

**MINUTES
CAS BOARD OF DIRECTORS MEETING
NOVEMBER 12, 2006
Hyatt Regency, San Francisco, CA**

Present

Directors: Irene Bass, Regina Berens, Christopher Carlson, Robert Deutsch, Sholom Feldblum (by teleconference for a portion of the meeting), Allan Kaufman, Andrew Kudera, Donald Mango, Glenn Meyers, Roosevelt Mosley, Karen Terry, and Robert Wolf (by teleconference for a portion of the meeting).

Board Chair: Stephen D'Arcy.

President: Paul Braithwaite.

President-Elect: Thomas Myers.

Vice Presidents: Amy Bouska, James Christie, Beth Fitzgerald (by teleconference for a portion of the meeting), Roger Hayne, John Kollar, Debbie Rosenberg, and Joanne Spalla.

CAS Executive Director, Cynthia Ziegler; Assistant Secretary – Board of Directors, Kenneth Quintilian.

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

Invited guests: Brian Brown, Charles Bryan (by teleconference for a portion of the meeting), Aaron Halpert, Mary D. Miller, Pat Teufel, Alice Underwood.

Observers: Steven Armstrong, Sean Forbes, Derek Jones, Clive Keatinge.

Steve D'Arcy called the meeting to order at 8:00 a.m. on Sunday, November 12, 2006. He began by extending congratulations to the new Board members and officers (both those present and those who could not be present at this meeting): Chris Carlson (President Elect); Brian Brown, Chuck Bryan, Mary D. Miller and Joanne Spalla (Board Members-Elect); as well as Andrew Kudera, Kenneth Quintilian and Patricia Teufel (newly selected Vice Presidents for the upcoming year – for Professional Education, Administration, and Marketing & Communications, respectively). Steve also introduced Alice Underwood, the incoming Assistant Secretary – Board of Directors.

1. CONSENT ITEMS

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

(a) 2006-07 Nominating Committee Membership

The Board approved the recommended slate for the 2006-07 Nominating Committee.

(b) 2006-07 Chairs of Board Committees

The Board approved the recommended slate of Chairs for the remaining Board Committees, for 2006-07.

(c) Member Reinstatement

Having considered her application and the circumstances presented therein, the Board resolved to reinstate a former member, subject to payment of a \$500 reapplication fee in addition to the dues for 2007.

(d) IAA Public Statement Release

The Board of Directors resolved to instruct the CAS Delegate to the IAA Council to cast an “abstain” vote regarding the approval of IAA comments regarding IAS 19.

(e) Board Observer Guidelines

The proposed amended Board Observer Guidelines were approved as presented.

(f) Board of Directors Vacancy

Acting upon the recommendation of the CAS Governance Task Force, the Board resolved to approve (subject to ratification at the Annual Meeting by the Fellows present) the appointment as Director of Eugene C. Connell, to fill the one-year unexpired term to be created by the impending resignation of Chris Carlson.

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

2. TRAVEL TIME STATISTICS

James Christie introduced this item and led the discussion of the latest travel time statistics. It appears that the travel time of the most successful candidates is decreasing, though this effect may be due to students graduating from college with more exams than had been the case in the past. Board members requested that future travel time reports contain certain additional statistics to increase the usefulness of the report. It was suggested that, since the data in the report is presented in something like a development pattern, future reports should actually present a development exercise that culminates in a projected number of CAS inductees, for planning purposes and projections of travel time trends. The Board thanked Jim and the committee for their work.

3. REPORT ON NAAC CONTINUING EDUCATION LETTER

Paul Braithwaite introduced this item and reported on the letter on Continuing Education (CE) that was signed by the U.S. attendees at the September North American Actuarial Council (NAAC) meeting. The general perception at NAAC is that CE requirements are currently in need of significant strengthening, and that the North American actuarial organizations should move in the direction of substantially uniform CE requirements. Some have perceived the NAAC as intruding upon the domain of the AAA, or seeking to disagree with the recommendations expressed in the AAA’s latest Qualification Standards draft. Paul stated that, on the contrary, the purpose of the letter is to express support for the movement toward strengthening CE requirements that has recently been undertaken by organizations such as the CIA, CCA, AAA, and others.

There was an extended discussion by the Board on topics related to CE, and the role of the CAS in promoting higher standards and policing members’ compliance. Many expressed support for a minimum universal CE standard. Although there seemed to be general support for the idea that the AAA should continue to be the sole body for establishing CE requirements in the US and the CIA should play the same role for Canada, some felt that the CAS should take a more proactive role in establishing standards for CAS members who practice in countries without national organizations that establish such policies. A number of off-shore domiciles, most notably Bermuda, were discussed as examples of jurisdictions where CAS members are currently practicing without any formal obligation to obtain Continuing Education (other than that implied by the Code of Professional Conduct).

A straw poll was taken on the question, “Should the Executive Council investigate the question of minimum continuing education requirements, in particular for non-US members not currently subject to any national requirements, to include consideration of disciplinary procedures for non-compliance; and prepare a discussion paper for the Board’s consideration of the issue?” The straw vote, which was extended to both 2006 and 2007 Board members, was 16 in favor, 2 opposed, and 2 abstaining.

4. SOA ERM CREDENTIAL

Don Mango and John Kollar reported on the latest status of this initiative. It is still the intention of the SOA to roll out an ASA-level credential in the ERM discipline. The SOA has also declined to participate in the jointly sponsored ERMII. It remains to be seen how much demand the SOA will see for this credential.

5. MINUTES OF SEPTEMBER 14-15, 2006 BOARD MEETING

There were a number of changes suggested to the minutes. The Assistant Secretary prepared these revisions and presented them to the Board later in the meeting.

There was a motion to approve the minutes of the September 2006 Board meeting, as amended.

The motion was seconded and approved, with 13 members voting in favor, and 1 abstention.

6. 2006 LONG RANGE PLANNING COMMITTEE REPORT

The Board welcomed Aaron Halpert, who presented the report on the LRPC's deliberations in 2006. The most significant undertaking of the LRPC in 2006 (and the first objective as laid out in the Committee's report) was a complete review of the Centennial Goal, evaluating its continuing relevance and appropriateness as the focus of the CAS's efforts through 2014. The Centennial Goal states, "The CAS will be globally recognized as the preeminent resource in educating casualty actuaries and conducting research in casualty actuarial science. CAS members will be recognized as the leading experts in the evaluation of hazard risk and the integration of hazard risk with strategic, financial and operational risk."

The LRPC considered first whether to fundamentally change the substance of the two main parts of the Goal. Given the intended focus, the LRPC then considered whether the wording of the goal expresses that intended meaning in the best possible manner.

The LRPC compiled extensive external input in the course of this evaluation. The LRPC conducted interviews with many of the Officers and Board Members of the CAS. An online survey of the CAS membership was conducted. Interviews with Chief Risk Officers were also conducted, particularly in connection with the ERM part of the Goal.

The LRPC gathered from these disparate sources a broad consensus that both parts of the Centennial Goal continue to be appropriate focal points of the CAS's strategic endeavor. There was, however, much sentiment that, in some respects, the current wording of the Goal might not adequately express its intent. In particular, the stated intent to position the CAS as "the" preeminent international general insurance educational and research body might be seen by many as imperialistic. Similar, but less acute, concerns exist with regard to the wording in the ERM part of the Goal.

It was ultimately the recommendation of the LRPC that no changes be made to the Goal. The LRPC concluded that minor wording changes (such as changing "the" to "a") would be seen by many publics as backpedaling on our "big, audacious" goal; and that such a change would present major communication challenges that would not be justified by the minor nature of the changes. It was the opinion of the LRPC that concerns with the goal would be better addressed by an action plan, outlined in the report, to improve the performance of the CAS relative to the Goal as intended.

The comments of the Board in response to the report evinced a fairly broad conviction that this recommendation was not sufficiently aligned with the impression of the interviewees, as expressed rather consistently throughout the Board and Officer interviews, that while the essence of the Goal should not change, the wording of the Goal does in fact need to be changed. The Board as a group is less concerned about the perception of "waffling," and more concerned about the political problems (particularly internationally) that arise from having a Centennial Goal that is perceived as expressing a degree of

imperialistic expansionism that the CAS does not intend. There was a general consensus that it would be better to make and explain a small wording change now, than to have to constantly explain the Centennial Goal's meaning.

There was a motion to replace the words “the preeminent” in the first sentence of the Centennial Goal, with the words “a leading.”

In the course of discussion of this motion, one Board member suggested that instead of hastily revising the Centennial Goal during the Board meeting, the preferable course would be to send the Goal back to the LRPC for further consideration, with the recommendation that certain changes be made. This proposal was unable to attract the support of a majority of the Board.

The original motion, having been seconded and discussion being complete, was called and approved, with 12 members voting in favor, 2 opposed, and 1 abstention.

The Board then discussed the second (ERM) portion of the Goal. There were several different dimensions that made this discussion more complex. Several main issues were raised.

The first important issue is whether the “imperialistic” wording should be toned down, as was just done in the first sentence of the Goal. A second concern is how to differentiate the CAS's properly eminent role in ERM for the P&C insurance industry, from the Society's more focused role in ERM for other industries (where the CAS role, though perhaps not so obvious, should nevertheless be explored). A third consideration is whether the Goal should be amended to explicitly refer to ERM, since there is concern that some publics do not currently know that the Centennial Goal has anything to do with ERM.

It was agreed that the wording of the second half of the Goal could not be settled as easily as the first sentence had been. It was also agreed that the decision could be made more efficiently by a Board Task Force than by the LRPC, since a Task Force would be better attuned to the wishes of the Board itself, and having only one focused task would be able to achieve its results more quickly.

There was a motion to appoint a Board Task Force to consider changes to the wording of the second sentence of the Centennial Goal, with consideration to be given to the points discussed by the Board, and with a final report being made to the Board by the March 2007 Board meeting.

The motion was seconded and approved, with 13 members voting in favor, 1 opposed, and 1 abstention. Paul Braithwaite agreed to take responsibility for appointing the Task Force.

The Board also decided not to implement a communication plan related to the change in the first sentence until the rewording of the second sentence is resolved.

Aaron then proceeded to discuss the LRPC's findings with regard to the Significant, Attainable and Measurable (SAM) goals. Aaron made the point that a final decision on the Centennial Goal is not necessary, in order for the Board to move ahead on changes to some of the SAM goals. Aaron also pointed out that the LRPC does not find at this time that the CAS is in danger of failing to accomplish any of the current SAM goals.

That being said, Aaron laid out the evaluation process that the LRPC used in moving toward a new set of SAM goals. The first step, which is substantially complete, was to identify the desired “future states” that align with the Centennial Goal itself. These future states are laid out in detail in the LRPC report.

The second major step, given these states, is to identify tasks that can be used to progress toward these states, and metrics to measure that progress. The LRPC has begun that second step in the 2006 report, but additional tasks/metrics (SAM goals) need to be identified; and ones that have been already identified require further parameterization.

Members of the Board discussed the SAM goals at length, and offered suggestions regarding additional useful metrics or tasks that could be added. Aaron thanked the Board members for their input, which will be considered by the 2007 LRPC. He then stated that the official action sought from the Board at this time was approval of the framework and the future states identified (the SAM goals themselves still being a work in progress).

There was a motion to accept the framework presented by the LRPC in its 2006 report for the identification of appropriate SAM goals, and to proceed in 2007 to expand and clarify the SAM goals contained within that framework, subject to the three “future states” identified within that report.

The motion was seconded and approved unanimously, with 15 members voting.

The LRPC Report’s third objective (regarding the charge and potential name change of the Committee) and fourth objective (relating to the establishment of a strategic planning process for the CAS, to be pursued and elaborated by the LRPC) were deferred for future consideration. On behalf of the Board, Steve D’Arcy thanked the LRPC, and particularly its outgoing Chair Aaron Halpert, for their efforts in the last few years toward remaking the functioning of the Committee into a much more strategic-thinking, forward-looking body, which was largely responsible for crafting the Centennial Goal, and which has had a profound effect on the vision of the CAS as a whole.

7. EXECUTIVE SESSION

At 11:10 a.m. the Board went into Executive Session until about 12:00 p.m.

Upon return to open session, there was a motion to ratify the actions taken in Executive Session: (1) To authorize up to \$10,000 per year to be paid to any outside director that is appointed to serve on the Board, for purposes of covering or reducing the cost of travel expenses related to Board meeting attendance. The Vice President – Casualty of the American Academy of Actuaries will not be eligible to receive this stipend. (2) To approve Robert Miccolis, in his capacity as AAA VP – Casualty, to serve a one-year term on the CAS Board of Directors. The term shall begin at the close of the Board meeting on November 12 and shall terminate at the end of the Board meeting in November 2007.

The motion was seconded and approved, with 13 members voting in favor, and 2 abstentions.

8. CODE OF PROFESSIONAL ETHICS FOR CANDIDATES

Beth Fitzgerald introduced this item and described the latest changes and progress on finalizing this Code. There was brief discussion of the legal opinion that was obtained on the Code (and included in the Board packet). It was decided that counsel’s recommendations, which do not directly touch upon the wording of the Code itself, should be made a separate item and deferred for future consideration by the EC and Board.

It was also felt that the results of the Board’s deliberations on this Code should be shared with the SOA and the AAA.

There was a motion to: adopt the proposed Code of Professional Ethics for Candidates; adopt the revised Rules of Procedure for Disciplinary Actions Involving Candidates; adopt a revised Charge for the Discipline Committee; and approve a proposed communication plan for these changes, all of which would become effective with the 2008 Spring exam sitting.

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

9. ENTERPRISE RISK MANAGEMENT COMMITTEE OBJECTIVES

There was a motion to approve the proposed objectives of the ERM Committee.

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

10. REVISED BOARD/EC POSITION DESCRIPTIONS

There was a motion to approve the revised Board and Executive Council Position Descriptions as presented.

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

11. 2007 CAS ELECTION/TELLERING PROCEDURES

The Executive Director brought to the Board's attention several changes that were still needed in the documents distributed in the Board packet. After approval, these changes will be made to the documents before they are published.

There was a motion to approve the 2007 CAS Election/Telling procedures, including the Electronic Procedures and Timeline for the Election of Officers and Directors, as revised.

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

12. INFORMATION ITEMS

The following items were presented for the Board's information. Board members were given the opportunity to comment on any item:

- EC Minutes (May 9, Jun 13) and Agenda (Aug 15 and Oct 10) (Attachment 14)
- Q4 FY 2006 Financial Statement (Attachment 15)
- VP Fourth Cycle Reports (Attachment 16)
- Report on September 2006 NAAC Meeting (Attachment 17)
- Report on September 2006 AAA Board Meeting (Attachment 18)
- Executive Director's Annual Report (Attachment 19)
- 2006-07 R&D Committee Goals (Attachment 20)
- 2006-07 CAS Office Goals (Attachment 21)
- August 2006 VEE Exam Results (Attachment 22)
- Update from Task Force on Publications (Attachment 23)
- Budget of Hong Kong Joint Office (Attachment 24)
- Highlights of CAS 2006 Annual Meeting (Oral Report)
- CAS Research Strategy (Attachment 26)
- Report on Regional Affiliate Presentation (Attachment 27)
- GIRO Report (Attachment 28)
- International Actuarial Standard of Practice on Internal Models (Attachment 29)
- CAS Communication Plan for the White Paper on CAS Education Strategy (Attachment 30)
- Annual CAS Research Report (Attachment 31)
- Annual CORP / *Variance* Inventory Report (Attachment 32)
- Annual Report of CAS Web Site (Attachment 33)
- Annual Report of the Discipline Committee (Attachment 34)
- Annual Report from The Actuarial Foundation (Attachment 35)

There was brief discussion of several items. The adverse variation between budget and actual final CAS expense experience for 2006 (as shown in the final FY 2006 Financial Statement, Item 15) attracted some discussion. Debbie Rosenberg explained that the approximately \$150,000 adverse variance can be traced in part to several meeting planning and execution issues, particularly in relation to the Spring Meeting and the Reinsurance Seminar. She indicated that controls have been put in place to attempt to minimize or anticipate such unexpected expenses in the future. She also stated that the number of VEE exam registrations was less than projected this year, resulting in a reduction in planned revenue.

There was some discussion of the relatively small number of attendees (22) at the Course on Professionalism held in Hong Kong. There had been thought to be a “pent-up demand,” and the CAS had anticipated 60 attendees. Issues discussed included methods used in promoting the event and frequency of future offerings.

One Board member questioned why the CAS spent \$100,000 less than budgeted on reimbursements for travel, given the need of the CAS to maintain and enhance its international reputation. Debbie Rosenberg indicated that some trips that had been included in the budget were not taken, due to various conflicts by the designated attendees.

Paul Braithwaite presented a brief oral synopsis of the topics covered at the meeting of NAAC in September (other than the letter on Continuing Education that was presented previously). Paul noted that the SOA has agreed to match the \$100,000 that the CAS has pledged to the “ICA 2014 Fund,” to help defray the expenses of the meeting of the ICA in the U.S. that year. The other NAAC bodies will make requests of their Boards for similar contributions.

There was some discussion of the VEE exams (Item 22), which still have one more administration before being terminated. One Board member requested that statistics be presented at a future meeting on non-exam (traditional) VEE approvals. Although traditional VEE credit is administered by the SOA, there is enough information in the CAS exam database to determine the VEE history for those candidates who have declared themselves interested in the CAS and therefore have records in the CAS database.

Another member expressed surprise at the seemingly low pass rate for the VEE exams, given that the exams were intended to correlate with the probability of getting a B- in an approved college course on the same subject. Jim Christie said that the method used to set the pass rate has been reasonable and consistent over time. Jim indicated that setting a higher pass rate (a lower pass score) would in the opinion of the exam committee have allowed candidates to pass who had not demonstrated the requisite mastery of the material.

The Board briefly discussed the Hong Kong Joint Office (Item 24), which has three full time staff. The sentiment emerged that the CAS should take steps to make more extensive and effective use of this office, given that Asia is such an important growth area for actuaries and the CAS in the present and the near future.

Roger Hayne answered questions regarding Research Strategy (Item 26) and Research Goals (Item 20). He stated that there has been fruitful international coordination to date with groups such as the UK Faculty and Institute’s GRIP and ROC. He indicated that a major education / research hurdle to be overcome is to get more CAS members to use stochastic methods in their practice.

There was some discussion of the usefulness of the Annual Research Report (Item 31) as currently presented. A suggestion was made that in future reports the results be summarized by functional topic (rates, reserves, GLM, ERM, etc.) in order to make it more clear where the areas of progress have been in the past year. Pat Teufel, in her capacity as Chair of the Task Forces on the Reputation of the Casualty Actuary, indicated that research is one of the areas where the CAS is already “ahead of the curve.” Research is therefore not, she opined, a problem area for the CAS, where much is already being done to advance the science of casualty actuarial work.

The Board discussed Item 29 (IAA proposed Standard on Internal Models). There are many IAA communications of this type that the CAS, AAA, and other organizations receive and often have to respond to. The AAA is concerned that the responses from the various NAAC members are not as well coordinated

or timely as they could be. The CAS, however, has among the best records for timely responses, primarily because Ralph Blanchard and Bob Miccolis have taken the lead in scrutinizing these communiqués and recommending appropriate replies for the Board to adopt. There have been efforts to find additional volunteers to help them, but so far no one has come forward to help with this time consuming task.

The Board next took up the communication plan for the soon-to-be-issued White Paper on CAS Education Strategy (Item 30). It was made clear that this plan extends well beyond CAS candidates and members – it is intended to encompass all important publics, including employers, academics, and regulators as well. Some slight revisions were suggested to the plan to make this clearer.

In the oral discussion of the 2006 Annual Meeting Highlights, the point was made that the attendance at this meeting is a record for a CAS meeting, at over 1,000 paid attendees. This is 200 more than was projected in the budget. It is not yet clear whether this will create an additional margin or loss for the CAS on this meeting.

13. ASSESSMENT OF RESULTS – 2005-6 CAS BOARD

Before concluding the business of the 2005-6 CAS Board, Steve D’Arcy encouraged the Board to take a few minutes to reflect upon and discuss its successes and failures from the past year. Examples of successful accomplishments, some of them as the fruition of years of labor and consideration, were: completing the Paper on Education Strategy, naming and nearly launching *Variance*, significant strides in enhancing the Society’s governance, a more efficient and productive Board process (including enhanced Board books for prior review by attendees), and a better and more effective use of Task Forces for closed-ended requirements. Paul Braithwaite observed that the EC had also been particularly productive in the past year. On the other hand, areas of “lessons learned” include the failure of the Board and leadership to accurately gauge the sentiments of the FCAS members before putting the ACAS questions on the most recent election ballot.

14. DISSOLUTION OF 2005-6 BOARD

Chris Carlson tendered his resignation as a regular Board Member, in order to free himself to take up the mantle as President Elect. Steve D’Arcy thanked Chris and the other retiring members of the 2005-06 Board (Robert Deutsch, Sholom Feldblum, Andrew Kudera, and Robert Wolf) for their diligent service.

There was a motion to adjourn the 2005-6 Board of Directors of the CAS.

This motion was seconded and approved unanimously, with 13 members voting. Steve declared the meeting adjourned, and the previous Board dissolved, at 4:00 p.m.

15. REORGANIZATION OF BOARD / 2006-7 PRIORITIES

Paul Braithwaite, Chair of the 2006-07 Board, welcomed the new 2006-07 Board Members and the new President-Elect. Paul also congratulated and thanked the outgoing Board Members (including Steve), as well as the outgoing Executive Council members (Beth Fitzgerald, Debbie Rosenberg, and Joanne Spalla), and thanked Ken Quintilian for his work as Assistant Secretary. He welcomed the members of the 2006-07 Executive Council.

Paul took the new Board through a brief exercise of prioritizing tasks, in order to get a preview of areas of Board interest and concern for the upcoming year. Having handed out a preliminary list, he first asked for suggestions of additional topics for consideration over the upcoming year. He then took a series of straw votes in order to gauge the relative importance attributed to both by the Board. The subject areas, with the number of affirmative votes for each, are shown below (each member was allowed to vote in favor of as many topics as desired):

13 Follow-up on Credibility Task Force findings

- 13 LRPC process and strategy setting template
- 13 Communication of CAS education white paper
- 13 International strategy
- 10 Implementation of CRUSAP recommendations
- 9 Mandatory continuing education requirements
- 9 Donor value proposition of volunteership to stakeholders, especially employers
- 7 CAS as an exemplar of ERM
- 3 Helping CAS members expand outside of insurance / image campaign
- 2 Retention and attraction of qualified candidates

Paul expressed his wishes for an enjoyable and productive year and adjourned the meeting at 4:20 p.m.

Respectfully submitted,

Kenneth Quintilian
Assistant Secretary - Board of Directors

Approved: March 15, 2007

Subsequent to the meeting, the Board unanimously approved via e-mail the recommendation to post on the CAS Website the November 12, 2006 Board Meeting Executive Summary, with 15 voting.