

Report of the CAS Long Range Planning Committee
by the CAS Long Range Planning Committee

CASUALTY ACTUARIAL SOCIETY

Long-Range Planning Committee



REPORT TO THE BOARD

September 1994
(As revised based on Board input in 2/95)

REPORT OF THE CAS LONG-RANGE PLANNING COMMITTEE

Abstract

The CAS Long-Range Planning Committee prepares a report to the CAS Board each year regarding issues the Committee believes **will** be of importance to the evolution of the CAS over the next several years. This report was originally prepared in 1994 but reflects some changes based on input from the Board at its February, 1995 meeting. The recommendations are those of the Committee and have not been adopted by the Board at this time.

LONG **RANGE** PLANNING **COMMITTEE**
1994 REPORT TO THE BOARD
(As revised based on Board input in **2/95**)

PROCESS

The discussions and recommendations contained in this report represent the collective efforts of the 1994 Long Range Planning Committee (**LRPC**) to identify those issues which **will** be of critical importance to the evolution of the CAS during the **next decade**.

In order to assure as broad a context as possible for our deliberations, we relied on the following sources of information:

- 1) An historical review of prior LRPC activity;
- 2) Minutes of the 1994 Committee Chairpersons Meeting **regarding** the topic of CAS Long Range Planning;
- 3) 1993 CAS Membership Survey;**
- 4) Personal discussions with non-actuarial professionals both within and outside the **Property/Casualty** insurance **area**, and;
- 5) Informal discussions at LRPC meetings with prominent industry figures.

CONCLUSIONS

The remaining portion of this report summarizes our comments and recommendations regarding the following issues:

A. **Key Long-Term Issues (without prioritization)**

- Dynamic **Financial** Analysis
 - Health Care Delivery Costs
 - **Mega Risk**
 - Coordination With Other U.S. and Canadian Actuarial Organizations
 - International Activity
 - Data Reporting
 - Actuarial Input to Public Policy Issues
 - Accounting Principles and Practices
 - Basic and **Continuing** Education
 - Committee Structure and Management

B. **Other Important Considerations**

A. KEY LONG TERM ISSUES

DYNAMIC FINANCIAL ANALYSIS

In the 1993 Long Range Planning Committee Report to the Board, “Solvency” was **identified** as one of our highest priority issues. It was our belief that the CAS has a **meaningful** role to play in the measurement and maintenance of solvency for both traditional insurers and alternative risk transfer mechanisms.

Since that report, the NAIC has approved a risk-based capital formula to be applied to property and **casualty insurers beginning** in 1995. Continued high levels of property catastrophe losses have called into question the solidity of some insurers which, only a few years ago, were considered models of efficiency and strong capitalization. Some states (notably Florida and Hawaii) have formed alternative risk transfer mechanisms to deal with the inevitable lack of availability of essential catastrophe **coverages**. Also, legislation authorizing the formation of a federal disaster insurance fund **as** recommended by the Natural Disaster Coalition is slowly generating congressional support.

Over a five to ten year planning horizon, we believe that this issue will continue to be among the highest priorities of the actuarial **profession**. **Financial** data alone cannot provide the definitive answer to the question of insurer solvency since no financial reporting requirement captures the range of potential dynamic variables affecting solvency. The insuring public and insurance regulators at both the state and federal level have become increasingly strident in their criticisms of the industry for the absence of meaningful progress toward a credible solvency monitoring standard. Industry analysts will continue to probe and criticize the industry for failing to provide **leading** indicators of solvency impairment for weak insurers.

Against this backdrop, the CAS has a **number** of efforts which collectively address many of these concerns. Through our Appointed Actuary Advisory Committee, we have monitored initiatives in solvency regulation, guaranty **fund** reform, catastrophe exposure funding, and dynamic solvency testing.

From a broad **perspective**, the CAS, the **SOA**, the CIA and other actuarial groups have been working in the area of the **Valuation** Actuary and the Appointed Actuary. The discussions on this topic have ranged **from** a narrow focus on requirements that the “Actuary” opine on the continued viability of an insurer to the broader oversight of management performance. The CAS committees that have been working in this area have focused on “Dynamic **Financial Analysis**” (**DFA**) as a title more descriptive of this field. We believe that this reference is much more in line with the more expansive financial management roles which actuaries will perform in the near **future**. It is our opinion that a more **uniform** use of the term “Dynamic Financial Analysis” in place of “Appointed **Actuary**” will be more descriptive of the type of activity we wish to promote.

Recommendations

- Establish DFA as a **preferred** approach for our clients. To **accomplish** this task, the **CAS** cannot

rely solely on **intra-actuarial** publications to establish recognition and acceptance of actuarial DFA work. The actuarial profession as a whole must aggressively establish leadership roles in the insurance, self-insurance and risk management industries in order to **solidify** a position of expertise for DFA types of analysis and the evaluation of the financial implications of risk decisions.

- An important first step in this initiative would be to change the name of the Appointed Actuary Advisory Committee to the Dynamic Financial Analysis Committee. As is the case today, this group would be charged with **coordinating** all pertinent **CAS** activities, maintaining a close working relationship with other organizations (**both** actuarial and non-actuarial) and providing regular reports to **the CAS** membership.

HEALTH CARE DELIVERY COSTS

In 1991 the **CAS** issued a Health Issues Policy Statement largely in response to external pressures on health costs. This statement focused primarily on health issues as they relate to casualty **coverages**. Also in 1991, the **CAS** LRPC expressed concern that the syllabus, as then constructed, was not adequate for future **FCASs** to be **sufficiently** qualified to address evolving issues such as **24-hour** coverage and other managed care products.

Now, in 1994, we see that these concerns were on target. The importance of this issue was dramatically reinforced by a recent **ISO** study which showed that over 20% (\$29 Billion) of the U.S. **Property/Casualty industry's** losses were Health Care related. It is especially interesting to note that almost **50%** of Workers' Compensation losses arise **from** medical costs and that this percentage has been rising over time.

The **syllabus** has been updated in the last few years to include more relevant and modern readings on **health** insurance. However, additional efforts are needed in other areas **if the** future FCAS is to have a significant impact on the Health Industry. While this may not have been a major consideration in the past, as the lines between casualty insurance and accident and **health** insurance become blurred we are **faced** with the alternatives of either widening our scope and expertise or being **left** in the wake of market/coverage realignments.

Recommendations

- CAS Continuing Education and Program Committees should see that meeting content reflects the impact of these changes on our members.
- The **CAS** should take the necessary steps to ensure that casualty actuaries are **full** participants in the AAA working groups studying various aspects of health care reform.

MEGA RISKS

The property-casualty industry continues to be reminded of the actual and potential impact of **Mega Risks** on the **financial** strength of individual companies and the entire industry. Natural catastrophes and mass tort **liabilities** pose as much a **threat** to solvency as do underpricing, under-reserving or poor management.

While they caused huge losses and the insolvency of several companies, it is obvious that neither Hurricane Andrew nor the **Northridge** earthquake represents the maximum magnitudes of loss which could result from these types of catastrophic events. Similarly, the emerged **costs** of asbestos, environmental, and other mass tort claims are believed to be only a portion of the ultimate losses. Recently, A.M. Best published an analysis of asbestos and environmental liability **costs** which suggested that the range of ultimate **costs** from these perils would endanger the solvency of many sizable carriers and may even exceed the capital of the insurance industry as a whole. Other mass torts, such as lead paint, electromagnetic radiation and **tobacco** claims **could** total many **billions** of dollars as well.

Audiences such as the SEC, state and **federal** regulators, shareholders, rating agencies and the accounting profession are urging insurers and **insureds** to quantify the potential risks of these events as well as the **liabilities** they may have already incurred. There is a distinct possibility that others will dictate how these liabilities must be **quantified, if the** actuarial profession does not take a leadership role in establishing appropriate methodologies and standards.

The actuarial **ramifications** of these catastrophic risks are many, **including** dynamic **financial** analysis, pricing, and reserving, as **well** as the public policy issues to which the actuarial profession should contribute. It is, therefore, not surprising that the Long Range Planning Committee again includes "**Mega Risks**" as one of the **CAS's** key issues.

Recommendations

- **The** Committees on Reserves and Reinsurance Research should stimulate papers on appropriate methodologies for primary and reinsurance companies to use in quantifying their mass tort liabilities.
- The Committee on **Ratemaking** should continue to encourage research on methods of pricing natural catastrophe risks on both a macro and a micro level.
- The Appointed Actuary Advisory Committee should assure that **mega** risks be given **sufficient** recognition within model actuarial reports on dynamic financial analysis.
- The CAS leadership must work with the **AAA** and **its** Casualty Practice Council to assure that the **ASB** completes its Standards of Practice on catastrophic loss provisions and **unquantifiable** liabilities in a timely fashion.

COORDINATION WITH OTHER U.S. AND CANADIAN ACTUARIAL ORGANIZATIONS

American Academy of Actuaries

The 'Role of the AAA' has been a "monitoring" issue of the **LRPC** for the past three years. **LRPC** was concerned that **AAA** efforts have not been adequate (1993) and observed that CAS members expect that the CAS **will** monitor the **AAA** efforts on their behalf.

The CAS needs to take steps to be sure that the Academy is accomplishing the important objectives of CAS members and is functioning **appropriately** for other disciplines. If the Academy **fails** to achieve its objectives for other disciplines, it could **weaken** the **Academy's** role as a coordinating body among US actuarial organizations.

Canadian Institute of Actuaries

As the public voice for all actuaries in Canada, the CIA has been actively promoting actuarial standards and issues. The CAS needs to ensure that the current formal and informal links between the CIA and CAS **continue** to address the educational needs of Canadian members in a timely and **effective** manner.

Society of Actuaries

The SGA is subject to increasing stresses of various types. The market for health benefit systems actuaries is very strong but the market for pension actuaries is declining. The number of students taking **SOA** examinations is falling, and this will create budget pressures.

Since the **SOA** is so large, it is difficult for the CAS to avoid the effect of **SOA** efforts. The CAS needs to monitor the areas of **CAS/SOA** coordination to be sure that activities are consistent with overall CAS objectives. Some of the areas of importance are the following:

1. Research - general principles
2. Education - casualty content on **SOA** exams.
3. Continuing Education - coordination on asset and **finance** education.
4. Standards - dealing **with** standards that cross boundaries.
5. Health Coverages - monitor developments that affect casualty coverages.

Recommendations

- The CAS President and/or President-Elect should monitor the overall performance of the Academy and provide regular reports to the Board.
- **SOA** areas cross CAS function (VP) boundaries so monitoring the overall consistency of our approach can be **difficult**. The Executive Council should assign the responsibility of developing and maintaining a **list of CAS/SOA areas** of interaction to one individual or committee.

INTERNATIONAL ACTIVITY

Given the broad scope of this topic, it would prove helpful to review the issue **from** an historical perspective.

1991

In 1991 the LRPC identified international activity as a high priority issue based upon four distinct opportunities: **(1)** the growth of P/C business outside North America, **(2)** lack of general insurance **requirements** in actuarial education outside the U.S., **(3)** the European Community need for consistent practice and **(4)** projected demand for actuaries in the rapidly developing **Pacific** Rim and the privatization of Eastern Europe.

The **LRPC** identified six obstacles to CAS worldwide involvement as follows: **(1)** university education, rather than examinations, is a very common qualification route, **(2)** national actuarial **organizations** might resist **CAS** involvement, **(3)** the Institute of Actuaries is the role mode for most English speaking countries, **(4)** the CAS is perceived by its members and others as a U.S./Canadian organization, **(5)** CAS education and practice are U.S./Canada oriented and **(6)** our practices are based on data collection procedures not common in other countries.

In its report, the **LRPC** recommended the following:

1. The CAS Board evaluate whether the CAS should establish goals such **as** the following:
 - Short Term: Actively assist in providing education to aspiring general insurance actuaries worldwide.
 - Mid-Term: Be recognized as the leading source of general insurance basic and continuing education.
 - Long Term: General insurance actuaries worldwide should aspire to Fellowship in the CAS in addition to satisfying national accreditation requirements.
2. CAS **staff/committees** should compile a compendium of information on actuarial practice for major countries such as the following: **(1)** nature of actuarial education, **(2)** degree of general insurance education, **(3)** existing **organizations** and membership requirements, **(4)** number of actuaries (total and general insurance), and **(5)** size and growth of local general insurance market and number of insurers.

1992

1992 the CAS Board discussed international policy alternatives prepared by a **CAS** Task Force. The Board's conclusions were the following:

1. The CAS should not view itself as solely a North American **organization** and should move beyond the status quo of limited international involvement.

2. The CAS should take the **following** steps:
 - a. Move forward in establishing diplomatic relations with other **organizations**.
 - b. The Syllabus Committee should explore the availability of international materials for adding international content to the syllabus.
 - c. The Continuing Education Committee should invite overseas actuaries to CAS seminars and look into joint sponsorship of seminars on general insurance topics.
 - d. The **CAS** should **continue** high level counterpart discussions.
 - e. The CAS should **continue** to explore methods to involve itself worldwide.

1993 - Present

Since that time the CAS activities include the following:

1. **CAS** Presidents-Elect continued their annual visits to the general insurance study group of the Institute of Actuaries.
2. CAS Presidents have made other visits to English speaking organizations in the UK and Ireland.
3. CAS Presidents and Presidents-Elect have been involved with the "**McCrossan** Group" over the past several years.
4. The Working Agreement Task Force including the CAS President-Elect has been involved in elements of the NAFTA implementation process.
5. The International Relations Committee established the Hachmeister **ASTIN** Prize.
6. The Syllabus Committee and the Continuing Education Committee have been pursuing the Board directives. The Syllabus Committee work **remains unfinished**. CAS seminars and programs have had regular international participation but there have been no efforts at international joint sponsorship of seminars on general insurance topics.
7. Exam waiver programs have been developed with the Institute of Actuaries for UK and **Australian** actuaries. In addition, an exam waiver policy for university education was approved by the Board of Directors.
8. An exchange of publications program has been expanded to twenty-one countries.

In 1993 the **LRPC** observed the CAS activity in examination waiver policies and "**McCrossan** Group" efforts related to standards of practice and codes of conduct. The LRPC identified the need to (1) focus on education and research in international interactions and (2) relate pro-actively to Eastern Europe and developing nation education needs.

Perspective

With the **passage of time we have additional perspectives on potential CAS roles outside of the U.S.** and Canada.

Special Development

A casualty (general) discipline has developed in the U.S., UK and Canada where (1) the actuarial community **overall** is reasonably large and (2) the general insurance market is large enough to support a critical **mass of general insurance specialists**. **The general insurance issues in those countries are** relatively similar. Japan has a general insurance committee within its actuarial organization.

Actuarial "Priorities"

An actuary% professional focus might typically be prioritized as **follows**: (1) national organizations, (2) specialty (pension, general life, finance, health, etc.) and (3) type of employer (primary insurer, reinsurer, consultant, other). Alternatively, first priority might go to accrediting organization, generally the national organization (the CAS being an exception) and second priority to practice area.

Actuarial Qualifications

Examinations are the standard route of **qualification** in the English-speaking world and in **parts** of Asia. The university degree is a common form of professional training in Europe and Mexico. In some countries the organization is simply a voluntary association, with or without a method for demonstrating competence.

The two primary models for examination - based education are the Institute of **Actuaries program** (which includes **all actuarial** disciplines) and the Society of Actuaries program (which includes all but general insurance material).

There is also some use of mixed university/examination **qualification** processes

Trends

The following trends for the future are suggested as reasonable possibilities:

1. Emerging countries are looking for an actuarial professional model for their countries. They are likely to choose an examination process to supplement university education.

No emerging country is likely to adopt the U.S. model of separate organizations for different specialties. The separation represents an inefficient use of their resources and is not responsive to their current market needs.

The **SOA** program is at a disadvantage relative to the Institute of Actuaries program because the **SOA** program does not include a general insurance segment.

2. General insurance specialty groups will develop **as** required by national market places. The

general insurance study group within the UK now numbers approximately 300 people and has grown to that **size** at a growth rate faster than the **CAS** growth rate. Japan has a general insurance sub-group.

3. Combination of university training and professional examinations may become more and more common,

CAS Interests

The CAS member interest in international developments might be summarized as **follows** (in order of importance):

1. Recognition of value in FCAS designation to:
 - a. U.S. and Canadian “employers” and regulators
 - b. Foreign owners of U.S. and Canadian companies
 - c. Foreign (**non-U.S.** and non-Canadian) regulators and government bodies involved with U.S. and Canadian companies.
2. Easy to obtain recognition of **qualification** to work in near-by countries

Canada/U.S.

Bermuda

Mexico

3. Avoiding rules that preclude work in any country.
4. **Recognition** of general insurance as specialty of actuarial work requiring some specific technical knowledge.
5. Good “image” of actuaries worldwide.

Recommendations

The CAS international activities that would support these interests include the following:

Functional Directions

1. **Maintain** our strong U.S. and Canadian role.
2. Cooperate in research and continuing education with general insurance specialty subgroups of **non-U.S.** actuarial organizations.

This **includes** both (1) inviting non-U.S. help on issues of U.S. importance, for example, the loss reserve uncertainty Theory of Risk project and (2) offering to provide CAS-member assistance,

through committees or otherwise, on non-U.S. issues.

3. Cooperate with the **SOA** in its efforts to integrate casualty material in a “complete” education program suitable for countries without a casualty specialty.
4. Seek methods of cooperating with other non-U.S./Canadian organizations to strengthen basic and continuing, education of general insurance specialists.

Organizational

1. Continue to develop and strengthen high level contacts between the CAS and the general insurance groups in actuarial organizations in other countries.
2. Strengthen the role of the International Relations Committee (**IRC**) so it can participate and monitor these efforts. The IRC Committee chair should be a past-officer (President or Vice President) or recognized as a senior international actuary.
3. Identify a CAS Officer/Committee chair to monitor and report on all CAS international activities--research, admissions, continuing education, programs, etc.

DATA REPORTING

The issue of data **reliability** for use by regulators has recently **become** a major concern. Some believe that since the data is compiled by statistical agents controlled by the insurance industry, it is **necessarily** suspect. In addition, concerns have been expressed that insurance data is **insufficient** to examine certain public policy issues such as availability of **insurance in urban** areas. Congress is considering legislation that requires potentially **costly** data compilation by insurers.

Actuaries are uniquely qualified to provide the expertise that is demanded in these debates. They are trained to compile and analyze insurance statistics and can advise regulators on data quality and usefulness of information for the purposes intended.

The profession **has** a key role to play in this area and the means to do it through the work of the CAS Data Management **and Information** Committee, the American Academy of Actuaries, the Canadian Institute of Actuaries and the Insurance Data Management Association (**IDMA**).

The issues should be **carefully** monitored by the CAS since reliable data is an essential resource for the **casualty** actuary.

Recommendations

- The Committee on Management Data and Information should monitor developments in this area.
- The CAS **could** consider serving **as** a repository of data where traditional mechanisms are not able to function (e.g., Alternative Market). It would be prudent to wait for a specific **opportunity** or need arises before **considering** involvement of the CAS in calls for data.

ACTUARIAL INPUT TO PUBLIC POLICY ISSUES

Today's insurance industry is one that is constantly in the public eye. Consumer issues of **affordability** and availability wmbiied with a high level of interest at the Federal level will hold the nation's interest, at least for the foreseeable future. Actuaries will be required to speak out and **explain** insurance phenomena and trends. As these issues become more **complex**, actuaries **will** be increasingly called upon for their expertise.

Our **responsibilities** include not only quantifying and projecting system **costs**, but also identifying the causes and 'drivers' behind these **costs**. Pressures on insurance **costs** include the economy, the legal environment, the regulatory climate and judicial decisions. Specific examples may include changes in interest rates, **fraud**, the imposition of Federal regulation and health care reform legislation. Cost drivers can impact on the frequency **and/or** severity component of losses and on investment yields which **could** have an impact on ultimate **costs**. As such we see that **cost** drivers may either increase or decrease total losses and **costs**. We cannot hope for a single, unique solution to the quantigcation of **cost** drivers since their sources and impacts can vary by many factors, such as: line of insurance, individual company procedures, and state/geographic location of risks. In addition, even if one is able to quantify the cause it is not necessarily controllable.

The abiity of the private sector to adequately address broad social policy issues is generally limited. The CAS, in a public policy role, should consider whether it wishes to be proactive in this area. Among the topics to be addressed are health care reform, pay at the pump auto insurance, mandatory insurance **coverages**, private sector subsidies (e.g., assigned risk plan), public sector subsidies (e.g.; insurance stamps), urban enterprise zones to encourage reinvestment in urban areas. and stripped down policies, among others.

Recommendations:

- The CAS should assist the AAA Casualty Practice Council to make sure the current mechanism for public policy involvement works.
- The **CAS**, through the Continuing Education Committee, should encourage the submission of papers on this topic, including possibly a bibliography of data sources.
- The Program Planning Committee should provide sessions on this issue at CAS **functions**.
- The **CAS** should coordinate with the regional **affiliates** to include this in their programs.

ACCOUNTING PRINCIPLES AND PRACTICES

In the last decade, actuaries have **become** increasingly **influenced** by accounting rules and practices. In certain situations actuaries have taken strong positions on such issues as discounting and risk transfer, while in other cases the actuarial profession has remained relatively silent on issues that are ambiguous such as the use of a range of results. From time to time a **CAS** task force or committee has responded to the NAIC, FASB, SEC, AICPA and other groups that deal with accounting. In **particular**, the Academy Committee on Property and **Liability Financial** Reporting is charged with this **responsibility**.

The implications of various accounting principles and practices have had a greater impact on **actuarial** work than was anticipated. In many cases the actuarial point of view has not been **sufficiently** considered in accounting. The **consequence** of this has been **confusion** and, in some cases, misuse in **financial** reporting.

Because of the **structure** of the rule-making bodies for **accounting** and financial reporting, it is **difficult** for the **actuarial profession** to become proactive and influential. Whether or not the CAS can change the status of our profession in the accounting realm, it has become clear that the actuarial profession is not generally recognized as being an integral part of the designing of accounting practices or principles in the areas normally associated with actuaries.

Recommendations

- The CAS should promote activities that give actuaries a stronger voice in both the accounting rules that are established and the interpretations and guides for compliance as they impact areas of actuarial import.
- The CAS should direct its research activities to identify problems both within and outside the insurance arena where actuarial approaches **could** be used to solve or manage such problems.
- The CAS should **direct** the appropriate **committees** to identify current accounting or financial reporting rules or practices that are ambiguous, vague or **difficult** to comply with **from** an actuarial viewpoint and pursue the development of solutions in those areas.

BASIC AND CONTINUING EDUCATION

Two of the primary **responsibilities** of the CAS are to provide **basic** actuarial education to its students in order to **qualify** them as Fellows of the CAS, and to provide sufficient continuing education opportunities to its members to meet professional **standards**, keep knowledge current and provide for individual growth.

In order to meet these responsibilities aggressive measures have been taken over the past several years. The basic education **function** has been under intense scrutiny as it relates to the effect of partitioning of exams and the ongoing review of the syllabus.

The Executive Committee was charged with developing parameters measuring the success or failure of partitioning for a decision in 1994. A conclusion to the study of this issue should be reached in 1994-5.

The syllabus committee has been reviewing the input **from** the 1993 membership survey and should be very responsive to member comments.

The continuing education program has been expanding each year. The post-fellowship course, "Principles of Finance in Property Casualty Insurance", received high praise and is a step towards alternative methods of providing education to Fellows of the CAS. More opportunities for education of members in the areas of asset management and dynamic solvency testing should be pursued. The 1995 **syllabus** will address these topics for fellowship candidates.

The **CAS** is at a point in its development where a distinction must be made between "**core**" and "specialized" education. The next ten years will likely introduce more heterogeneity into our professional lives and we need to establish a flexible, yet identifiable, basic educational curriculum.

Recommendations

- Partitioning should continue to be studied and preliminary conclusions and recommendations made in 1995.
- **The CAS** should formally study the definition of the **core** learning necessary to become an FCAS and relegate other topics to continuing education.
- The role of universities in the educational process, including using universities as a source for continuing education opportunities, should be explored.
- The CAS through liaison with regional **affiliates** should take a more active role in supporting **exam** preparatory courses.

COMMITTEE STRUCTURE AND MANAGEMENT

The CAS has **always** taken great pride in the active involvement of its members. The willingness of the members to volunteer large amounts of their time has enabled the organization to **staff an** ever growing number of committees and to carry out its administrative functions, thereby **allowing** the CAS to keep its dues at a very low level. Indeed it is only in the last few years that the emerging **administrative** burden **resulting** from the burgeoning membership has dictated the need for a full time Executive Director and a larger, though still modest-sized, office staff

New CAS members still are imbued with a feeling of responsibility to their profession and to the CAS, which they express by giving of themselves in volunteering their time to the CAS and its committees. At this point there is little or no evidence of a shortage of volunteers although any change in this would greatly impact the **CAS's** ability to carry out its activities. In addition, there is a question as to whether certain administrative activities **could** be better handled by professionals in the CAS office and thereby ease the burden on some committees and make volunteering somewhat more attractive. The CAS **office** has already done an outstanding job in this regard for the Examination and a number of other committees.

As the number of issues facing the CAS grows, so do the number of committees and subcommittees. While the great majority of committees do **an** excellent job, the key to the effectiveness of a **committee** remains the Chairpersons, and those individuals are increasingly burdened by the number of issues with which they must deal and the number of subcommittees they must manage. Other approaches must be considered to **organizing** and managing the Committee work while still fostering the valuable culture of volunteerism which has played a significant role in the success of the CAS.

Recommendations

- The Executive Director should study the committee workings and recommend additional areas in which the CAS office could take over or support the non-technical responsibilities of the committee.
- The CAS Executive Council should continue to monitor the supply of volunteers to identify any emerging shortfalls.
- The CAS should consider utilizing Working Groups of interested members to undertake specific studies or issues. These Working Groups would cease to exist when their assignment is completed.

B. OTHER IMPORTANT CONSIDERATIONS

Many **external** forces have had, and will continue to have, a profound influence on CAS members and their careers.

- The development of **Financial Products** (such as Options, Derivatives and **Financial Insurance**) has caused many professionals both inside and outside **the P/C industry** to **re-evaluate** the purpose and effectiveness of traditional insurance coverage. It is clearly within the **actuarial** domain to play a major role in the creation and pricing of these instruments as **well** as providing valuable input to the appropriate regulatory and accounting authorities. We encourage the Continuing Education Committee to keep the membership abreast of these issues.
- The general **Consolidation** of the P/C Industry, in **concert** with the significant growth of **Alternative Market** mechanisms has **dramatically** changed the **career** opportunities available to our members. The CAS must carefully monitor these developments and provide information which **will allow** for prudent and professional decisions on both a corporate and personal level.

From an **organizational perspective**, the **LRPC** felt that the CAS should continue to monitor a number of **significant factors**:

- Although there has been noticeable improvement recently, the general characterization of an actuary is still that of a technician who lacks- and an appreciation of a **Business Perspective**. Our ability to lead our profession into the next century will largely be based on the credibility we earn as **communicators** who can blend technical knowledge with business instinct. The recent Call Paper topic on this issue was a positive sign that the problem has been identified. However, the CAS must continue to promote these qualities through seminars, regional **affiliate** meetings and general programs.
- The **CAS** membership witnessed its **first** public disciplinary action this year. As unfortunate an event as this **was**, it should promote a higher awareness of our Principles, Standards of Practice and the Discipline process. As we seek to gain more prestige among our peers in the next century, the CAS must demonstrate a high level of Professionalism. In this regard the **LRPC** believes it is appropriate to create a Committee on Professionalism. Not only would this Committee assume responsibility for the practical aspects of the Course on Professionalism, but it would also coordinate the distribution of all educational material to the membership in a uniform and focused manner.
- **Minority Recruiting** and **Academic Participation** will serve as two crucial sources of intellectual resources to the CAS during the next ten years. Role models and **successful** experiences **will** invariably lead to greater involvement of each of these groups.