

**MINUTES
CAS BOARD OF DIRECTORS MEETING
NOVEMBER 11, 2001
Atlanta, Georgia**

Present

Board Members: Amy Bouska, Charles Bryan, Ralph Blanchard, Stephen D'Arcy, Janet Fagan, Frederick Kist, John Kollar, Michael Miller, Gail Ross, Deborah Rosenberg, Michael Toothman and Susan Witcraft

Immediate Past President: Alice Gannon

President: Patrick Grannan

President-Elect: Robert Conger

Incoming President-Elect: Gail Ross

Executive Director, Tim Tinsley; Assistant Secretary-Board of Directors, Joanne Spalla

Vice Presidents: LeRoy Boison, David Chernick, Gary Josephson, and Sheldon Rosenberg. Mary Frances Miller participated by telephone for agenda items 1-8.

Vice President Not Present: Abbe Bensimon

Incoming Board Members: Phillip Ben-Zvi, David Hartman and Janet Nelson

Incoming EC Members: Chris Carlson and Roger Schultz

Other Attendees: Cynthia Ziegler—Executive Director Designate; Michael Boa – Manager, Communications and Research, CAS staff; Todd Rodgers – Manager, Finance and Administration, CAS staff; Nancy Braithwaite, Clive Keatinge, Ginda Fisher and Jim MacGinnitie

Alice Gannon called the meeting to order at 8:30 a.m. on Sunday, November 11, 2001.

1. RECOGNITION OF NEW BOARD AND EC MEMBERS

Alice Gannon recognized incoming CAS President-Elect Gail Ross and incoming Board members Phillip Ben-Zvi, Gary Dean (who could not be present for this meeting), David Hartman and Janet Nelson. Alice Gannon also recognized incoming EC members Chris Carlson and Roger Schultz.

2. INTRODUCTION OF NEW EXECUTIVE DIRECTOR

Alice Gannon introduced Cynthia Ziegler, Executive Director Designate.

3. MINUTES OF NOVEMBER 1, 2001 BOARD MEETING

The minutes of the November 1, 2001 telephone conference meeting will be distributed and approved at the next Board meeting.

4. PROGRESS REPORT ON EDUCATION AND EXAMINATION PROCESS AND PROCEDURES RECOMMENDATIONS (INCLUDING EDUCATION CONSULTANT)

Mary Frances Miller presented a progress report on the CAS Task Force on Education and Examination Process and Procedures recommendations. All action items have been completed except for some of the

Education Policy Committee items. A subcommittee was formed to address DFA. The Education Consultant's audit report has not yet been put on the Web Site. Per the Committee's request, the consultant will include additional detail in the executive summary. The consultant's report has generated four initiatives: 1) to assist the CAS with producing whole-exam statistics that are used to ensure internal consistency between exam sittings; 2) to develop educationally sound learning objectives for each exam; 3) to help in setting pass marks; and 4) to assist in question-writing training. The initiative to rewrite learning objectives for Exam 6 is well underway and Exam 9 is in progress; however, there is some disagreement about how specific the objectives should be. The Syllabus Committee is on track to have rewritten objectives in February and March for Exams 5, 7 and 8. Twelve Fellows participated in a Delphi process for each of the Fall exams to determine the level of knowledge that a minimally qualified candidate would need to demonstrate. The Chauncey Group is working with the Examination Committee to complete a draft of an exam question-writing manual. Two pilot training sessions are planned in February for exam question-writers. All question-writers will be trained in 18 months using Chauncey consultants initially until CAS members are trained to be trainers.

Mary Frances Miller asked for feedback from the Board. A Board member asked about the progress on the issue of substituting a DFA seminar instead of an exam. Mary Frances Miller replied that a subcommittee has met once; she thought that a 2005 implementation time frame would be likely.

5. FRAMEWORK FOR BOARD DISCUSSION OF EDUCATION OF ACTUARIES

Susan Witcraft presented a proposed framework for the Board's discussion of the education of actuaries, included in Attachment 2 of the agenda. The proposal reflects several levels of detail at which the Board might address the issue. The highest level includes broad questions, such as what types of people does the CAS want to attract to the profession and whether the current education process encourages or discourages these candidates; the broad skill sets actuaries of the future need and if the skills are acquired in the qualification process; and how hard it should be to become a qualified actuary. The next levels of discussion could examine the specifics of the qualification process and the level of readings and exam questions.

The Board agreed that the CAS should attract candidates who are good with numbers and have problem-solving skills as well as a broad range of other strengths including general business and communication skills. An actuary must also be ethical, honest and unbiased. There was discussion about the need for theoretical actuaries. The Board felt that it is important to have people who are capable of communicating with non-actuaries. Board members added that the CAS needs people who have a financial orientation and who can see beyond the numbers and translate numbers into the real world. The profession needs to have members who are internationally oriented. While every actuary does not need to be expert in every field, the profession needs to have members who are proficient in each area. One Board member asked whether the CAS should have different tracks as the SOA does, and another suggested that the tracks should be reflected in continuing education.

A Board member suggested that the Board should refer to the 1997 Report of the CAS Task Force on Education and determine if the recommendations in the report should be revised to reflect changes in the environment. Board members said that it is important to get feedback from the CAS membership and suggested conducting a survey, perhaps focused solely on admissions issues. It was suggested that the 1997 Report of the CAS Task Force on Education be presented as a straw proposal to the parties whose feedback was sought. Reviewing the survey performed by the CAS Task Force on Nontraditional Practice Areas might also be useful. The viewpoint of employers of actuaries was also important, particularly in light of the employers' feedback on the QRA proposal. The results of the CEO Survey by the CAS should also be considered. A Board member urged the Board to think in terms of both long-range and short-range goals and not to delay addressing the immediate concerns with Exams 3 and 4.

There was discussion about whether the Board should set travel time guidelines and/or target pass ratios. There was consensus that the Board should set a flexible travel time goal, but not target set pass ratios. It is

also important to agree on the travel time measurement statistic. It was suggested that the goal be expressed in terms of other comparable designations, such as a PhD.

The Board agreed that a resolution related to travel time should draw the proper balance between the Board's responsibility to set policy and the EC's responsibility to implement the policy effectively and that a travel time resolution was desirable for the following reasons:

1. A travel time objective addresses the attractiveness of the actuarial profession while still providing substantial flexibility to the EC in constructing an effective admissions system.
2. Specific guidance will help the VP-Admissions reply to detailed design issues more clearly.
3. Establishing a travel time objective is in agreement with much of the discussion at the past several Board meetings.
4. A well-defined performance standard will let the VP-Admissions construct testing of the entire exam system.

There was a motion on a travel time resolution and it was seconded. There was discussion on the travel time statistic and timeframe in the resolution.

Some Board members felt it was premature to recommend a travel time objective without feedback from the membership and with the uncertainty surrounding QRA. Other Board members suggested recommendations that focused on reducing travel time or comparing travel time for CAS candidates against other competing professions. The Board was reminded that any policy might be changed or amended in the future; a member urged that any travel time policy should be periodically revisited.

An amended travel time motion was made and seconded.

There was further discussion about a 5-7 year travel time range and the measurement of travel time. A Board member also suggested utilizing a QRA concept and moving some of the non-actuarial material to a college curriculum.

There was a motion to call the matter to a vote. The motion to call the question was seconded and approved unanimously.

The Board then voted to approve the following resolution with the intent of reducing travel time:

Resolved that the Board recommends as guidance to the CAS Admissions Committees the expectation that the median time required to move from first full-time actuarial employment to attainment of fellowship should be in the range of 5-7 years. The motion passed with thirteen members in favor and two opposed.

The first motion on travel time was withdrawn.

The Education Policy Committee was asked to review the 1997 Report of the CAS Task Force on Education and assess whether it should be revised. A Board member also said that the CAS should examine the amount of time required to pass particular exams and whether the material on the exams needs to be limited. It was suggested that the CAS consider a format similar to CPCU in order to streamline the exam material.

6. QRA PROPOSAL

Mary Frances Miller presented the QRA proposal, included as Attachment 3 of the agenda. The CAS was invited to send a representative to the October 21, 2001 SOA Board of Governors meeting where the Report of the Task Force on Education and Qualification 2005 was discussed. The SOA Board approved creation of a new task force focused on developing a detailed design of the QRA portion of the syllabus and a new task force to focus on addressing issues in the post-QRA portion of the SOA syllabus. Mary Frances Miller emphasized that while the SOA Board approved continued study of QRA, it did not approve implementation. The SOA has invited CAS liaison representatives on the QRA Task Force. Board members were concerned whether a liaison would have sufficient input into the decision making process and felt that the CAS members should play a more active role. There was also concern that alternatives to QRA were not being examined.

There was a motion that the CAS Board direct the VP-Admissions/CAS President to ask the SOA for full CAS representation on a joint QRA Task Force. It was seconded and approved unanimously.

7. PROPOSAL FOR EXAM 1 (UNIVERSITY CREDIT)

Mary Frances Miller asked Ginda Fisher to present the highlights of the proposal by a subcommittee of the CAS Education Policy Committee of the possibility of granting credit for Exam 1 for university coursework, included as Attachment 4 of the agenda. Because of concerns about equity and the logistics of implementing such a proposal, the subcommittee recommended against granting credit for university coursework before the expected 2005 exam changes. The subcommittee urged the CAS to obtain input from the membership, students, employers and academics before implementing any significant change in the education and examination process. The members of the subcommittee thought that university credit may be appropriate for some exams, but not for Exam 1, as it would eliminate the function of the attractor exam as a screening tool. The subcommittee was concerned about the timing of the May and November offerings of Exam 1 for full-time students and recommended that the CAS consider reinstatement of the February Exam 1 sitting. The subcommittee also recommended increased advertising to attract candidates.

There was general consensus on the Board favoring the concept of university exemptions under QRA as long as the exemptions will not reduce the strictness of requirements and will not be biased against some university programs.

8. OPTIONS FOR EXAMS 3 AND 4

Mary Frances Miller led the discussion of an e-mail from Marta Holmberg of the SOA office regarding Exams 3 and 4, included as Attachment 5 of the agenda. Given the SOA's involvement with exam issues, and the SOA Board of Governors' reluctance to authorize implementation of QRA, the SOA is uncomfortable shifting material between Exams 3 and 4 based on a QRA split. Mary Frances Miller recommended that the CAS continue to improve the material on Exams 3 and 4 while waiting for more definition about the direction of QRA in 2005. There was concern on the Board about waiting until 2005 before addressing concerns about the adequacy of study material on modeling for Exams 3 and 4. A Board member recommended that the CAS move to CAS-only Exams 3 and 4 consistent with earlier recommendations.

A Board member asked how difficult it would be to administer CAS-only Exams 3 and 4 that would be limited to shifting material between the exams effective in 2003. Nancy Braithwaite stated while it would not be difficult to administer, she did not think that students would positively view merely shifting the material. Furthermore, Nancy Braithwaite did not think reducing the material on life contingencies would be effective. Ginda Fisher stated that the most significant issue was the topic of modeling. Clive Keatinge noted that he has had difficulty recruiting CAS volunteers for the joint Exam 4 and was concerned that there would not be

sufficient volunteers to staff CAS-only Exams 3 and 4. Clive Keatinge also stated that the CAS needs to work with the SOA to focus on recruiting academics to the exam committees. A Board member commented that the difficulty in recruiting CAS members for the Exams 3 and 4 Committees might reflect the relevance of the exam material to CAS members. Another Board member was concerned that the steps that have been taken in the last year to improve Exams 3 and 4 are not sufficient. A Board member asked if movement toward CAS-only Exams 3 and 4 would better position the CAS for implementation of QRA with separate life and casualty tracks.

The Admissions Committees members present discussed recruiting volunteers for CAS-only Exams 3 and 4 committees. Board members opined that the ability of the CAS to control the exam process was critical. The Board also discussed how the topic of modeling should be addressed. There was debate about how quickly the CAS should move to make changes in the exams.

The Board adjourned for lunch at 12:15 p.m. and went into Executive Session at 1:00 p.m.

Alice Gannon reconvened the Board meeting at 1:45 p. m.

There was a motion that the Board believes that Exams 3 and 4 are not adequately meeting the needs of the CAS. Therefore, the Admissions Committees and the EC are charged with designing and preparing Exams 3 and 4 that are appropriate for casualty actuaries. Either or both of these exams can be given jointly with the SOA, if the SOA wishes to do so; otherwise the CAS will administer Exams 3 and 4 separately. The motion was seconded. The motion passed with thirteen members in favor and two opposed.

It was recommended that, as a next step, the EC develop an implementation plan to present to the Board for review and feedback. The EC will report on progress on the plan before the next Board meeting.

Alice Gannon expressed appreciation for the hard work of the Admissions Committees and the improvements that they have made in the exam process.

9. BOARD AGENDA TIME MANAGEMENT

Chuck Bryan presented a proposal on Board meeting agenda time management, included as Attachment 6 of the agenda. The objective of the proposal is to provide input on how Board meetings can be managed so that the Board can effectively guide the EC within the time constraints of Board meetings. There was discussion about the recommendations. The Board took no further action on the proposal.

10. DRAFT 2001 LRPC REPORT

Bob Conger led a discussion of the interim draft of the 2001 Long Range Planning Committee Report, which was distributed at the meeting. The report's theme is "Our Publics" and will examine the CAS through the eyes of groups that CAS members serve or interface with, including employers, clients, and other professionals. The LRPC is also in the process of reviewing the Strategic Plan. Their analysis of the Plan identified several sections for improvement, but concluded that the Plan is sound and does not need fundamental change. The LRPC has requested the Board's input on two areas: 1) does the plan accurately reflect the functions the Board wants the Strategic Plan to serve; and 2) are there particular areas of the current Plan that do not support this purpose and function, or are there areas missing from the current Plan?

A Board member asked for clarification about the differences between the Strategic Plan and the annual Long Range Planning Committee Report. The Strategic Plan is intended to focus the efforts of the CAS leadership and provide the strategic direction necessary to further the mission and vision of the CAS. The Long Range Planning Committee examines current issues that may impact the CAS and considers whether the CAS should make modifications to the Strategic Plan. A Board member suggested incorporating a

discussion about risks to the profession in the Plan. There was also discussion about whether the annual theme approach is appropriate for the long-range planning process and questions about whether the report has been useful to the Board.

11. 2001-02 LRPC CHAIRPERSON

Alice Gannon reviewed the following Board Committee Chairs approved at the September 13, 2001 Board meeting: Ralph Blanchard, Audit Committee; Irene Bass, Discipline Committee; and Steve Lehmann, Nominating Committee. **There was a motion to appoint Steve D'Arcy as the new chair of the Long Range Planning Committee.** It was seconded and approved unanimously.

12. 2001-02 DISCIPLINE AND NOMINATING COMMITTEE MEMBERSHIP

Pat Grannan presented the five most recent past presidents as proposed members of the 2001-02 Nominating Committee:

- Steven G. Lehmann, Chairperson
- Robert A. Anker
- Alice H. Gannon
- Patrick J. Grannan
- Mavis A. Walters

As in the past, Pat Grannan, retiring President, will rotate on the committee. Albert Beer will rotate off the committee.

Alice Gannon presented the following proposed list of members of the 2001-02 Discipline Committee:

- Irene K. Bass, Chairperson
- Albert J. Beer
- Linda L. Bell
- Robert V. Deutsch
- Michael Fusco
- Steven F. Goldberg
- John M. Purple
- Richard J. Roth, Jr.
- John P. Tierney
- Michael A. Walters

John Purple has been nominated to replace retiring member Richard Snader.

There was discussion about whether the Board should be more involved in the process of nominating members of the Discipline Committee. Board members expressed support for the suggestion that, in the future, the Board would be presented both a proposed list of members and a list of others who put "1" next to the committee in the Participation Survey. One Board member noted that a number of members have served on the committee for longer than 5 years, and suggested that there should be more turnover. The Board, however, did not feel that the terms of the members of the Discipline Committee should be limited.

There was a motion to approve the proposed membership of the 2001-02 Discipline and Nominating Committees. It was seconded and passed with fourteen members in favor and one opposed.

13. IAA PUBLIC STATEMENT FOR CAS VOTE

LeRoy Boison presented an action paper for a vote on an IAA public statement, included as Attachment 10 of the agenda. The IAA has submitted a request for approval to release, as a public statement, the IAA draft submission on

the “Draft Standard and Basis for Conclusions – Financial Instruments and Similar Items Issued by the Joint Working Group of Standard Setters.” This statement was prepared in response to a request for comments from the International Accounting Standards Board (IASB).

The IAA Insurance Accounting Standards Committee has reviewed this document, and Ralph Blanchard has contributed significantly as the CAS representative. The EC recommends that the CAS Board authorize the CAS Delegate to vote in favor of release of this statement.

LeRoy Boison and Ralph Blanchard noted that this statement has gone through due process and has undergone nine months of discussion. There was discussion about the need for the IAA to make statements on the standards of other organizations.

There was a motion that the CAS Board instruct its International Actuarial Association (IAA) Delegate to vote in favor of supporting the release, as a public statement, of the IAA draft submission on the “Draft Standard and Basis for Conclusions – Financial Instruments and Similar Items Issued by the Joint Working Group of Standard Setters.” The motion was seconded. The motion passed with thirteen members in favor and two abstaining.

14. ASB PRESENTATION

Pat Grannan provided background on the Actuarial Standards Board (ASB) included as Attachment 11 of the agenda. Pat Grannan introduced David Hartman, a member of the 2001 ASB, who was invited to discuss the dialogue between the ASB and CAS relative to the process surrounding casualty Actuarial Standards of Practice. At the March 1-2, 2001 Board meeting, a Board member suggested that the CAS ask the Casualty Practice Council to implement a process to ensure that every standard is examined to determine if it has application to casualty actuaries.

David Hartman described the four pillars of a profession (one of which is standards of practice) and gave a history of the ASB. He also read from Article 11 of the AAA Bylaws and described the process for developing standards. He emphasized the importance of the independence of the ASB. There was Board discussion about how the CAS needs to assure adequate review and comments by casualty actuaries to the ASB. Bob Conger was directed to ask Steve Lehmann whether the Casualty Practice Council would take on this responsibility and bring a proposal back to the Board if the Casualty Practice Council would not. Alice Gannon thanked David Hartman for his participation in the discussion.

15. CAS INTERNATIONAL STRATEGY DOCUMENT

LeRoy Boison presented the draft CAS International Strategy document, included as Attachment 12 of the agenda, for the Board’s discussion and feedback. The CAS Board had previously instructed the International Issues Committee (IIC) to develop and implement an International Strategy. The EC and International Oversight Committee have reviewed the draft strategy that has been developed by the IIC. The Board provided feedback on the document. The strategy document will be revised to reflect this input and resubmitted to the Board for its approval along with an action plan to implement the strategy.

16. Q4 FY 2001 FINANCIAL STATEMENT

Sheldon Rosenberg presented the preliminary Fiscal Year 2001 financial statement, included as Attachment 13 of the agenda for the Board’s information. At the end of Fiscal Year 2001, the net loss from operations is \$203,578 versus a planned net loss from operations of \$351,770 resulting in a favorable variance of \$148,192. In addition to the net operating results, the CAS recorded realized capital gains and interest income from fixed income investments of \$203,956 and an unrealized net gain of \$44,261 due to the increased market valuation of investments held at September 30, 2001. The overall net income to the end of FY 2001 is \$44,640.

The FY 2001 budget, approved by the Board of Directors in September 2000, anticipated a net loss from operations of \$351,770, interest income of \$200,000 and an unrealized net gain on marketable securities of \$25,000. The overall budgeted net loss for FY 2001 was \$126,770.

17. EXECUTIVE DIRECTOR'S REPORT

Tim Tinsley presented the highlights of the Executive Director's Report included as Attachment 14 of the agenda. The CAS Web Site marked its fifth anniversary on October 2. The Web Site now includes additional information about the Board of Directors (minutes, agenda, attendance policy, etc.) and the CAS election process and results for 2001.

In the early morning hours on September 4, the CAS Office sustained significant water damage from a burst water pipe two floors above the suite. Our insurance agent has been notified. CAS staff understands that all aspects of the loss in this incident will be covered either by the landlord's insurance or the CAS policy with St. Paul F&M.

Tim Tinsley reported on recent developments regarding a pending lawsuit.

Cynthia Ziegler, who reported to the CAS on November 5, is currently the "Executive Director Designate." On December 3rd, she will become the Executive Director and Tim Tinsley will become a "Staff Consultant" until he retires on December 31, 2001. Tim Tinsley thanked the CAS Board of Directors for their support over the past 10 ~~1/2~~ years.

18. HIGHLIGHTS OF 2001 ANNUAL MEETING

David Chernick discussed the highlights of the 2001 Annual Meeting. Attendance is expected to be 506 members and non-members with 88 accompanying persons, compared to a budget of 520 members and non-members with 110 accompanying persons.

19. FINAL 2001-02 VP GOALS

Bob Conger presented the final 2001-02 VP Goals, included as Attachment 15 of the agenda. Previous suggestions from Board members have been included in these final goals.

20. OTHER INFORMATION ITEMS

The following agenda items were presented to the Board for their information:

- 4th Cycle Reports/Review of 2000-01 Goals (Attachment 16)
- Report on October 2001 IAA Meetings (Attachment 17)

21. RECOGNITION OF RETIRING BOARD/EC MEMBERS

Pat Grannan thanked retiring Board members John Kollar, Chuck Bryan, Gail Ross, and Mike Toothman and retiring EC members Abbe Bensimon and Dave Chernick for their three years of dedicated service. Pat Grannan also recognized Alice Gannon, retiring Chairperson, for her service to the CAS. Pat Grannan recognized Tim Tinsley for his outstanding accomplishments in his 10 ~~1/2~~ years of service as the first Executive Director of the CAS. Bob Conger thanked Pat Grannan for his service as president.

22. ADJOURN

The meeting was adjourned at 4:15 p.m.

Respectfully submitted,

Joanne S. Spalla
Assistant Secretary - Board of Directors

Approved March 16, 2002