

AGENDA
CAS BOARD OF DIRECTORS MEETING
NOVEMBER 12, 2002
Boston, Massachusetts

Present

Board Members: Phillip Ben-Zvi, Ralph Blanchard, Amy Bouska, Stephen D'Arcy, Gary Dean, Frederick Kist, David Hartman, Michael Miller, Janet Nelson, Deborah Rosenberg, and Susan Witcraft

Immediate Past President: Patrick Grannan

President: Robert Conger

President-Elect: Gail Ross

Incoming President-Elect: Mary Frances Miller

Vice Presidents: LeRoy Boison, Chris Carlson, Sheldon Rosenberg, and Roger Schultz

Incoming Board Members: Gary Josephson, David Oakden, Patricia Teufel, and Oakley Van Slyke

Incoming Vice-Presidents: Donald Mango, Thomas Myers, and John Narvell

Executive Director, Cynthia Ziegler; Assistant Secretary-Board of Directors, Joanne Spalla

Board Member Not Present: Janet Fagan

Other Attendees: Michael Boa – Manager, Communications and Research, CAS Staff; Todd Rodgers – Manager, Finance and Administration, CAS Staff; and William Dove, Co-Chair of the Securitization/Risk Finance Advisory Committee. Clive Keatinge attended as an observer.

Pat Grannan called the meeting to order at 8:35 a.m. on Sunday November 12, 2002.

1. RECOGNITION OF NEW BOARD AND EC MEMBERS

Pat Grannan recognized incoming CAS President-Elect Mary Frances Miller and incoming Board members Gary Josephson, David Oakden, Pat Teufel, and Lee Van Slyke. Pat Grannan also recognized incoming EC members Don Mango, Tom Myers, and John Narvell.

2. CONSENT ITEMS

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

- (a) Minutes of September 12-13, 2002 Board Meeting
- (b) 2002-03 Goals for CAS Vice-Presidents
- (c) IAA Draft Submission on the Draft Discussion Paper on Quantifying and Assessing Insurance Liabilities: The Board directed the CAS delegate to vote no on the IAA response, identify the CAS concerns, and volunteer to draft a response that meets Board approval. The Committee on Valuation, Finance, and Investments and the Committee on Reserves reviewed the original IAIS draft and identified a number of specific issues and concerns. The EC discussed the IAA response and felt that the IAA comments addressing concerns with the Case Estimate Method were not strong enough. The EC recommended that the Board direct the CAS delegate to vote no on the IAA response.

- (d) Input to IAA on Draft Guidance Paper on “The Use of Actuaries as Part of a Supervisory Model”: The Board authorized the CAS delegate to vote in favor of the IAA comments on the IAIS Draft – “The Use of Actuaries as Part of a Supervisory Model,” which discusses the use of actuaries as part of a regulatory model. Based on the results of a survey of current practice in a number of jurisdictions, the paper discusses alternative ways in which actuaries are used and makes a number of recommendations. The EC reviewed the IAIS paper, as well as the IAA comments, and found the IAIS paper generally well written and non-controversial. One potentially controversial conclusion relates to the “whistle-blower” role of the actuary. However, since this role exists in some jurisdictions, the IAA felt that it is appropriate to mention it in a summary paper such as this. The EC believed the IAA comments are appropriate and recommended that the CAS Board authorize its delegate to vote in favor of the IAA letter.
- (e) CAS Trustee Candidates for AERF/TAF: The Board authorized the EC to select a slate of Trustee Candidates to represent the CAS on the Board of the successor organization in the event the proposed merger of the Actuarial Education and Research Fund (AERF) and The Actuarial Foundation (TAF) is approved.
- (f) Revised Board/EC Position Descriptions: The Board approved revised position descriptions for the Vice President—Marketing & Communications and the Vice President—Professional Education to reflect the committee realignment approved at the September 12-13, 2002 Board meeting. Other position descriptions were revised to reflect these changes. The committee structure for committees reporting to the Vice President—International was revised to more effectively support the expanding CAS international initiatives. The duty of preparing the Executive Director’s annual performance review for approval by the EC was transferred from the VP—Administration to the President.
- (g) Disband Advisory Committee on Valuation of P/C Insurance Companies: The Board approved an EC recommendation to disband the Advisory Committee on Valuation of P/C Insurers and to ask VFIC to prioritize timetables for implementing research and education in the area of valuation.
- (h) Reinstate Member: The Board resolved to reinstate a member subject to repayment of the past five years dues (1998, 1999, 2000, 2001, and 2002; \$270, \$280, \$290, \$300 and \$310, respectively (total \$1,450)) in addition to the current year’s dues (\$330).

The motion to approve the consent agenda was seconded and approved unanimously.

3. REPORT OF THE SECURITIZATION/RISK FINANCE ADVISORY COMMITTEE

Gail Ross introduced William Dove, Co-Chair of the Securitization/Risk Finance Advisory Committee, who was invited to discuss the Report of the Securitization/Risk Finance Advisory Committee, which was included in attachment 10 of the agenda material. The Advisory Committee was formed following the 1999 Report of the Task Force on Non-Traditional Practice Areas and was charged to: (i) identify research and education that the CAS should undertake in the area of securitization/risk financing; (ii) recommend methods, priorities and timetables for implementing research and education; and (iii) recommend any additional efforts it considers appropriate to be undertaken by existing or new committees or task forces. The Advisory Committee spent most of the past 12 months defining its goals, parsing an immense area of knowledge into relevant and manageable pieces, evaluating the opportunities and challenges facing CAS members and students in this rapidly evolving area, and devising educational and research recommendations.

The Advisory Committee recommended that the CAS should devote resources to raising the profile of casualty actuaries with other professionals who are active in the securitization arena and increasing the level of understanding of securitization within the casualty actuarial profession. The Advisory Committee identified opportunities for actuaries to be more involved in managing portfolios of insurance risk. The Advisory Committee surveyed current educational and research material and recommended that the CAS

should encourage additional research in specific topics, expand coverage of securitization topics on the *Syllabus*, and increase continuing education opportunities for both the general actuarial audience and the expert.

The Board provided feedback on the Advisory Committee Report. There was debate about what level of knowledge was necessary for the general actuarial audience given the limited number of actuaries practicing in this field and the volume of material already on the *Syllabus*. Will Dove noted that since large advances have been made in applying this tool to corporate finance and securitization has already revolutionized some businesses, it is likely that securitization will be applied to insurance on a larger scale in the future. Board members felt that actuaries need to be conversant on securitization in order to be able to help management understand the risks in the investment portfolio. The Board recommended that emphasis should be placed on general education on the risk involved with products currently in insurance portfolios.

Will Dove stated that the Advisory Committee did not believe that a new standing committee should be formed because it would duplicate the work of other committees. However, the Board thought that it was premature to discharge the Securitization/Risk Finance Advisory Committee and recommended maintaining the Committee for a period of time to monitor the implementation of its recommendations. The Board decided to charge the Securitization/Risk Finance Advisory Committee to act as advocates for the advancement of research and education on Securitization/Risk Financing.

There was a motion to:

- **accept the Report of the Securitization/Risk Finance Advisory Committee with thanks;**
- **charge the EC to evaluate the recommendations set forth in the Committee's Report and to identify a broader role for actuaries in the area of securitization; and**
- **ask the Advisory Committee to remain in place to monitor the implementation of its recommendations and identify additional efforts to be undertaken in the area of securitization.**

The motion was seconded and approved unanimously. Will Dove agreed to serve as Chair of the Securitization/Risk Finance Advisory Committee.

4. MUTUAL RECOGNITION

Bob Conger introduced the discussion of mutual recognition. Background material on mutual recognition was provided in attachment 11 of the agenda material. The Board discussed the need to define the CAS international vision and goals before discussing the details of mutual recognition with potential partners. The Board discussed the following issues: practice rights, positioning the CAS to be a global resource for general insurance education, and furthering global recognition of general insurance. Board members noted that the expertise and high standards of the CAS would position the Society to play a proactive leadership role in the global community.

There was a motion to endorse the concept of mutual recognition, and it was seconded. The motion was amended to state that the Board endorses the concept of the CAS entering into mutual recognition agreements with other actuarial organizations that provide specialty education and examination tracks in general insurance. The amended motion was seconded. The motion was approved with 13 members voting in favor and one member abstaining.

There was a motion to articulate the following points as the Board's reasoning for pursuing mutual recognition:

- **The actuarial profession is an increasingly global community. The CAS seeks to foster a vibrant and effective global community of property/casualty actuaries, to be an active participant in this global community, and to promote casualty actuarial science. The vision of the CAS is to be a global resource for education, knowledge, experience and applied research for property/casualty actuaries.**

- **The CAS desires that CAS members and other actuaries be recognized as qualified actuaries and be able to practice in all countries and all assignments where they have the appropriate knowledge and experience. The CAS desires to attract future members with diverse backgrounds, including future members from around the globe.**

The motion was seconded and approved unanimously.

There was a discussion regarding whether the Board may adopt a mutual recognition process without an amendment to the *CAS Constitution*. The Board agreed that it should put the issue of mutual recognition to a membership vote.

There was a motion and second to direct the EC to implement a two-way communication plan on mutual recognition.

Board members suggested that the CAS Board action in favor of the concept of mutual recognition be communicated to the membership and other actuarial organizations, as well as to firms that employ large numbers of actuaries. Board members emphasized that the communication should make it clear that the CAS is committed to maintaining the credential level for Fellowship in the CAS and that mutual recognition is an enabler to help the CAS achieve its global vision.

The motion was amended to create a Board-level Task Force that will review mutual recognition issues and provide input and recommendations to the Board. The Task Force would be charged with implementing a two-way communication plan with CAS members that is focused on: (a) providing factual information about mutual recognition agreements and the protections and limitations that will be incorporated in them; (b) identifying member concerns and issues, gathering input on various key design issues, and gathering other member feedback; and (c) understanding segments of the membership with potentially great benefits or disadvantages from mutual recognition agreements. The Task Force is to keep the Board apprised of its progress and the results of the communication process. The amended motion was seconded and approved unanimously.

There was a motion to direct the Task Force to provide a comprehensive report at the June 1, 2003 Board meeting. The motion was seconded and approved unanimously.

There was a motion to direct the Task Force to prepare a draft constitutional amendment, which would be included in the material for discussion at the June 1, 2003 Board meeting. The motion was seconded and approved unanimously.

There was a motion to appoint Mary Frances Miller to chair the Board Task Force. The motion was seconded and approved unanimously. Mary Frances Miller and the EC will staff the Task Force. Mike Miller volunteered to serve on the Task Force.

There was discussion about commencing discussions with the Faculty and Institute of Actuaries, the Institute of Actuaries of Australia, and a limited number of other actuarial organizations to draft proposed mutual recognition agreements, as well as any supporting explanatory addenda.

There was a motion to discharge the 2002 Mutual Recognition Task Force with thanks. The motion was seconded and approved unanimously.

Bob Conger then led the current and new Board and EC members through a straw poll of their views on a variety of mutual recognition issues.

1. *Should candidates seeking CAS Fellowship by mutual recognition be required to pass additional exams? If so, which exams or subject matter?*

It was clarified that the requirement to pass additional exams did not include the CAS Course on Professionalism. It was pointed out that, with one exception, other actuarial organizations do not require additional exams.

Of the 26 current and new Board and EC members, three were in favor of this requirement, 22 were against and one abstained.

2. *What length and type of general insurance experience would be required of candidates seeking CAS Fellowship by mutual recognition?*

A minimum requirement of at least three out of five years was unanimously favored. Eleven members favored a requirement of more than 3 years.

3. *Should candidates for mutual recognition be required to complete the CAS Course on Professionalism?*

All members, except one, were in favor of requiring completion of the Course on Professionalism.

4. *If the CAS enters into a mutual recognition agreement with Organization X, should the CAS consider granting Fellowship by mutual recognition to an individual who derived his/her Fellowship in Organization X by mutual recognition (“derived” qualification)?*

None were in favor of derived qualification.

5. *Should there be a residency requirement for actuaries seeking mutual recognition?*

Only one member was in favor of a residency requirement, one member abstained and the remainder were opposed.

6. *Should a designation obtained under mutual recognition be limited to practice in the U. S.?*

One member was in favor of limiting practice to the U.S., two members abstained and the remainder were against.

7. *Should a designation obtained under mutual recognition be limited to use only where mutual recognition was required?*

Four were in favor of this limitation, two members abstained and the remainder were against.

8. *Would the CAS limit the places, circumstances or timeframe in which a CAS Fellow by mutual recognition could use the CAS designation?*

It was clarified that actuaries that were credentialed via mutual recognition would be subject to the same discipline process as CAS members. Two members were in favor of imposing some limitations; two members abstained from the poll on this question.

9. *Would a candidate for Fellowship by mutual recognition be required to demonstrate a specific business need for the credential?*

All were against requiring demonstration of a specific business need.

10. *Would a candidate for Fellowship by mutual recognition be required to disclose any (public/ public or private) disciplinary actions against them by any actuarial body?*

Two members abstained. The remaining members were in favor.

11. *Would the CAS require that Fellows by mutual recognition so indicate on certain types of actuarial communications? Or, recommend that they do so?*

Three members thought this should be a requirement, four members abstained and 19 did not think this should be a requirement.

12. *Should the CAS expect that mutual recognition agreements have balanced provisions?*

All members favored balanced provisions.

13. *Should mutual recognition agreements have expiration dates?*

All but one member thought that either party should be able to terminate mutual recognition agreements at will on a going forward basis. Four members were in favor of some type of sunset clause; 16 members were opposed and 6 abstained.

14. *Does this issue require a Constitutional amendment? Even if this issue does not require a Constitutional amendment, should the CAS plan to make a Constitutional amendment nonetheless, to provide explicit authority for mutual recognition agreements? If the Board decides not to make a Constitutional change, should a formal vote of the membership be undertaken regarding the concept of mutual recognition?*

As discussed earlier, Board members felt that it was important to have a formal vote of the membership on the issue of mutual recognition, even if it is unclear whether a Constitutional amendment is required.

15. *Would individual mutual recognition agreements with other actuarial organizations be put to a vote of the CAS membership? A vote of the full Board? Action of a Board committee? EC action?*

Everyone agreed that it was not necessary to put individual mutual recognition agreements to a vote of the CAS membership. All thought that individual mutual recognition agreements should be subject to a vote of the full Board.

16. *Would the application of an individual actuary for CAS Fellowship by mutual recognition require Board action? EC action? A Mutual Recognition Admissions Committee?*

The majority felt that the application of an individual actuary should require Board action, but agreed that the Board should be allowed to delegate this function.

Other details discussed included whether member references, similar to those currently required for affiliates, should be required for candidates seeking mutual recognition and whether mutual recognition agreements should be invalidated if there is a material change in status.

Bob Conger complimented the mutual recognition communication plan and requested input from the Board on the plan. Gail Ross noted that a session on mutual recognition would be held during the Annual Meeting. The Board requested feedback on this session.

The Board adjourned for lunch at 12:15 p.m.

The meeting reconvened at 1:00 p.m.

5. INTERNATIONAL COMMITTEE STRUCTURE

Leroy Boison presented a recommendation, included as attachment 12 of the agenda material, for restructuring the international committees. The CAS presently has three International Committees: the International Issues Committee, the IAA Liaison Committee, and the International Oversight Committee. The EC believed that a new, expanded committee and liaison structure is essential to support effectively the rapidly increasing CAS international activities and initiatives. The proposed International Committee and Liaison Structure includes three new committees, two continuing committees, and two official CAS liaisons. The newly created Asia, Latin America, and Europe Regional Committees will recommend and facilitate the development and delivery of CAS services to members and candidates in those regions.

There was a motion to approve the proposed International Committee and Liaison Structure and the dissolution of the International Oversight Committee, and to eliminate the listing of the ASTIN liaison under the International Committee structure. It was noted that the CAS liaison to ASTIN is appointed by ASTIN and is not a representative of the CAS. Therefore, it is not appropriate to list the ASTIN liaison under the International Committee structure. The ASTIN liaison should continue to be listed on the ASTIN page of the *CAS Yearbook*. The motion was seconded and approved unanimously.

6. CHINA OFFICE

Bob Conger presented a proposal for formal CAS participation in the Joint Hong Kong Representative Office. The proposal, contained in attachment 13 of the agenda material, provided background on the Hong Kong office and the benefits of CAS participation. If the CAS becomes a formal participant in this Office the CAS share of the office budget is estimated to be 10% to 20%, or \$20,000 to \$40,000. The CAS should be prepared to take an active role in helping oversee the office, but the form that this role might take has not yet been discussed with the other participants.

The Board agreed that it would be appropriate to limit the amount that the President could negotiate as the CAS share of the cost without further Board approval. It was noted the budget approved at the last CAS Board meeting did not include a provision for this activity; however, it is unlikely that any new agreement would be effective before summer 2003. Also, it was decided that the agreement should include a provision that allows the CAS to terminate its involvement with some reasonable notice period. Board members believed that the CAS presence in Hong Kong should be actively promoted.

There was a motion that the Board authorize the President to:

- **engage in discussions with the other actuarial organizations regarding the future functions and budgets of the Hong Kong office;**
- **negotiate a CAS role in directing and using the services of the Hong Kong office; and**
- **negotiate an appropriate CAS share in the financial support of the office, together with an appropriate CAS role in overseeing the management, including financial management, of the office, not to exceed \$40,000.**

The motion was seconded and approved unanimously.

7. FRAMEWORK FOR PRESIDENT/PRESIDENT-ELECT TRAVEL PRIORITIES

At its September meeting, the CAS Board expressed concern that the jobs of President and President Elect are evolving into travel-intensive positions that may not be sustainable as the CAS international strategy is put into action, and may imply a deployment of resources inconsistent with the concurrent need for the leadership to focus on other issues. The Board and EC indicated that this concern should be addressed proactively, by having a framework for prioritizing the travel of the President and President Elect.

Bob Conger reviewed the current travel patterns and proposed travel priorities, included as attachment 14 of the agenda materials. The Board provided feedback on the proposal and emphasized that the CAS should have other officers fulfill obligations currently handled by the President and President-Elect.

8. EXAM 3 BUDGET AND INFORMATION UPDATE

Mary Frances Miller presented the budget for the new CAS Exam 3, included in attachment 15 of the agenda material. Mary Frances Miller noted that there would be significant expenditures before any revenue is produced. At its September meeting, the CAS Board voted to discontinue joint sponsorship of Exam 3 and to offer a CAS version beginning in October 2003. A CAS Exam 3 was not contemplated in the 2003 budget, and the Examination Committee was asked to provide a budget for the new exam. Start-up expenses will include item-writer training for the whole committee and a meeting to review the first exam. The remainder of the revenue and costs would recur at approximately the same level every six months. The EC has recommended that the Board approve the proposed Exam 3 budget. Sheldon Rosenberg said that the costs would increase the budget deficit and would reduce surplus. However, the deficit is merely a timing issue, as the revenue would cover expenditures within two years.

There was a motion to approve the proposed budget for the CAS Exam 3. The motion was seconded and approved unanimously.

9. ANNUAL TRAVEL TIME UPDATE

Mary Frances Miller presented the Annual Travel Time Update, included as attachment 16 of the agenda material. The Board requested that the report be posted on the CAS Web Site. The Education Policy Committee monitors travel time and submits an annual report to the Board. Last year, the Board asked that the Education Policy Committee report on a new travel time definition, which measures the time from the date of first full-time employment in the property-casualty industry to Fellowship. An initial report was prepared on the new definition in May. The report's preliminary conclusion is that the historic median travel time to Fellowship was approximately 7 to 8.5 years and did not meet the Board's new goal of 5 to 7 years.

10. RECAP OF 2002 ELECTION PROCESS CHANGES

Bob Conger reviewed the 2002 election process, summarized in attachment 17 of the agenda material. The Board agreed to post the report on voter demographics on the CAS Web Site. A total of 1,158 Fellows voted in this year's election, a turnout of 49%. Vote counts have been released to the membership. The Board was interested in how the new petitioning process worked. CAS staff monitored the process and reported that it worked well. Clive Keatinge, who petitioned to be on the ballot and attended the meeting as an observer, was asked for feedback on the process. He responded that he had no complaints, but indicated that he was surprised that hard copies of the candidates' statements were not mailed with the ballots. The Board asked about electronic balloting, and Sheldon Rosenberg reported that staff is making progress on a feasibility analysis. David Oakden described the CIA's experience with the implementation of electronic voting.

The Board discussed voter turnout in more detail, particularly the lower turnout for members that attained Fellowship in the last ten years. David Oakden reported that the CAS had a higher turnout than the CIA. A survey conducted by the CIA indicated that the major reason members did not vote was because they did not know the candidates. Cynthia Ziegler said that a 49% turnout is considered exceptionally high for an association and that many associations are facing similar issues with intergenerational members. Cynthia Ziegler noted that the fact that some members only cast votes for President-Elect and one or two Board candidates supported the theory that name recognition influences voting behavior. Other Board members thought that some Fellows might vote for fewer than the full slate of Board positions in order to give the candidates that they favored a greater chance of winning. There was a brief discussion of the cumulative voting method, which allows members to cast multiple votes for a candidate, and the preferential balloting method that the CIA uses where the voters rank the candidates. Board members questioned the efficiency of the CAS plurality method.

The Board suggested that an informal phone survey be conducted to better understand member voting behavior. Sheldon Rosenberg agreed to coordinate the phone survey.

11. INFORMATION ITEMS

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

- EC Minutes (May 21, June 10, July 18, August 14, September 18) (Attachment 18)
- Q4 FY 2002 Financial Statement (Attachment 19)
- Fourth Cycle Reports (Attachment 20)
- Executive Director's Report (Attachment 21)
- Minutes from July 2002 COP Meeting (Attachment 22)
- Debrief on October 2002 COP Meeting (Attachment 23)
- 2002-03 Casualty Practice Council Goals (Attachment 24)
- 2002-03 R&D Committee Goals (Attachment 25)
- IAA Draft Comments on "Guidelines of Actuarial Practice for Social Security Programs (SSP's)" (Attachment 26)
- Summary of Results of "Survey on CAS Professional Skills" (Attachment 27)
- Drop DFA from Part 8 (Attachment 28)
- AAA Proposed Qualification Standards (Attachment 29)
- Report of COP Task Force on Review of ABCD (Attachment 30)
- Report on CAS D&O Policy Limits (Attachment 31)

Board members asked for clarification about the nomination of trustees for the AERF/TAF. The Board delegated the responsibility of naming trustees candidates to the EC. The EC will nominate six candidates from which the AERF/TAF would select two.

Board members commented on the 2002-03 Casualty Practice Council (CPC) goals. It was noted that loss reserving was not included in the issues list. It was also suggested the priority for tort reform might be increased given the results of the recent national election. Board members also suggested that a prioritized list of research issues be provided to the CPC and that the CPC should communicate with other actuarial bodies, such as GIRO, to determine if they are pursuing the same issues.

12. ANNUAL REPORTS

The following reports were provided for the Board's information:

- Annual Meeting/Seminar Attendance Data (Attachment A)
- Annual CAS Research Report (Attachment B)
- Annual CORP Inventory Report (Attachment C)
- Annual Inventory of Affiliate Members (Attachment D)
- Annual Communications Plan Implementation Status Report (Attachment E)
- Annual Report of CAS Web Site (Attachment F)
- Annual Report of the Discipline Committee (Attachment G)
- Quarterly Newsletter report from The Actuarial Foundation (Attachment H)

13. HIGHLIGHTS OF 2002 ANNUAL MEETING

Chris Carlson provided the highlights of 2002 Annual Meeting. There are 864 people registered, including about 125 guests. This year's class of 145 new Fellows and 114 new Associates is the largest class on record. Portions of the Annual Meeting will be broadcast in a Webcast pilot.

14. RECOGNITION OF RETIRING BOARD/EC MEMBERS

Bob Conger thanked the Board and EC for their work in the past year. He thanked retiring Board members Amy Bouska, Steve D'Arcy, Fred Kist and Susan Witcraft. Bob Conger also thanked retiring EC members Leroy Boison, who was the first CAS VP—International, Gary Josephson, who will become a Board member, and Mary Frances Miller, who will become President-Elect. Bob Conger recognized Pat Grannan for his years of leadership in the CAS. Pat Grannan thanked Bob Conger for his accomplishments as President.

15. EXECUTIVE SESSION

The Board held an Executive Session from 2:45 p.m. – 3:15 p.m.

16. ADJOURN

Respectfully submitted,

Joanne S. Spalla
Assistant Secretary - Board of Directors

Approved March 10, 2003