on current issues within the CIA. He noted that the CIA has just elected its first woman as President-Elect. He also mentioned that the CIA had recently released two exposure drafts of standards related to P/C insurance on ratemaking and margins for adverse deviations. The CIA continues to work with the CAS and SOA on Future Education Methods.

XIII. JOINT DISCIPLINE UPDATE

John Kollar provided an update on joint discipline issues. As background, he explained that the Council of U.S. Presidents (CUSP) established a joint task force to explore possible coordination of discipline activities among the five U.S.-based actuarial organizations, in order to bring consistency to the discipline process. While the CAS representatives and the CAS leadership agreed that there was potential for improvements in the discipline process, particularly in the area of transparency, they did not agree with recommendations endorsed by a majority of the task force. The CAS President and President-Elect developed alternative recommendations on a common discipline process for the U.S. actuarial profession and submitted them to CUSP and the CAS Discipline Committee. The Discipline Committee discussed the proposals and provided feedback, which was shared with the Board.

John explained that the primary area of disagreement relates to which body would determine the penalty resulting from discipline cases. The CUSP task force suggested that the ABCD would both investigate cases and determine penalties, up to expulsion. The CAS task force representatives had argued that the CAS, through its Discipline Committee, should mete out penalties to its members.

Based on the feedback from the CAS, CUSP is discussing a revised discipline process that would involve the development of a tribunal to hear cases presented by the ABCD. The pool of individuals eligible to serve on the tribunal would be large enough so that a majority of the members of the tribunal would be a member of each of the subject actuary's organizations. The next CUSP meeting is in October 2009.

The Board discussed the advantages and disadvantages of the two approaches: maintaining the ability of CAS to discipline its own members vs. maintaining a consistent discipline process across the actuarial profession.

The discussion paper for the agenda item included a number of questions related to potential changes to the discipline process. Chris Carlson informed the Board members that their input on these questions would be sought through an online survey to be distributed after the meeting.

The Board meeting was halted for the day at this juncture and reconvened at 8:00 a.m. MDT on Tuesday, September 29.

XIV. CIA/CAS/SOA FUTURE EDUCATION METHODS

David Menning provided introductory comments on the Future Education Methods (FEM) proposal, which would institute an accreditation process for qualifying university actuarial programs in the United States and Canada and provide examination exemptions to students who receive high marks in certain courses at these schools. John Kollar explained that at the May Board meeting, the Board agreed to explore the FEM proposal, however, there is a perception among CAS members that the Society has already decided to move forward with implementing the proposal. He suggested that an e-mail should be

sent to the members following the Board meeting to clarify that the issue is currently in the exploration stage within the CAS.

Board members expressed opinions on the merits of the FEM proposal. Several members of the Board voiced concerns with the resources necessary to ensure that the program is sufficiently rigorous and questioned whether the benefits of the program will be worth the effort. Other concerns voiced addressed issues of fairness, consistency, and stifling diversity of the CAS membership.

It was reported that over 1,000 letters had been submitted to the FEM e-mail box since the request for feedback on the proposal was announced in mid-August. A large majority of the letters are against the FEM proposal, and members of the Board affirmed that the views of the members will be seriously considered.

A member of the Board suggested that the CAS will need to carefully review all of the implications with respect to moving forward or declining to move forward with FEM. In particular, the Board must weigh the implications regarding the relationship with the CIA and actuaries in Canada if the CAS declines to adopt the FEM proposal, as it is likely the CIA will move forward with the proposal whether or not the CAS or SOA goes along.

A member of the Board described the reaction to FEM at a recent presentation at a Regional Affiliate meeting. He indicated that CAS members desired more than an opportunity to provide feedback on FEM; they wanted a chance to vote on the proposal. John Kollar explained that the Board was not expected to take action on FEM at this time and that there would be an opportunity to gather additional feedback from the membership. There was general agreement that the CAS should conduct a survey on FEM of the CAS Member Advisory Panel, and perhaps the entire membership.

Based on the results of a straw poll, there was general agreement that, given the implications of the decision, the CAS should not be bound by any time limits imposed by other organizations in reaching a decision about FEM. This will be communicated to the membership.

The Board will discuss FEM again during its November Board meeting.

XV. RISK MANAGEMENT COMMITTEE REPORT

Mary Miller gave an update on the work of the Risk Management Committee. Members of the Board offered their compliments on the work of the Committee.

XVI. ACADEMY COLLABORATION TASK FORCE REPORT

John Kollar provided a brief report on the work of the Academy Collaboration Task Force, which is conducting a review of the current interrelated and overlapping activities of the five U.S. based actuarial organizations.

XVII. GLOBAL ISSUES / BOARD DIVERSITY

Ralph Blanchard introduced the Discussion Paper on Governance – Board Diversity (item 18 in the Board materials) and invited comments.

The Board discussed the fact that 46% of the members are employed by property/liability companies while only 7% of the Board members are employed by property/liability companies. It was mentioned that while members of the Board may not currently work for property/liability companies, many have at one time. This may help the members of the Board understand some issues facing these companies, however, it may not give them a sufficient understanding of current important issues faced by these companies.

Chris Carlson explained that the Nominating Committee considers the composition of the Board and who is rotating off the Board in selecting a slate of Board candidates. However, candidates representing under-represented constituents often do not get elected. It was suggested that additional information be provided to voters in CAS elections about the composition of the Board.

It was mentioned that the Board diversity issue is related to leadership development. For example, if members from property/liability companies filled Vice President positions, they will receive greater exposure among the members and may be more likely to get elected to the Board. However, the time commitment to serve as a Vice President is seen as a barrier to members who work for property/liability companies.

The discussion turned to Board diversity as it relates to the geographic proximity of the members, and the current lack of representation on the Board from members who reside outside the U.S. Currently, 13% of the members reside outside of the U.S. and 0% of the Board are from outside the U.S. Similar to the comments related to type of employer, it was mentioned that several members of the Board worked overseas and bring that perspective to Board discussions. It was mentioned that a Task Force had considered this issue in the recent past, and Ralph Blanchard will review the report for current applicability.

John Kollar noted that a large number of CAS members have achieved their designation(s) in recent years, but there is no Board member with comparable tenure. And the role of a Board member does not necessarily require years of experience. There was no other support for addressing diversity for membership tenure.

The concept of set-asides and carve-outs for under-represented constituencies was discussed, but was generally met with disapproval among members of the Board. However, these ideas will be further considered as the EC and others seek creative approaches to increasing diversity.

Chris Carlson, who will be serving as Chair of the Nominating Committee in the coming year, thanked the Board for their comments and stated that the Committee would consider the Board discussion in its deliberations on the 2010 slate of Board candidates.

XVIII. REVIEW OF PAST BOD EVALUATIONS

Chris Carlson led the discussion on past Board meeting evaluations and encouraged the Board to submit evaluations on the September meeting. He asked the members of the Board to make note of which discussions were most valuable, and to identify items on which the Board should spend more or less time.

XIX. INFORMATION ITEMS

The following items were provided for the Board's information.

- CAS Insurance Program for 2009-10
- Results of May 2009 Exams
- Technical Excellence
- Election Results
- Enhancing the Reputation of Casualty Actuaries
- ABCD Status Report
- ERM Designation Task Force Report
- Q3 FY 2009 Financial Statement
- Status Report Publications Management Board
- Investment Committee Update
- EC Minutes (May 5, May 14, June 16, and July 20)
- Meeting/Seminar Attendance Data (annual report)
- Executive Director's Report
- NAAC Report
- May 2009 CUSP Update
- International 2009 Activities Summary
- May Presidents' Forum Report
- International Leadership Team Report
- Reports from IAA Meetings
- Transition Rules Finalized for 2011 Basic Education Structure
- Quinquennial Survey and Action Plan
- Task Force on Budget Process/Guidelines
- Research Centennial Goals
- Vital Statistics
- Globalization White Paper

A motion to adjourn was made, seconded, and approved unanimously.

The meeting was adjourned at 11:00 a.m. MDT on Tuesday, September 29, 2009.

Respectfully submitted,

Mike Boa
Director of Communications and Marketing

Approved: November 15, 2009

Subsequent to the meeting, the Board unanimously approved via e-mail the recommendation to post on the CAS Web Site the September 28-29, 2009 Board Meeting Executive Summary, with 17 voting.

Also via e-mail, the Board unanimously approved the exam fees proposed by the SOA Finance Committee for the joint CAS/CIA/SOA exams contingent upon approval of this change by the Board of Governors of the Society of Actuaries, with 17 voting.

The e-mail vote to approve the September 2009 Board minutes did not pass.