

REPORT OF THE VICE PRESIDENT–ADMINISTRATION

This report provides a one-year summary of CAS activities since the 2002 CAS Annual Meeting. I will first comment on these activities as they relate to the following purposes of the Casualty Actuarial Society, as stated in our Constitution:

1. Advance the body of knowledge of actuarial science applied to property, casualty, and similar risk exposures;
2. Establish and maintain standards of qualifications for membership;
3. Promote and maintain high standards of conduct and competence for the members; and
4. Increase the awareness of actuarial science.

I will then provide a summary of other activities that may not relate to a specific purpose, but are critical to the ongoing vitality of the CAS. Finally, I will summarize the current status of our finances and key membership statistics.

CAS ACTIVITIES

The *Forum* and *Proceedings* contribute to the attainment of purpose #1. The winter, spring, summer, and fall volumes of the *Forum* focus on topics in data management, quality, and technology; ratemaking; reinsurance; enterprise risk management and dynamic financial analysis modeling; and reserves. The *Proceedings* include papers addressing topics on source of earning analysis, distribution-based pricing formulas, reserving methods, minimum bias procedure, insurance applications of bivariate distributions, as well as a discussion of a previous *Proceedings* paper on testing the reasonableness of loss reserves.

With the introduction of research working parties in 2003, CAS Research & Development (R&D) committees did much to contribute to purpose #1. These working parties function as call paper task forces, with specific charges to produce a

single research product over the course of a year. The working party concept was first introduced to CAS members at the 2003 Risk and Capital Management Seminar and Loss Reserve Seminar. Four working parties commenced projects this year.

CAS R&D and Professional Education committees also worked closely with other organizations to expand actuarial knowledge. The CAS teamed up with the Society of Actuaries (SOA) to conduct the first jointly sponsored CAS/SOA Enterprise Risk Management Seminar. CAS also partnered with Georgia State University to present the 2003 Bowles Symposium, an enthusiastically attended and much acclaimed scientific meeting.

In 2003 the CAS continued to use the Internet to foster research in pursuit of purpose #1. In January the CAS helped launch the Actuarial Research Exchange, an online service designed to link academic researchers with practicing actuaries for collaborative work on practical business problems. The Actuarial Research Exchange lists research opportunities posted by organizations and faculty members interested in conducting research. The Committee on Academic Relations, a joint committee of the Casualty Actuarial Society, Canadian Institute of Actuaries, and the SOA, established this service.

Another contribution to purpose #1 was adding an information specialist to the CAS staff. The CAS librarian and R&D committees developed and implemented a taxonomy for the online index of CAS literature. The taxonomy is a categorization schema for casualty actuarial science literature that will improve the ability to identify research articles using standardized terminology.

In regards to purpose #2, to establish and maintain standards of qualifications for membership, a number of developments

occurred in the CAS education and examination system during 2003. CAS Admissions committees completed their work with the educational consulting firm The Chauncey Group. With the firm's guidance, the Syllabus Committee developed and published appropriate learning objectives for CAS examinations. The Chauncey Group also worked with the CAS Exam Committee to establish pass mark panels as a routine procedure of the exam process, to conduct item writer training courses for all exam writers, and to introduce open-book testing for parts of Exams 5 and 9.

CAS Admissions committees were also challenged with developing a new CAS Course 3 syllabus and examination, all within a year of the board's decision. Following its September 2002 board meeting, the CAS Board of Directors reviewed the recommendations of the Design Task Force on Exams 3 and 4 and elected to discontinue joint sponsorship of Exam 3 with the SOA. The new CAS Exam 3 syllabus reduces the coverage of life contingencies and its questions are geared toward casualty practice. The board decided to retain joint CAS/SOA sponsorship of Exam 4 because the exam continues to meet the needs of casualty actuaries. The CAS and SOA will also continue jointly sponsoring Exams 1 and 2. The new CAS Exam 3 was first administered for the Fall 2003 exam sitting.

Based on the final report of the Future Education Task Force, the board authorized the creation of four new task forces whose missions address standards of qualifications for membership: the Joint CAS/SOA Task Force on Preliminary Education, Computer-Based Testing Task Force, Task Force on Syllabus Materials, and the Modeling Workshop Task Force. The mission of the Joint CAS/SOA Task Force on Preliminary Education is to refine the learning objectives, producing a common set for a given subject where possible, and to further refine the guidelines for validation by educational experience where credit for specific topics can be obtained through university course or other educational experience rather than the traditional actuarial exam. The Computer-Based Testing Task Force is a joint

effort between the CAS and SOA to implement computer-based testing for at least one exam by 2005. The Task Force on Syllabus Materials will evaluate whether study materials produced by outside organizations that purport to replace the study materials listed in the CAS Syllabus meet the preliminary education learning objectives. The Modeling Workshop Task Force will develop and pilot a workshop to determine if it is a practicable idea for future basic education, continuing education, or both.

Another notable contribution to purpose #2 was the approval of a constitutional amendment on mutual recognition. In September 2003, CAS Fellows voted overwhelmingly in support of the measure, with more than 72 percent of CAS Fellows voting to approve a constitutional amendment. The constitutional revision pertains to Article III, Section 2, entitled "Requirements for Admission to Membership." Mutual recognition agreements are reciprocal accords between two actuarial organizations whereby a member of either organization could become a member in the other, subject to the requirements in the agreement.

A quality program of continuing education opportunities and a Code of Professional Conduct promote and maintain high standards of conduct and competence for CAS members in accordance with purpose #3.

The CAS provides educational opportunities through the publication of actuarial materials and the sponsorship of meetings and seminars. This year's sessions included the following, shown with the number of CAS members in attendance:

Meetings:

	Location	CAS Members
Spring	San Diego, CA	516
Annual	Boston, MA	633

Seminars:

Topic	Location	CAS Members
Ratemaking	San Antonio, TX	307
Reinsurance	Philadelphia, PA	234
Risk and Capital Management	Washington, DC	165
Enterprise Risk Management	Washington, DC	192
Casualty Loss Reserves	Chicago, IL	428
Appointed Actuary—Joint CAS/CIA	Toronto, Canada	321*
Course on Professionalism—Dec '02	2 locations	75 Candidates
Course on Professionalism—June '03	2 locations	93 Candidates

*Total attendance. Separate count for CAS members is not available.

Limited attendance seminars included two sessions of “Practical Applications of Loss Distributions” and one session each of “Basic Dynamic Financial Analysis,” “Advanced Dynamic Financial Analysis,” and “Asset Liability Management and Principles of Finance.”

In support of purpose #4, which is to increase the awareness of actuarial science, the CAS turned outward to focus on helping develop the actuarial profession worldwide. Within its own committee structure, the CAS established three new International committees to more effectively introduce the CAS as a resource in Europe, Latin America, and Asia. In 2003, CAS leaders and members were represented at meetings in India, Australia, Germany, the Philippines, Wales, and Brazil. The CAS was also honored to host a delegation of actuaries from Kazakhstan who had requested CAS assistance in educating future non-life actuaries in their emerging country. In addition, CAS has distributed copies of its textbook *Foundations of Casualty Actuarial Science* to newly formed actuarial associations around the world. The CAS Web Site has also become a tremendous resource to these associations.

The CAS Web Site is invaluable and unique as it supports all four purposes. One highlight from 2003 is the introduction

of electronic elections. In 2003, Fellows were given the option of electronic or paper ballots and 853 Fellows registered to vote electronically. A total of 1,273 Fellows voted in the 2003 election, or 50.8 percent of those eligible. Fifty-five percent of the Fellows voting cast their ballots online.

The CAS also took advantage of the expediency of the Internet to post learning objectives for Fall 2003 Exams and to launch the online version of the *Index to the Literature of the Casualty Actuarial Society*. The online index is a centralized source to literature published in CAS publications and a reference to the contributions of CAS members. The online index is updated frequently and replaces the publication of the *Index*, which used to be printed every five years.

OTHER CAS ACTIVITIES

Perhaps the Society's most sweeping action of the year 2003 was the adoption of the CAS Centennial Goal. The Centennial Goal represents the vision for the Casualty Actuarial Society in the year 2014, when the organization celebrates its 100th anniversary. The 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 Centennial Goal Implementation Task Force is working with each CAS committee to facilitate the integration of significant, attainable, and measurable goals, or SAM Goals, to keep the CAS moving toward its Centennial Goal.

Several other CAS activities contributed to the ongoing vitality of the organization during 2003. CAS Marketing & Communications Committees have done much to keep the Society focused on providing value to CAS members. The Committee on Volunteer Resources introduced online committee “want ads,” solicited member participation to develop special interest seminars, and created the Member Advisory Panel, a focus group-type body that will provide ongoing feedback to CAS leaders on behalf of CAS members.

In its ongoing mission to find ways to serve CAS members and improve the Society, the CAS Board conducted its five-year membership survey. The results of this survey will provide the CAS leadership with valuable input from its members, which will help to shape the short- and long-term direction of the Society. A report of the results will be available in 2004.

In addition, the board formed two new task forces. One will focus on the role of different classes of membership and the other will consider granting voting rights to Associates.

In 2003, the CAS Board focused on preparing for other future events. The board worked closely with the CAS Finance Committee to clearly define CAS surplus needs and the uses of surplus to meet emergencies and to help fund new initiatives for CAS members. The board also approved a disaster recovery plan for the CAS office.

MEMBERSHIP STATISTICS

Membership growth continued with 146 new Associates, 158 new Fellows, and 4 new Affiliates. The total number of members as of November 2003 was 3,847, up 3.7 percent from the previous year.

Stephen P. D’Arcy was elected president-elect for 2003–2004. CAS Fellows also elected Robert V. Deutsch, Sholom Feldblum,

Andrew E. Kudera, and Robert F. Wolf to the CAS Board of Directors. Mary Frances Miller assumed the presidency.

The CAS Executive Council, with primary responsibility for day-to-day operations, met either by teleconference or in person at least once a month during the year. The CAS Board of Directors elected the following vice presidents for the coming year: Deborah M. Rosenberg, administration; Thomas G. Myers, admissions; John C. Narvell, international; Roger A. Schultz, marketing & communications; Christopher S. Carlson, professional education; and Donald F. Mango, research and development. Later in September, the board appointed Joanne S. Spalla to replace Schultz who retired as vice president—marketing & communications.

FINANCIAL STATUS

The CPA firm Langan Associates, PC, examined the CAS books for fiscal year 2003 and the CAS Audit Committee reported the firm's findings to the CAS Board of Directors in March 2004. The fiscal year ended with an audited Net Gain of \$17,039 compared to a budgeted Net Loss of \$238,140.

Members' equity now stands at \$3,075,800. This represents an increase in equity of \$378,402 over the amount reported last year. In addition to the net gain from operations, there was interest revenue of \$115,034 and an unrealized gain of \$197,490. There was also a total net increase of \$48,838 in various research, prize, and scholarship accounts arising from the difference between incoming funds and interest earned less expenditures, and a favorable adjustment to the CAS pension liability. These amounts are not reflected in net revenue from operations.

For 2003–2004, the CAS Board of Directors has approved a budget of approximately \$5.1 million, an increase of about \$600,000 compared to the prior fiscal year. Members' dues for next year will be \$350, an increase of \$20, while fees for the

Subscriber Program will increase by \$20 to \$420. A \$35 discount is available to members and subscribers who elect to receive the *Forum* and *Discussion Paper Program* in electronic format from the CAS Web Site.

Respectfully submitted,
Sheldon Rosenberg
Vice President-Administration