

TASK FORCE ON ASSOCIATE RIGHTS

Report to the Executive Council

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In response to member concerns that were expressed in the 2009 Quinquennial Membership Survey, the Board of Directors of the Casualty Actuarial Society asked the CAS Executive Council (EC) to review the rights of Associates. The Task Force on Associate Rights (Task Force) was charged by the EC “[to] evaluate how best to ensure fair representation within the CAS of ACAS members, including such issues as voting rights, opportunities for involvement and dues. The Task Forcewill review the recommendations of its predecessor task force, will assess the current environment and will recommend appropriate action. In particular, the rights of long-term Associates (members who have been Associates for five years or more) will be evaluated.” In undertaking this assignment the Task Force has prepared recommendations in the following areas for EC and Board consideration:

- Voting rights;
- Board of Directors participation;
- Right to hold officer positions;
- Membership on committees currently prohibiting Associate participation;
- Chaired committees and task forces; and
- Fee differentials.

On most items, the task force members are in unanimous agreement. The following report includes minority arguments where disagreement exists.

This report has benefitted from the May 16, 2004 reports of the Task Force on the ACAS Vote and the Task Force on Classes of Membership, as well as a combined introduction to both reports.

As a result of the work of the 2004 Task Forces the Board proposed an initiative, amending the CAS Constitution and Bylaws, to provide voting and other rights to the ACAS. The amendments to the Constitution and Bylaws would have:

- given the unrestricted right to vote to members either upon attainment of Fellowship or five years after attainment of Associateship, whichever should occur first,

- permitted Associates who have been members for at least five years to stand for election to the Board of Directors, with no change in the current size of the Board, and
- allowed Associates who have been members for at least five years to hold officer positions, with the exception of President, President-Elect and Vice President - Admissions.

Each of these three changes was voted on by the members and each was defeated by a margin of approximately 60% to 40%.

The Task Force believes that this vote was clouded at the time by concerns, by the membership, over potential elimination of the ACAS designation. By granting some Associates a vote, there was a popular misconception that Voting Associates could potentially vote to make themselves Fellows. There is little chance that this would ever occur and the CAS Board has since confirmed its commitment to the ACAS designation. Given the time since the last vote and the elimination of the uncertainty about continued existence of the ACAS designation we believe it is appropriate for the CAS to revisit this issue and present a clear proposal to the membership on extension of Associateship rights.

Executive Summary

The Task Force has held multiple conference calls to discuss the many areas that we have been asked to address. In this process we have identified a number of issues that have guided us in making the recommendations in this report. These include:

- a. Current and historical sizes of the Associate population, including the number of Associates who have stopped taking exams and are not expected to achieve Fellowship (Career Associates);
- b. US based members of the CAS are granted essentially identical practice rights by the American Academy of Actuaries (AAA), the NAIC and virtually all state insurance departments. However ACASs attaining their designation under the 2011 syllabus will no longer automatically satisfy the educational qualification requirements to render NAIC P&C reserve opinions;
- c. History of significant contributions by Associates to the CAS and the actuarial profession;
- d. Lack of representation within the CAS for Associates, while paying full dues;
- e. Need to assure that participation on committees, task forces, and CAS governance does not jeopardize the highest professional standards in the eyes of the external public;
- f. The rights of Associates in other actuarial organizations; and
- g. 2006 rejection of expansion of Associate rights by CAS members.

Task Force Recommendations

1. Voting Rights – The right to vote should be given to members either upon attainment of Fellowship or five years after they are recognized as Associates, whichever occurs first. Once granted, voting rights should be unrestricted.
2. Board of Directors Participation – All voting members should be allowed to stand for the Board with no change in the current size or structure of the Board.
3. Right to hold Officer Positions within the CAS – Voting Associates may hold all officer positions with the exception of the following:
 - a. President/President-Elect
 - b. Vice President – Admissions
4. Membership on Committees Currently Prohibiting Associate Participation –
 - a. Audit Committee: Voting Associates should be allowed.
 - b. Nominating Committee: Add two seats to the Nominating Committee, one for a Voting Associate with 10 years or more as a voting member and one for a Voting Associate with less than 10 years as a voting member. No change to currently designated members.
 - c. Remaining Committees (Discipline, Education Policy, Syllabus and Fellowship Part Examination Committees): No change from current practice.

5. Chairing CAS Committees and Task Forces - The Task Force recommends that any Associate (voting or not) who is eligible to serve on a committee should also be eligible to chair that committee, with the exception of the Examination Committee. Subject knowledge and leadership qualities would be the primary qualifications for committee or task force chairs.
6. Fee Differentials - The Task Force discussed the possibility of fee differentials between the voting and non-voting members, but rejected this on two grounds: (a) assuming that Task Force recommendations are accepted, the state of “non-voting ACAS” would be a time-limited condition, and (b) even non-voting members receive substantial services from the Society. However, if the Associateship vote is rejected, we recommend that the Board consider the possibility of fee differentials.

Notwithstanding the rejection by CAS members in the 2006 election, the Task Force believes and supports that substantial rights be granted to Career Associates. Career Associates have made significant contributions to further the educational objectives of the CAS through papers and participation on CAS meeting panels, task forces and committees. Career Associates have also contributed financially to the success of the CAS through their dues and attendance at CAS meetings and seminars.

The following sections discuss the evolution of the Associateship status and our rationale supporting the recommendations in the Executive Summary.

Evolution of the Associateship Status¹

In Pruitt's description of the formative years of CAS,² he discusses many facets of the early evolution of the Society. Of interest to the Task Forces is the description of the initial formation and structure of the membership classes – Fellow and Associate.

From its inception in 1914 inception the CAS established two classes of membership – Fellow and Associate. The minutes of the first meeting of the CAS defined the two classes of members:³

- Fellows – Those who are and who have been in charge of actuarial, mathematical or statistical departments of insurance companies or of organizations or associations connected with casualty experience. In this class shall be included those who have made contributions to actuarial science or statistics as related to casualty experience.
- Associates – Anyone in an actuarial, mathematical or statistical department of an insurance company, or any other person who evinces a desire to study actuarial science and statistics as related to casualty experience.

During the first 60 years of the CAS (1914-1975) there was a clear distinction both educationally and practically between Fellows and Associates.

Over the next 35 years there was a narrowing of the gap between the extent and content of the Associateship syllabus compared to the Fellowship syllabus.

To better understand the differences between Fellows and Associates, the Task Forces researched the evolution of examination requirements and changes in requirements over the history of the CAS. The table below presents the full exam requirements including the exam restructuring in 2011. Throughout this time the content and emphasis of the exams changed, partitioning was introduced and eliminated, and materials were moved back and forth between Associateship and Fellowship exams. The restructuring in 2011 will allow the ACAS syllabus to meet the minimum syllabus criteria of the International Actuarial Association (IAA).

¹ This section has been reproduced, in part, from the "Combined Introduction to the Reports of the Task Force on the ACAS Vote and the Task Force on classes of Membership" presented to the CAS Board of Directors on May 14, 2004.

² Pruitt, Dudley M, "The First Fifty Years", CAS Proceedings, 1964, page 148.

³ "4_June Bd Mtg_Background Research.doc" prepared by the CAS staff.

The following table presents the full examination requirements for achieving Associateship and Fellowship throughout the history of the CAS.

Year	Requirements to Achieve		
	Associateship		Fellowship
	# of Exams	Prof. Course	# of Exams
1915 ⁴	1		3
1916	2		4
1934	4		8
1941	5		8
1948	4		8
1968	5		9
1975	6		10
1976	7		10
1991	7	Y	10
2000	7	Y	9
2011	6	Y	9

Over the last 35 years a number of dramatic, but perhaps unrecognized, changes have occurred in the profession. These include:

- The exam differential today has narrowed from the four exam differential that existed in the 1948 – 1976 years.
- A variety of factors (partitioning, joint exam sponsorship, expanded syllabus) has lengthened the travel time required to complete the exams and, as a result, the Associate today generally has more years of experience than his/her counterpart of years past.
- The Associateship syllabus for most of the recent period has included practical material such that the Associate has sufficient practical knowledge to undertake many assignments today.
- The Associateship syllabus, after 2011, will meet the minimum syllabus criteria of the International Actuarial Association (IAA).

⁴ In the early years the Associateship required four parts, but was reduced to a lower number as presented in the above table due to practical considerations. Through most of this early period the Fellowship exams consisted of two additional exams after achieving Associateship.

- Many non-US actuarial organizations have a dual class structure similar to the CAS. In many cases Associates are extended the right to vote and pay reduced dues⁵.
- The significant amount of practical material on Associateship exams means that Associates and Fellows can now be found performing similar technical tasks within companies and consultancies. Fellowship may be required for certain positions within an organization. Associates must meet the same professionalism standards as Fellows.
- US-based Associates have no practice limitations imposed by the AAA. In other jurisdictions, regulatory or organizational requirements may require Fellows to complete the activity. For example, Canadian legislation requires Fellowship in the Canadian Institute of Actuaries to sign actuarial opinions.

Current Situation

The CAS Constitution currently identifies three classes⁶ of members in the Society:

- Fellows (3,516)
- Associates (1,645)
- Affiliates (28)

Of the current Associates, 1,051 received their ACAS designation more than five years ago. If these Career Associates were extended voting rights, it would increase the total electorate by approximately 30%. Voting Associates would represent 23% of the voting population.

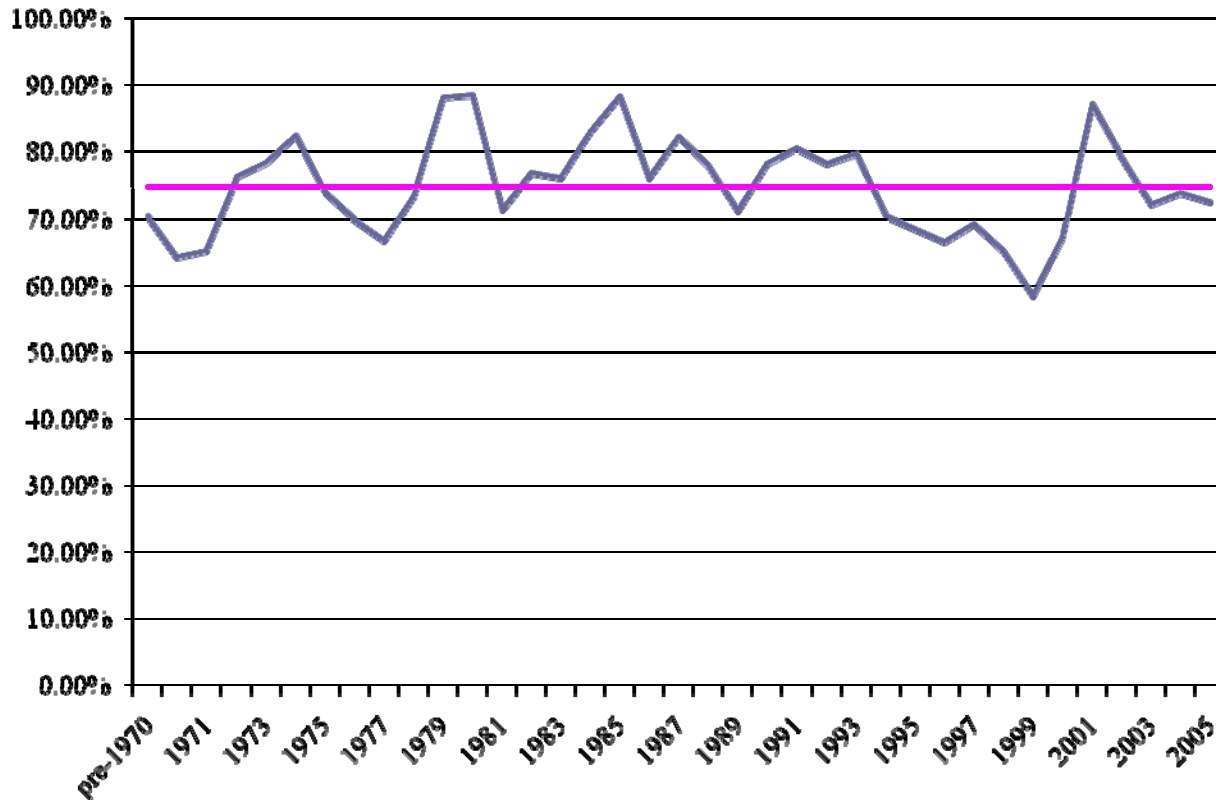
The Task Force obtained data that identified, by year that a candidate achieved Associateship, the number of remaining Associates in that Associate class. (For example, in 2005, 178 members achieved Associateship status. Of the 2005 Associate class, 129 have completed the Fellowship exams in subsequent years, leaving 49 who are still taking exams or have stopped taking exams.) The data also shows the remaining number of Associates in a class in each period subsequent to achieving Associateship. This data indicates that the majority of Associates who will transition to Fellowship will complete the process within five years of achieving Associateship.

The following chart shows the percent of Associates between 1970 and 2010 that ultimately matriculated to Fellowship.

⁵ See Appendix A for a comparison of Associate rights among international actuarial organizations.

⁶ The affiliate class was established by the CAS in 1998. All counts are as of 3/2010.

Chart 1 - Percentage of Associates Matriculating to Fellowship by Class Year



Other than during short periods in the 70's and the mid 90's, the percentage of New Associates matriculating to Fellowship has been in excess of 70%. The long term average is approximately 75%. The same data indicates that approximately 90% of New Associates that transition to Fellowship do it within 5 years of achieving their Associateship.

Over the last fifteen years the demographic distribution of members has shifted slightly from a 58%/42% Fellow/Associate mix to a 68%/32% (excluding Affiliates) mix. Out of the 4,854 candidates who received their Associateship between 1970 and 2010, approximately 1,250 – 1,300 (i.e., approximately 26%) will not complete the Fellowship exams⁷ and are/will be Career Associates. That is, for approximately 75% of Associates in a particular class, the designation of Associate is temporary and they will achieve Fellowship upon completion of the last two (three after 2011) exams usually within a five year period.

⁷ Based on CAS data (3/2010) there 1,051 members who achieved Associateship prior to 2006 and have not completed or have decided to stop taking exams. Based on data from 1970 to 2006 the ratio of Associates not completing Fellowship has been in the 15% to 40% range, with higher ratios in the 1994 – 1999 Associateship classes. The 2006 – 2010 Associateship classes include 1057 members, of which an estimated 274 will not transition to Fellowship. Appendix B represents ACAS matriculation by year and supporting data.

Voting Rights

The CAS Constitution establishes the voting rights of members. The right to vote includes the following:

- Election of the Board of Directors
- Election of the President-Elect
- Changes in the CAS Constitution and Bylaws; and
- Authorization for the CAS to issue a public statement.

The right to vote does not include operating items that are the responsibilities of the Board of Directors or Executive Council such as:

- Selection/election of the Vice Presidents;
- Changes to the Syllabus or any direct element of the exam process;
- Increases or decreases in member dues;
- Approval or promulgation of the Statements of Principles; or
- Any general operation of the CAS which is the responsibility of the Vice Presidents or Executive Council as established by the CAS Bylaws.

The right to vote, therefore, allows the member to participate in the governance of the CAS but not in the day-to-day operations.

Fellows have full voting rights upon successful completion of the examinations prescribed by the Board of Directors. This occurs at the spring or fall meeting following the completion of the exam requirements where the new Fellow is first recognized as completing the requirements of Fellowship. There is no age or experience requirement in order to vote. Fellows by mutual recognition also have the right to vote in the CAS, including those residing in other countries.

From the inception of the CAS, Associates have never had the right to vote and are granted voting rights only at the time they achieve Fellowship. Career Associates who function as actuaries throughout their entire careers are unable to participate in the CAS election process or to vote on changes to Constitution and Bylaws which may have dramatic impacts on their livelihood.

We have researched actuarial organizations with a dual class system and found that Associates have voting rights in the Society of Actuaries and Institute of Actuaries. The Canadian Institute of Actuaries and Institute of Actuaries of Australia do not provide voting rights to Associates. The American Academy of Actuaries, whose membership includes both Fellows and Associates, offers full voting rights to all members.

Any change in voting rights will require an amendment to the CAS Constitution that will require an affirmative vote of 10% of the Fellows of the Society or two-thirds of the Fellows voting, whichever is greater.

Task Force Conclusion on Voting Rights

Voting rights have not changed since the inception of the CAS. They reflect a period when there was a wider separation between Fellowship and Associateship classes. Many Fellows view Associateship as a stepping stone toward full recognition and not an end in and of itself. The Task Force believes that the view that Associateship is merely a step on the way to Fellowship is flawed and does not recognize the many changes in the last 35 years. These changes have significantly narrowed the differences between the Associateship and Fellowship classes. The Task Force noted:

- Associates have contributed to the CAS through participation in seminars, panels, contributing articles and papers to CAS publications;
- Associates are significant financial contributors to the CAS through dues and attendance at meeting and seminars, which would not meet their financial goals without their attendance;
- A number of actuarial societies extend voting rights at time of Associateship;
- Associates, by their credentialing, are subject to the same professional requirements and legal exposure as Fellows;
- A significant minority (25 – 30%) of Associates from earlier Associateship classes have stopped taking exams and are unlikely to complete Fellowship requirements; and
- Associates are disenfranchised from participating in the governance processes that may have a direct impact on their ability to practice and livelihoods.

To the extent that the membership is concerned with the significant number of new voters and potential changes in election results, the members should be reminded that in very few of the elections over the last several decades have there been ballots proposing modifications in the Bylaws and Constitution. Most ballots have been for the election of the President-Elect and Board Members. These candidates are offered by the Nominating Committee or CAS' petition process. Fellows and Associates nominated for a Board positions would be voted on based on their qualifications and experience.

With respect to proposals to change the Bylaws or Constitution, any proposal would have to be approved by the Board to be placed on the ballot. Fellows and Associates share the common interest that the CAS is viewed as a strong and professional organization to their employers and public. It is remote that any proposal that suggests a re-structuring of the society (i.e. creation of one class of actuary, grandfathering ACASs as FCASs) or one that would be adverse to the CAS would be approved by the Board and placed on a ballot. Even in such a circumstance it would require ALL of the Voting Associates and 1/2 of the FCASs to vote for such a proposal for it to be passed, given (i) the current numbers of Associates and Fellows and (ii) the need for a two-thirds majority for any Bylaws change to pass.

Recommendation: The Task Force believes that it is appropriate for the EC to recommend to the Board a constitutional change that would grant voting rights to Associates after five years membership. The Task Force was unanimous in this recommendation.

The right to vote should be given to members either upon attainment of Fellowship or five years after they are recognized as Associates, whichever occurs first. Two classes of Associates will result – (non-voting) members and voting members. For the most part, Voting Associates will be the Career Associates members of the CAS. The time requirement was selected based on the time it took for 90% of those in an Associate class who would achieve ultimately Fellowship.

In its deliberations the Task Force considered numerous voting options proposed by the 2004 Task Force on the ACAS Vote which are described in more detail in Appendix C

Board of Directors Participation

Article V Section 1 of the CAS Constitution states: "The Board of Directors shall consist of the President, the President-Elect, the immediate past President, 12 other elected Fellows and up to three additional appointed members."

The Task Force briefly discussed the various options presented by the 2004 Task Force which are described in more detail in Appendix D. These included whether a Voting Associate can be nominated for a Board position and possible changes to the CAS Board structure. The Task Force did not address any changes to the Board structure and only considered whether a Voting Associate could be nominated for a Board position.

Recommendation: The Task Force recommends that all Voting Associates should be allowed to stand for the Board with no change in the current size or structure of the Board.

The Task Force believes the process for electing Board members should not discriminate between Fellows and Voting Associates. Any voting member of the CAS could stand for election to the Board of Directors. A voting member could be placed on the ballot by the Nominating Committee or through a petition process by obtaining signatures representing 1% of the CAS membership⁸ on a petition form. If the voting member is one of the top four candidates receiving votes, (s)he is elected to the Board. Election to the Board will depend on the votes cast by the voting membership.

Right to Hold Officer Positions

In conjunction with the issue of whether to grant the vote to Associates, the Task Force also considered the right to hold officer positions. Article IV, Section 1 of the CAS Constitution states that "The Officers of the Society, all of whom shall be Fellows, shall consist of a President, a President-Elect, and the Vice Presidents".

⁸ Currently 35 member signatures are required to place a candidate on the ballot for a position on the Board.

The actual discussion of allowing Associates to hold officer positions focused on four primary issues:

- External perception;
- Competency of Associates to function in the Vice President role;
- Appearance of conflict of interest; and
- Salability to the Fellows of the Society.

The Task Force discussed the possibility that allowing Associates to hold Vice President positions might cause the Society to be perceived as less professional by external observers, such as employers, rating agencies, other actuarial societies, etc. In our opinion, this would be sufficient reason to disallow such an expansion of the Associateship role. However, current Associates who have been committee or task force chairs interacting with external parties indicated that this issue never arose and, in fact, their status was either not noted or discussed. This provided sufficient comfort to the Task Force to go forward with a recommendation for expansion, except as noted below.

With respect to competency to hold officer positions, the general consensus of the Task Force was that the nomination process would bring forward only persons (Associates or Fellows) having the ability to effectively perform the required duties. Therefore, from a competency standpoint, the Task Force believes that there is no bar to Voting Associates serving as officers.

However, the Task Force recognizes that some of the duties of specific officer roles may lead to at least the perception of a conflict of interest for a Voting Associate. The duties of the Vice President – Admissions include oversight over the examination process, including the Education Policy, Syllabus, and Examination Committees. The Task Force recognizes that any Associates considered for this position will almost certainly be Career Associates and, by definition, not be sitting for exams. Nonetheless, this presents a perceived conflict of interest for an Associate to be privy to discussions on the content of the syllabus or specific exams that he/she has not passed. The remaining Vice President positions present no such conflict of interest in the eyes of the Task Force.

Arguments on conflict of interest could also be made regarding the appropriateness of Voting Associates serving as President or President-Elect (referred to as President hereinafter). Additionally, the Task Force also believes that having a Voting Associate as President could diminish the external perception of the professionalism of the Society.

Finally, as regards “salability”, the Task force recognizes that recommendations expanding Associate participation in Society governance may act against affirmation of voting rights. However, we could find no other substantive reason to exclude Associates from most of the officer positions and believe that our recommendation represents a viable compromise between competing arguments.

Recommendation: It is the unanimous recommendation of the Task Force that Voting Associates be allowed to hold officer positions except for President and Vice-President Admissions.

The Task Force considered numerous arguments for and against Associates holding the office of VP proposed by the 2004 Task Force on the ACAS Vote which are described in more detail in Appendix E.

Membership on Committees Currently Prohibiting Associate Participation

Associates are not currently allowed to sit on the following committees: Audit, Discipline, Nominating, Education Policy, Syllabus and Fellowship examination committees. The exclusion of Associates from the Discipline Committee is specified in the CAS Bylaws; the other exclusions are codified in the Committee Chairpersons' Manual. Infrequent exceptions are made to allow Associates with special expertise to act as consultants to the committees. In addition, the Examination Committee requires that an Associate sitting on any part committee not have taken an exam in the past three years and not be currently taking an exam. Although not codified in the Bylaws, Associates are also not allowed to sit on the larger (oversight) part of the Examination Committee.

General Discussion

In addition to discussing issues unique to specific committees, we considered general issues regarding Associate participation on committees. The following provides the recommendation for each committee currently prohibiting Associates participation and major reasons for such recommendation.

The Task Force considered numerous arguments for and against Associates participating on committees prohibiting Associate participation proposed by the 2004 Task Force on the ACAS Vote which are described in more detail in Appendix F.

Audit Committee

Recommendation: Should be open to Voting Associates.

The Audit Committee is responsible for overseeing the internal control structure of the CAS and the annual independent audit of the books of the CAS by an auditing firm. The Committee currently consists of five members, two of whom are also members of the Board of Directors, plus the Vice President-Administration serving as an ex-officio member. Currently, several members of this committee must be Fellows, due to their being a member of the Board of the CAS or serving as Vice President-Administration. Given the recommendation that Associates may serve as a member of the Board or as any Vice President other than VP-Admissions, the Task Force felt that prospectively Voting Associates be allowed to occupy any seat on the Audit Committee. It is also recognized that some Voting Associates might be very qualified for this committee as a result of their career experiences.

Discipline Committee

Recommendation: No change from current practice (restricted to Fellows)

The Discipline Committee is responsible for considering recommendations for disciplinary action against members presented by the appropriate investigatory body, e.g. the Actuarial Board for Counseling and Discipline (ABCD) or the Canadian Institute of Actuaries (CIA). The Committee is also responsible for taking disciplinary actions in such matters as it deems appropriate in accordance with procedures described in the CAS Bylaws and the Rules of Procedure for Disciplinary Actions approved by the Board of Directors.

Two members of the Task Force disagreed with the recommendation citing that the Discipline Committee deals with issues of professional conduct, which are equally relevant to both Associates and Fellows.

Nominating Committee

Recommendation: Add two seats to the Nominating Committee, one for a Voting Associate with 10 years or more as a voting member and one for a Voting Associate with less than 10 years as a voting member.

The Nominating Committee is responsible for developing the ballot of candidates for offices of the Society and the Board of Directors. The Nominating Committee is currently made up of seven members: the two immediate past presidents (with the penultimate Past President serving as chair), one past Board member, two members who have been Fellows for at least ten years and two members who have been Fellows for less than ten years. This recommendation is patterned after the current makeup of the committee, which appears to deliberately seek broad representation. By adding two Voting Associates, the Associateship representation on the committee will mirror Voting Associates in the voting population.

Education Policy Committee

Recommendation: No change from current practice (restricted to Fellows).

The Education Policy Committee is responsible for recommending education policy and goals to the Board. This function includes formulation of policy, education planning, and liaison with other organizations. The Task Force recommended no changes to the current practice based on the reasoning that even Voting Associates may be viewed as not fully qualified to format a well-rounded education policy if they have not taken and passed all the examinations.

Syllabus Committee

Recommendation: No change from current practice (restricted to Fellows).

The Syllabus Committee is responsible for determining the scope and content of the syllabus of readings for the examinations. The Committee also directs the preparation of educational material. The recommendation is based on the theoretical concern that participating Associates might gain unfair advantages or influence over the syllabus readings for the examinations they have not yet passed.

Fellowship Examination Part Committees

Recommendation: No change from current practice (restricted to Fellows).

The Fellowship Examination Part Committees are responsible for the organization, management, and administration of the Fellowship examinations and for determining the standards to be achieved by successful candidates. The recommendation is primarily based on the general feeling that it is inappropriate for someone to sit on an examination committee for an exam that they have not yet passed and might take in the future.

Chairing CAS Committees and Task Forces

The Task Force was also directed to address the appropriateness of Associates serving as committee and task force chairs for those bodies on which they can serve as members. Associates currently serve and have historically served as successful chairs of some CAS committees.

Recommendation: The Task Force unanimously agreed that any Associate who is eligible to serve on a committee or task force should also be eligible to chair that committee or task force, with the exception of the Examination Committee⁹. Subject knowledge and leadership qualities would be the primary qualifications associated with selecting the most qualified chairperson for a committee.

The Task Force considered numerous arguments for and against Associates chairing CAS committees and Task Forces proposed by the 2004 Task Force on the ACAS Vote which are described in more detail in Appendix G.

Fee Differentials

As part of its discussion of voting rights, the Task Force considered whether the fee differentials between the Associateship and Fellowship classes would be an appropriate remedy to the difference in voting and other rights. At the present time all classes pay the same dues (\$430). For many, dues are paid for by the actuary's employer.

In discussing this issue the Task Force assumed that the Board has accepted the recommendation that Associates who have met the time requirements (5 years) become voting members. The Task Force also made a number of observations including:

- The majority of non-voting Associates would be transitioning to Fellowship within a five year period;
- The services provided by the CAS are substantial and benefit all classes of membership;

⁹ The Task Force believes that an Associate can chair an Associateship Part Examination Committee. This would also place the individual on the Examination Committee which oversees all examinations. Due to the Examination Committee's oversight of all exams and a potential conflict of interest, it is not appropriate that an Associate chair the Examination Committee.

- The services provided to non-voting Associates are not significantly different from those provided to Fellows;
- The benefit of any reduction in dues may not directly benefit the Associate, given the dues are paid by the employer; and
- Any reduction of dues would require an increase in some other revenue generating component (Fellowship dues, exam or meeting fees) in order to maintain a revenue neutral position. If a reduction of dues were appropriate, it would most likely be for non-voting members.

Recommendation: The Task Force concluded that, because the state of the “non-voting Associate” is a time-limited condition, no fee differential is recommended. The Task Force recommends that this issue should be revisited and considered separately if the Associateship vote is rejected.

One member of the Task Force disagreed with the second part of the recommendation, preferring that Associates pay reduced dues similar to the practice of other actuarial organizations as highlighted in Appendix A.

Appendices

Appendix A - Comparison of Associate Rights Among Actuarial Societies

Appendix B - Matriculation Data

Appendix C - Task Force Considerations Associate Vote

Appendix D - Task Force Considerations Associates Participating on the Board

Appendix E - Task Force Considerations Associates holding VP Office

Appendix F - Task Force Considerations Membership on Committees Currently
Prohibiting Associate Participation

Appendix G - Task Force Considerations Chairing CAS Committees and Task Forces

Appendix A

Comparison of Associate Rights Among Actuarial Societies

Issue	Casualty Actuarial Society (CAS)	Society of Actuaries (SOA)	American Academy of Actuaries (AAA)	Institute of Actuaries (IA)	Institute of Actuaries of Australia (IAA)	Canadian Institute of Actuaries (CIA)
Voting Rights	No	Yes	Yes	Yes	No	No
Hold Elected Office	No	No	Yes	No but under consideration	No	No
Committee Chairs	most, but not all	except for Board Committees	Yes	Yes	Yes	No
Committee Membership	Yes	except for Board Committees	Yes	Yes	Yes	Yes
FQA for IAA purposes	No	Yes	Yes	Yes	Yes	No
Ratio of Associate to Fellow Fees	100%	55%	100%	66%	63%	50% initially, 70% after 10 yrs

Appendix B Matriculation Data

Years to Achieve Fellowship																		
ACAS Class	Class Size	Y	Y+1	Y+2	Y+3	Y+4	Y+5	Y+6	Y+7	Y+8	Y+9	Y+10	Y+11	Y+12	Y+13	Y+14	Y+15	Y≥16
2010	62																	
2009	288	5																
2008	259	2	110															
2007	214	2	98	37														
2006	234	4	76	59	19													
2005	178	1	72	30	20	5												
2004	149	4	46	30	18	7	3											
2003	144	3	37	28	17	8	7	2										
2002	149	1	46	41	17	4	3	4	2									
2001	125	2	54	27	16	6	2	1	1									
2000	177	5	29	31	23	10	6	7	4		4							
1999	212	1	29	37	17	18	8	7	5	2								
1998	170		2	17	28	23	15	13	1	4	5		1	2				
1997	198		22	34	37	17	14	7	4		1	1						
1996	212		20	33	26	22	11	12	7	7	2			1				
1995	187		20	26	27	25	4	9	7	2	4	4						
1994	206	1	24	34	27	23	15	6	5	2	5		1		2			
1993	153		16	31	30	17	17	3	4	1	2		1					
1992	133		20	22	18	14	9	7	5	3	3	1	2					
1991	134		12	30	26	15	8	6	4	5		1			1			
1990	129	1	15	30	17	21	6	3	3	3	2							
1989	104	1	14	18	14	13	3	3	1	2	1		2	1	1			
1988	82		12	19	10	10	4	5		1	1	1				1		
1987	85		16	21	11	8	1	5	2	4	2							
1986	101		15	21	16	6	7	2	3	1	3	2						1
1985	69		17	18	16	3	5	1						1				
1984	59	1	14	15	7	3	3	3	1	1				1				
1983	63	1	13	12	9	8	2		1		1		1					
1982	65		13	10	6	7	4		1	3	2				1	1	1	1
1981	49		11	10	7	3	1	1			1	1						
1980	53		7	19	6	8	2	1	1		2	1						
1979	60	1	9	16	17	3	3	1		1							1	
1978	34		5	6	4	4	3	2	1									
1977	18			2	6		1	2		1								
1976	63			8	11	8	6	4	2	1		1		1	1			1
1975	61			7	13	11	4		4	3	1	1		1				
1974	63		11	15	7	6	2	3	1	1	1	1		3			1	
1973	37		2	7	6	1	7	4	1									1
1972	38		3	6	9	5	3		2		1							
1971	23		2	2	4		1		2	1	1	1		1				
1970	14		1	2		1	2	3										
pre-1970	172																	
X pre 1970	4854	36	913	811	562	343	192	127	75	49	45	16	8	12	6	2	3	4

Appendix C

Task Force Considerations Associate Vote

The Task Force reviewed a number of alternatives considered by the 2004 Task Force on the ACAS Vote in extending voting rights. These included:

- Weighted vote at Associateship;
- Full vote at Associateship;
- Full vote with a 5 year time requirement for all;
- Full vote with a 5 year time requirement waived at Fellowship; and
- Full vote earned through volunteer service.

After a review of these alternatives the Task Force accepted the fourth alternative "Full vote with a 5 year time requirement waived at Fellowship". The same alternative recommended by the previous task force.

The following section is reproduced from the Task Force on the ACAS Vote white paper and discusses the various alternatives and provides pros and cons of each alternative.

Weighted Vote at Associateship – *This option grants a vote to the Associate at Associateship, but not a full vote.*

- *Pro*
 - *Achieves goal of granting voting rights to Associates.*
 - *Grants Associates voting privileges consistent with partial attainment of FCAS status.*
 - *Differentiates between Associate and Fellow.*
 - *Permits career Associates a voice in the CAS governing process.*

- *Con*
 - *Leaves Associates in a second class citizen position.*
 - *How much weight is granted? How many Associates does it take to equal a Fellow?*
 - *Given little difference in practice between Fellows and Associates, particularly career Associates, this results in an inequity among members.*
 - *Associates would find this likely more offensive than other options, because it would highlight differences in classes.*

Full Vote at Associateship – This option grants a full vote to the Associate at time of attaining Associateship.

- Pro
 - Grants voting rights to all Associates at time of membership in the CAS and eliminates inequities between career Associates and non-voting Associates.
 - Eliminates the voting difference with Fellows through mutual recognition.
 - Avoids administrative activities associated with other options.
- Con
 - Voting membership should require some period of experience which may not be the case for members achieving associate shortly after first employment or directly out of an actuarial program.
 - Without other differentiations, Fellows may react negatively and view this as a weakening of the Fellowship.
 - May have unintended consequences by increasing the population of voters overnight by 50¹⁰%.

Full Vote with a Time Requirement for All – This option would grant voting rights to an Associate at the time of Associateship, but the individual could not exercise them for a five year period. This would apply to all Associates, including those attaining Fellowship within the five year period. Any current Fellow would be grandfathered in if his or her Fellowship fell within the five year period. In this way, all Associates have voting rights immediately and but must wait for a period of time to exercise them (perhaps consistent with the transition time between Associateship and Fellowship). Career Associates already past the five year cutoff would likely have immediate voting rights.

- Pro
 - Grants voting rights to Associates and eliminates inequities with Fellows and career Associates.
 - Potentially more acceptable to Fellows since it is likely to be assumed that most Associates would likely be Fellows by the time they could vote.
 - Reduces the issues between Associates and Fellows approved through mutual recognition.
- Con
 - Individuals who achieve Fellowship without a prior Associateship period (last exam satisfies both requirements) would need to be addressed.
 - Individuals who speed through exams would not be allowed to vote until sometime after they have achieved Fellowship.

¹⁰ Currently 30%

Full Vote with a Time Requirement Waived at Fellowship – This option would grant voting rights to an Associate at the time of Associateship, but the individual could not exercise them for a five year period or until Fellowship, whichever is earlier. In this way, all Associates have voting rights immediately and but must wait to exercise them for a period of time consistent with or somewhat longer than the time between Associateship and Fellowship. Career Associates already past the five year waiting period would likely have immediate voting rights.

- Pro
 - Grants voting rights to Associates and eliminates inequities between Fellows and career Associates.
 - Potentially more acceptable to Fellows since it is likely to be assumed that most Associates would likely be Fellows by the time they could vote.
 - Builds in a time period that would increase the experience period of the Associate.
 - Reduces the issues between Associates and Fellows approved through mutual recognition.

- Con
 - A five year waiting period may be considered too long when the average travel time to from Associateship to Fellowship is currently shorter.
 - Fellows may react negatively and view this as a weakening of the Fellowship.
 - It may have unintended consequences as a result of increasing the population of voters by 50¹¹%.

Full Vote Earned Through Volunteer Service – This would require the Associate to participate in some form of volunteer service for the CAS in order to earn the right to vote.

- Pro
 - Achieves goal of granting voting rights to Associates.
 - Differentiates between Associate and Fellow, requiring Associates to “earn” the right to vote.
 - Permits career Associates a voice in the CAS processes after earning right.

- - Con
 - Administrative nightmare.
 - Uncertain if we have 1500 volunteer positions to fill (or ever will).
 - Would result in a management challenge for committee chairs.
 - Not practical.
 - Highlights class differential be Associates (who have to work for their vote) and Fellows (who do not).

¹¹ Currently 30%

Appendix D

Task Force Considerations on Associates Participating on the Board

The Task Force reviewed a number of arguments for and against permitting Associates to stand for election to the Board which were considered by the 2004 Task Force on the ACAS Vote.

The following section is reproduced from the Task Force's white paper and provided the basis for discussion and recommendation for the current Task Force.

- **Arguments for permitting Associates to stand for election to the Board:**
 - *Would reflect the professionalism, experience and reputation of the career Associates, many of whom have made significant contributions to the CAS and to the actuarial profession through participation in committees, service to the American Academy of Actuaries, and/or research/paper writing.*
 - *Would provide a large number of talented individuals that could serve, increasing the pool of volunteers.*
 - *Would remove the inequity of Society members paying equal dues but having no representation.*
 - *Would remove the feeling of disenfranchisement for career Associates.*
 - *Is consistent with the American Academy of Actuaries.*
 - *Puts career Associates on same status as foreign Fellows who achieved their Fellowship through reciprocity without taking any CAS exams.*
 - *Might improve the willingness of Associates to volunteer for committees or write papers if they saw this as means to participation in the leadership of the CAS.*

- **Arguments against permitting Associates to stand for election to the Board:**
 - *Could be viewed as diminishing the professionalism of the Board of Directors, since they have not attained the highest level of membership.*
 - *Could diminish the desire to attain fellowship.*
 - *Might blur the distinction between Associates and Fellows and beg the question why are there two levels of membership.*
 - *Might cause some Fellows to reject voting rights because of a fear that Associates might take control of the CAS.*
 - *Might imply that officers and board members are making decisions on areas that they have not studied and in which they have not achieved competency.*
 - *Might cause Fellows to ignore certain Board members perceived to have a lower standard of education or become disenfranchised or disenfranchised from the entire process.*
 - *Might cause Fellows to conclude that, since Associates lack the dedication required to achieve Fellowship, they also lack the dedication to truly serve as a Director.*

- *Might lead Fellows to believe that unrestricted board/officer membership could ultimately lead to a majority of Associates in the leadership, giving the Associates the power to weaken the exam process or do away with the dual membership levels at some point in the future.*

Appendix E

Task Force Considerations Regarding Associates holding a VP office

The Task Force reviewed a number of arguments for and against Associates holding the office of VP which were considered by the 2004 Task Force on the ACAS Vote.

The following section is reproduced from the Task Force's white paper and provided the basis for discussion and recommendation for the Task Force.

- *Arguments Permitting Associates Holding the Office of VP*
 - *Increases the pool of talented individuals who could serve.*
 - *Is more equitable – equal dues should entitle Associates to the same rights and obligations, including the right to vote and hold office.*
 - *Reduces the feelings of disenfranchisement among Associates.*
 - *Giving Associates the right to hold office is consistent with the American Academy of Actuaries and most other actuarial societies outside of North America.*
 - *It is unclear that the last two/three exams are truly necessary to be part of the leadership of the profession.*
 - *Inclusion in the CAS leadership may increase Associate volunteer activity in respect of committee membership or authoring papers.*

- *Arguments Against Associates Holding the Office of VP*
 - *Allowing Associates to be a Vice President may be viewed, both internally and externally, as diminishing the professional standing of the officers due to members not attaining the highest level of membership.*
 - *May remove an incentive for people to obtain Fellowship.*
 - *Blurs distinction of Fellows and Associates and begs the question of why there are two levels of membership.*
 - *A lack of experience and competency on the part of Associates, at least the very new or younger ones, may be considered to exist by other members of the Society and externally.*
 - *Might imply that officers are making decisions on areas that they have not studied;*
 - *Fellows may perceive that if Associates lack the dedication to achieve Fellowship, they may also lack the dedication to truly serve in an officer position.*

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Appendix F

Task Force Considerations Regarding Membership on Committees Currently Prohibiting Associate Participation

Currently Associates are restricted from participating on six committees. They are the Audit, Discipline, Nominating, Education Policy, Syllabus and Fellowship Exam committees. After review of the responsibilities of each committee the Task Force recommended allowing Associate participation on the Audit and Nominating committees.

The Task Force reviewed a number of arguments for and against Associate involvement on select committees which were considered by the 2004 Task Force on the ACAS Vote.

The following pros and cons are reproduced from the Task Force's white paper and provided the basis for discussion and recommendation for the Task Force.

- *Pro*
 - *It increases the size of the volunteer pool significantly (1051 Associates with over 5 years tenure);*
 - *It allows the committees to make use of the expertise of the Career Associates;*
 - *It is fair to allow Associates participation since they pay the same dues as Fellows; and*
 - *It reduces mutual recognition inconsistencies and is consistent with the Centennial Goal.*

- *Arguments Against Associates Involvement on Select Committees*
 - *Committee members should be perceived both internally and externally to have the highest qualifications;*
 - *On some committees, it might give the participating Associates an unfair advantage or influence in examination policy, syllabus materials or exam structures;*
 - *It may be a distraction to the Voting Associates still pursuing examinations; and*
 - *It might decrease the incentive to complete the Fellowship exams while "rewarding" those without the commitment to finish all of the exams.*

Appendix G

Task Force Considerations Chairing CAS Committees and Task Forces

The Task Force discussed the appropriateness of Associates serving as committee and task force chairs for those bodies on which they can serve as members.

The Task Force reviewed a the pros and cons on Associate chairing CAS committees and task forces which were considered by the 2004 Task Force on the ACAS Vote.

The following section is reproduced from the Task Force's white paper and provided the basis for discussion and recommendation for the Task Force.

- *Pro*
 - *Provides a larger pool of talented individuals who could serve as chair.*
 - *The material learned from the final two exams leading to Fellowship does not, itself, improve upon the subject knowledge or quality of leadership that an individual can offer as chairperson of a CAS committee.*
 - *Provides another avenue for Associates with senior positions or successful practices to connect to and contribute to the profession.*
 - *The visibility and recognition associated with ACAS chairs may lead to more Associate volunteerism for committee membership or authoring papers.*

- *Con*
 - *May be a distraction to Associates who are still pursuing Fellowship.*
 - *Fellows may perceive that if Associates lack the dedication to achieve Fellowship, they may lack the dedication to truly serve as a chair.*
 - *A perceived lack of experience and competency on the part of an Associate chairperson may deter Fellows from serving on a committee.*