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*CAS President Roger Hayne (left) congratulates Lenard Shuichi Llaguno on becoming a CAS Fellow. Mr. Llaguno is one of 63 new Fellows admitted to the CAS in Spring 2010.*



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The 2011 CAS Spring Meeting is scheduled for March 15-18 at The Breakers in Palm Beach, FL. Contact Mike Boa at the CAS Office (mboa@casact.org or 703-562-1724) for details on sponsorship opportunities for the 2011 event. [!\[\]\(066cb4a00c9d9f40edb6f87372ec6f08\_img.jpg\)](#)

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- Registration Insert Sponsor—Ultimate Risk Solutions

The 2011 Seminar on Reinsurance is scheduled for May 2011 in Philadelphia, PA. Contact Mike Boa at the CAS Office (mboa@casact.org or 703-562-1724) for details on sponsorship opportunities for the 2011 event. [!\[\]\(b78e2d0769ad682766c36e077fde3d60\_img.jpg\)](#)

# Correction

In the story "2009 DRM Call Paper Prize Awarded" (AR, February 2010), author Timothy Pratt was incorrectly identified as a Fellow of the CAS. Mr. Pratt is a Fellow of the Institute of Actuaries of Australia (FIAA). [!\[\]\(eff7520f80aa06fb7298beb68337d76d\_img.jpg\)](#)

# With A Little Help From Our Friends



About one in seven CAS members live outside of the United States. By contrast, the SOA, the Faculty and Institute of Actuaries in the U.K. (UKAP), and the Institute of Actuaries of Australia (IAAust) have substantial numbers of their members residing outside of their home countries—roughly three of 10 SOA members are outside of the U.S., four of 10 members of the UKAP are outside of the U.K., and two of 10 members of the IAAust are outside of Australia. Being an international organization, we recognize our members outside of the U.S. pay dues and thus deserve services such as basic, continuing, and professionalism education, and other member services geared to their particular needs. The other organizations mentioned have come to the same conclusion and over the last few years, they have worked with us to collectively provide higher quality services to our members outside of our respective “home” countries. The CAS has achieved this “with a little help from our friends” and could not have afforded to do it on our own.

We can point to the success of many cooperative ventures. A good example concerns our members in East Asia. Recognizing the growth in all our memberships in this region, in 2004 the CAS joined the SOA, the UKAP, and the IAAust in the Hong Kong Joint Office. We have since worked together conducting cooperative professionalism courses in the region.

Other cooperative ventures include sponsoring joint basic and continuing education opportunities in areas where our technical disciplines overlap and where special needs exist. Since the CAS is the only actuarial organization focusing solely on P&C, we may have the tendency to assume that anything worth doing has already been done at the CAS. This attitude reflects highly on the vast contributions to property and casualty actuarial science and practice made by CAS members. Stepping back, however, we see that P&C actuaries practicing in other geographic regions are faced with different problems that require different solutions than those we have developed. For example, in the U.K., motor (automobile) insurance is not subject to rate regulation. As a result, insurers can and do change prices frequently, sometimes over the span of minutes or hours as opposed to the time spans to which we are accustomed here in the U.S. As such, those pricing motor cover in the U.K. need to have a much deeper understanding of market forces, including price elasticity, than we generally must have. (It is a small wonder that generalized linear models made their way into our practice from “across the pond.”)

Financial reporting differences have also contributed to a rich

and varied science worldwide. In the U.S., appointed actuaries simply address the reasonableness of booked reserves. In Australia they report on capital adequacy including a provision for reserves to be at the 75th percentile. Thus, reserve variability has a much more prominent place in reserving work in Australia than it may have here. These examples show that we all can benefit from sharing information and research.

Similarities and differences in reserving work were also pointed out at our 2008 Annual Meeting in Seattle. There we had a session comparing reserve methodologies employed in the U.K., Australia, and the U.S. We are also currently involved in a joint research project with the UKAP and IAAust to compare ratemaking approaches among the three countries. The U.K. Actuarial Profession has committed to sharing knowledge both ways by providing members to each of our research committees. The CAS Climate Change Committee is on its way to being truly international with active participation of actuaries from the U.S., Canada, the U.K., and Australia.

Opportunities to cooperate also exist within North America. The North American Actuarial Council (NAAC) is a forum for the presidents and presidents-elect of the nine North American actuarial organizations to share information and ideas, to discover areas of mutual interest, and, frankly, to learn from one another. These nine organizations (five based in the U.S., one in Canada, and three in Mexico) have already formed a joint research group for sharing research among the various organizations. The CAS recently also created a Leadership Development Committee charged with identifying and developing potential leaders. Recognizing that all NAAC organizations face similar issues, NAAC also established a group to share leadership development techniques and tools among the organizations.

There are also opportunities to cooperate within the U.S. when our various interests align. In the coming months, you will likely be hearing more about actuarial discipline within the U.S. The U.S. actuarial profession is currently self-policing, but so were the U.S. audit profession and the U.K. actuarial profession. Auditors in the U.S. lost this privilege with Enron, and the U.K. profession lost its power to set standards as the result of the Morris Commission Report. Both of these came on the heels of rather spectacular financial failures. There is a real chance that the U.S. actuarial profession is just one headline away from a similar fate. All U.S.-based organizations face this problem, so it makes sense for all

**From the President,** page 4

## Damned Lies

### Dear Editor:

I have been retired for five years now, but a large part of my 36-year actuarial career was as a health insurance actuary. I was in this line of work both as an insurance company actuary and as a state regulatory actuary.

As usual, Mr. McClenahan (“Damned Lies,” *Random Sampler*, *AR*, May 2010) has eloquently defined a major problem. I think he is right on all counts. His quotes are, in my opinion, truly “damned lies” because (1) they are clearly false and (2) they are motivated entirely by politics rather than “substitution of demonstrations for impressions.”

The media seem to buy this crap completely. Why? It makes good copy and actuaries aren’t on most editors’ lists.

This might not be all that bad if it didn’t threaten the very existence of private health insurance in America, but it does. As Mr. McClenahan says, homeowners is under this kind of pressure in some states and I’m sure personal auto is as well. In general, the future of personal lines is, quite possibly, at dire risk.

We actuaries need to be vocal about this—both SOA and CAS. Casualty actuaries don’t have to be health experts to point out

logical nonsense or to replace it with good actuarial arguments. The AAA has input to this, but I think the assault on health insurance is far too serious to say “Well, the AAA has it.” Clearly, this is not true.

—Brad Gile, FSA, MAAA, Affiliate Member of the CAS

## Actuarial Literary History


### Dear Editor:

I know this is not really a part of actuarial “history” (“An Actuarial History Lesson,” *AR*, May 2010), but the term “actuary” shows up in James Joyce’s tome *Ulysses* (or was it *Finnegan’s Wake*?) somewhere on or near page 87 [in my copy], if I recall correctly.

In terms of any honor being accorded to our profession due to this, it’s not much, because, as anyone who has read Joyce knows, every single word ever invented shows up in these novels, as does about 25% more “words” that Joyce himself invented on his own account. But it sure was fun to see “us” in there.


—Ed Shoop, FCAS 

# Webinars: A Cost Effective Way to Learn and Gain Continuing Education

Did you know that the CAS offers a variety of Webinars on varying topics that can be an inexpensive way for you to obtain organized continuing education credits? Whether you are an individual practitioner or a member of a large actuarial organization, everyone can benefit from the affordable registration fees and topics of interest. Offerings within the past year have included a variety of topics such as “Economic Capital 201,” “Usage-Based Insurance,” and “Actuarial Leadership.” Many more offerings are planned for the future. 

### From the President, From page 3

of us to try to work together to find a solution. We are doing just that and I believe we have developed a joint discipline approach that is both more efficient than the current process and preserves the right of each organization over the control of its membership.

We can try to do it “all” ourselves, but such a decision could very well mean that, with limited resources, “all” might not be enough. Or we can look for ways to work with other organizations—our friends—to expand what “all” can be and at the same time increase our influence around the world. 

### P&C: A rose by any other name....

While P&C or property and casualty is the preferred nomenclature in the U.S., throughout the world it is known by other names:

U.K. and Australia—General insurance

Europe—Non-life

South Africa—Short-term risks



# Vote in the 2010 CAS Elections

**F**ellows are encouraged to cast their ballots for the 2010 CAS elections. Voting will open on July 30, 2010.

Patricia A. Teufel has been nominated as CAS president-elect for 2010/2011. Ms. Teufel currently chairs the CAS Volunteer Issues Task Force, the Task Force on Improving Communications within the CAS, the Leadership Development Committee, and the Joint Leadership Development Collaboration Group. She is a former CAS Board member (2002-2005) and former CAS Vice President-Marketing and Communications (2006-2009).



Patricia A. Teufel

Candidates for director positions are Kevin S. Burke, Jonathan Palmer Evans, Charles Gruber, Steven Kelner, C. K. Stan Khury, Ronald Kozlowski, Andrew E. Kudera, James R. Merz, James Rowland, and Jeanne Swanson.

On June 28, the "Meet the Candidates" section on the CAS Web Site was opened to assist the Fellows in learning about the candidates. Candidates provided a one-page biography, an additional page of relevant biographical information, a short statement titled "Why I Want to Serve," and a brief statement identifying their positions on issues of special interest to them.

Completed election ballots must be submitted by August 30, 2010. [!\[\]\(003082e50e3009141f59bd5df831749f\_img.jpg\)](#)

25 Years Ago in the *Actuarial Review*

## The World (and the CAS) Turns

By Walter Wright

**T**he August 1985 issue of the *AR* contains various articles illustrating how social changes were impacting the CAS.

In reporting on the CAS Spring Meeting, Matthew Rodermund pointed out a change that, at the time, was truly significant: "In recent years the audience for plenary sessions of the Society has been divided into smoking and non-smoking sections. This time the problem was resolved (in one direction) by a large NO SMOKING sign at the front of the hall. Smokers may not have been happy, but probably the majority was satisfied. Nobody ever promised that life would be fair."

In a piece titled "It's Slightly Ridiculous," Editor Rodermund noted that the American Academy of Actuaries had recently recommended changes to its constitution, including the almost unnoticeable change in terminology, from "chairman" to "chairperson." After further discussion, expressing widely held views of the time, he went on to say: "So it goes. We perceive a ground swell of opposition to the emasculation of the language for gender-sensitive reasons, and the ground swell arises from sources that generally support women's civil rights positions. Our message here is intended to ward off, if we can, nonsensical changes in CAS nomenclature in the *Yearbook*, the *Proceedings*, and the *Syllabus*. (The *Actuarial Review* is safe.) And we plead with our colleagues at the American Academy to return to the normal vocabulary."

Dorothy A. Zelenko, in *The Random Sampler*, investigates whether the CAS exams had gotten more difficult over the years. She concludes that the exams have not gotten more difficult in the ten years since she passed them, but clearly thinks that the pre-1965 exams (which are printed in the *Proceedings*) were much easier: "So it is possible, for instance, to learn from the 1958 volume that Daniel J. McNamara, who passed Part III of the Fellowship exams that year, had to write the number '173' in binary notation, name the two areas in addition to the 'input' area that are basic to any record-keeping system, and give his opinion as to which is the more important area. Dan, who today is President and CEO at ISO, probably doesn't need to write

25 Years Ago, page 36

# Point Estimates

**M**ost of the statistical work done by actuaries calls for point estimates. Yet if you read the current actuarial research literature, it is almost entirely devoted to stochastic modeling. In this column I will try to narrow the gap between the researchers and practitioners by giving examples where stochastic models can lead to better point estimates.

Let's start with my favorite example. Suppose we have 1,000 losses,  $\{x_i\}$ , that we determine, by looking at a histogram, have a lognormal distribution. Our job is to estimate the mean loss. Let's consider two estimators of the mean. The first estimator is the straight average,  $\frac{1}{1000} \sum_{i=1}^{1000} x_i$ . A second, more complicated estimator is to first calculate the parameters of a lognormal distribution by maximum likelihood, and use the formula for the mean of a lognormal distribution. That is, we first calculate

$$\hat{\mu} = \frac{1}{1000} \sum_{i=1}^{1000} \log(x_i), \quad \hat{\sigma}^2 = \frac{1}{1000} \sum_{i=1}^{1000} (\log(x_i) - \hat{\mu})^2$$

and we then estimate the mean by the expression  $e^{\hat{\mu} + \hat{\sigma}^2/2}$ .

Which estimator is better: the simple intuitive straight average or the mean of the fitted lognormal distribution? An experimental way to address this question is to do a simulation. I took 1,000 random numbers from a lognormal ( $\mu=6$ ,  $\sigma=2$ ) distribution and calculated the two estimates of the mean. I repeated this 25,000 times, plotted the results in a histogram and got a 95% confidence interval for each estimator. Figures 1 and 2 show that the lognormal average has a narrower confidence interval. So it is the superior estimator.

A similar phenomenon occurs in our familiar loss reserve models. Following the February 2010 "Brainstorms" column, let's consider a single loss development period. Thinking of the first period in a 10 x 10 triangle, I randomly selected losses,  $b_i$  with  $i = 1, \dots, 9$  in the second column from a Tweedie distribution with  $p = 1.8$  and mean,  $\mu_p$ , equal to 0.5 times the loss,  $a_p$ , in the first column. The "true" loss development factor in this simulation,  $d$ , is equal to 0.5. Full details of the simulation are in the R code that accompanies the Web version of the article.

Let's consider the chain ladder estimator of the loss development factor,  $d = \sum_{i=1}^9 b_i / \sum_{i=1}^9 a_i$ . Figure 3 shows the histogram and the 95% confidence interval that resulted from 25,000 simulations of the estimates for the loss development factor  $d$ .

Leigh Halliwell,<sup>1</sup> among others, has pointed out that the chain ladder estimator can be thought of as a weighted regression through the origin of the form  $b_i = d \cdot a_i + \varepsilon$ . Following that lead, our second estimator is a GLM model of the form  $b_i = d \cdot a_i$ , using a Tweedie distribution with  $p = 1.8$ . Keep in mind that in selecting the Tweedie model, I knew the correct distribution, including the correct power parameter  $p$ .

Figure 4 shows that the Tweedie chain ladder estimator obtained more accurate estimates of  $d$  than the standard chain ladder estimator.

I have previously written about Tweedie distribution in the May 2009 edition of *The Actuarial Review*. As a compound Poisson distribution, it is one of the better representations of insurance losses. It has the added practical advantage that it is a member of the exponential dispersion family of distributions, and thus can be fit with a GLM. Many regard the choice of the Tweedie  $p$  parameter as a problem. In the May 2009 *AR* "Brainstorms," I pointed out that  $p$  depends only on the claim severity distribution. A helpful formula is that the coefficient of variation (CV) is equal to  $\sqrt{\frac{p-1}{2-p}}$ . Note that if  $p=1.5$ , the CV

is 1.0. Higher CVs lead to higher  $p$ s. In my experience, I typically find that the CV is greater than one, so I generally like to see  $p$  in the open interval (1.5, 2.0).

What if I select the wrong  $p$ ? To test this, I simulated losses as above with  $p = 1.8$  and fit models assuming a range of  $p$ s. Figure 5 shows the results graphically by plotting the borders of the 95% confidence intervals as a solid line, and the borders of the interquartile (0.25, 0.75) ranges in a dashed line. Here we see that all the confidence intervals are narrower than the standard chain ladder estimator ( $p = 1.0$ ).

The point of this column is to suggest (by way of simulation) that knowing something about the underlying stochastic model can lead to better point estimates. As an important example, the Tweedie chain ladder, as estimated by a GLM, is an easy way to improve on the standard chain ladder. But I think we can do better. Greg Taylor's paper gives ideas on using the Tweedie distribution<sup>2</sup> — surely we can build on this to provide a better solution than today's typical approach. **AR**

<sup>1</sup> Halliwell, Leigh Joseph, "Chain-Ladder Bias: Its Reason and Meaning," *Variance* 1:2, 2007, pp. 214-247.

<sup>2</sup> Taylor, Greg, "The Chain Ladder and Tweedie Distributed Claims Data," *Variance* 3:1, 2009, pp. 96-104.

Figure 1 - Straight Average Estimator

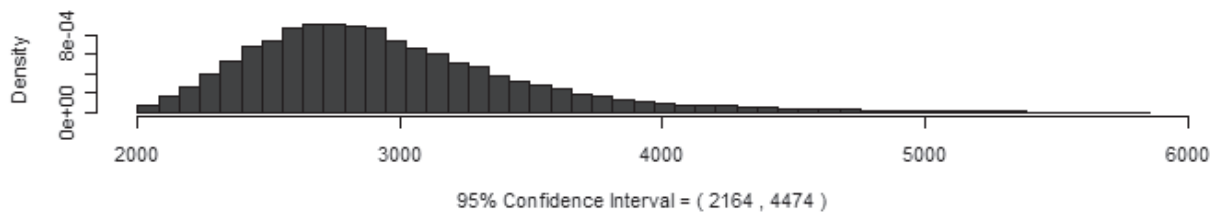


Figure 2 - Lognormal Average Estimator

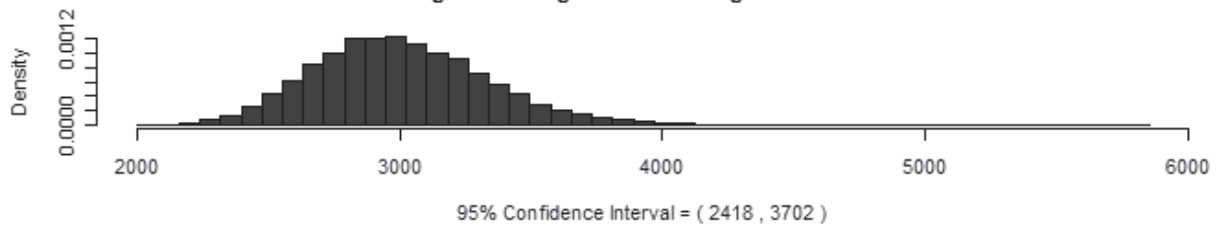


Figure 3 - Standard Chain Ladder Estimator

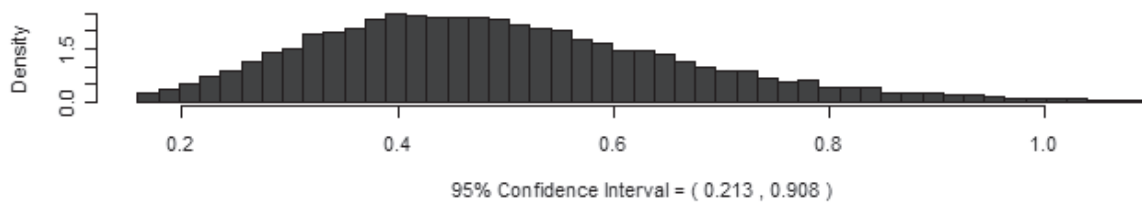


Figure 4 - Tweedie Chain Ladder Estimator

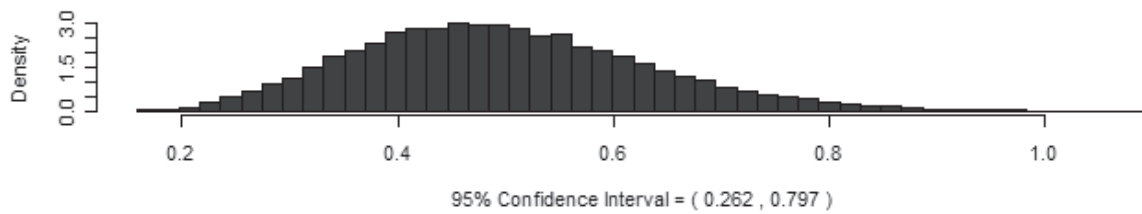
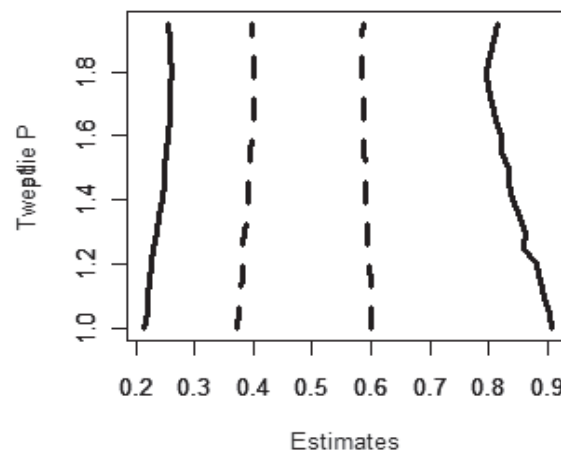


Figure 5



# Don't Miss the 2010 CAS Annual Meeting in Historic Washington, DC

**J**oin the CAS in Washington, DC, for monuments, museums, memorials and more at the 2010 Annual Meeting! Enjoy all that this city has to offer, from the great museums for art lovers, wonderful restaurants for gourmets, America's most important monuments, and lots of great activities for the family. In its tradition, the Annual Meeting will present a lively program with a variety of educational opportunities. An outstanding location combined with a top-notch educational program means there will be something for everyone at the CAS Annual Meeting.


The Annual Meeting will be held November 7-10 at the JW Marriott Hotel in Washington, DC. Situated near some of the most recognizable landmarks in Washington, the JW Marriott Hotel provides easy access to renowned monuments, the National Mall, museums, and other cultural venues around the city like the National Theatre, the Convention Center and the National Portrait Gallery. Additionally, the JW Marriott is conveniently located around the corner from the White House, one block from the Metro, and 15 minutes from Reagan National Airport.

This year's Annual Meeting will be hosted in conjunction with the 2010 American Academy of Actuaries' Annual Meeting

& Officer Installation luncheon. Please join the Academy and the CAS on Monday afternoon for a luncheon and installation of Mary Frances Miller as the new president of the Academy. The luncheon will also host a dynamic speaker chosen by the Academy. Look for an announcement regarding the featured speaker in an upcoming issue of the CAS Weekly Bulletin.

Four general sessions are planned for the Annual Meeting that will address a range of issues. The sessions, titled "Climate Change Liability," "Credit-Based Insurance Scores: A Roundtable Discussion," "Update on Federal Insurance Reform," and "The Role of the Chief Actuary," will feature panels on current events in the insurance industry as well as roundtable discussions.

In addition to the general sessions, the Annual Meeting offers over 30 concurrent sessions that will delve into oil spill liability, health care reform, emerging risks, predictive modeling, reinsurance, and workers compensation.

The Annual Meeting is a great opportunity for attendees to benefit from a first-rate educational program and to take time for networking and social events. Look for the brochure and registration information in the mail and on the CAS Web Site in the near future. 

## New Seminar Focuses on Government in Insurance

Please join the CAS on October 4-5 in Boston for an exciting new seminar, "In Focus: Government In Insurance Seminar." This seminar is devoted to examining the government's role, both current and future, in the insurance industry. A wide range of topics will be covered including rate, solvency, and international regulation; underwriting programs; and specific laws. Professional standards sessions will also be offered.

Two general sessions offer attendees a chance to dig deeper into issues surrounding government in insurance. "Federal Regulation—Yes or No," the first general session, will present two differing viewpoints on federal regulation of the insurance industry. In the spirit of a formal debate, each side will be allowed to present their case and then later will be given an opportunity

to respond to the other side. The session will conclude with questions from the audience. "Washington, D.C.—the New Insurance Capital?" the second general session, will consider a series of questions in an attempt to determine the nature of Washington's current and future relationship with the insurance industry.

Held at the Embassy Suites Boston Hotel at Logan Airport, attendees will have easy access to the best of Boston. Just two miles from downtown, the Embassy Suites Boston Hotel is within walking distance of the MBTA blue line subway and offers complementary shuttle service to Boston Logan Airport.

Visit the CAS Web Site to register. 



# Join the CAS in Florida for the 2010 CLRS

**E**arn up to 15 continuing education credits, network with other loss reserving professionals, and explore all that Lake Buena Vista has to offer at this year's Casualty Loss Reserve Seminar (CLRS), which will be held at Disney's Contemporary Resort on September 20-21.


This year's CLRS will feature many hands-on and interactive sessions including a variety of case-studies and a mock trial. The CLRS will also offer basic and intermediate reserving sessions, which are primarily targeted to those attendees who are not members of the CAS. Underwriters, agents, and brokers, can benefit immensely from these introductory sessions. Attendees are guaranteed to leave this year's seminar better able to understand, evaluate, and estimate loss reserves.

The CLRS is an opportunity to present and discuss significant loss reserving issues and their related financial reporting implications. The CAS, the American Academy of Actuaries, and the Conference of Consulting Actuaries have devised this year's program to include a range of topics to interest professionals and students from a wide array of disciplines, including insurance, accounting, and risk management. Moreover, the seminar meets the continuing education needs of actuaries and other professionals whose responsibilities include loss reserving.

With sessions offered in a variety of areas, CLRS attendees will get updates on current issues and learn new techniques. Featured topics include lines of business, financial reporting, variability


and ranges, international issues, catastrophes and mass torts, reinsurance, professional development, and emerging issues. Some of the planned sessions include a general session titled "Inflation Risk and the Property/Casualty Industry," which will look back at the inflationary periods of the 1970s and early 1980s, and explore the implications to current property/casualty insurance balance sheets and income statements. A second general session titled "The FASB/IASB Insurance Contracts Project" will examine the Financial Accounting Standards Board and the International Accounting Standards Board's Insurance Contracts project.

Attendees at this year's seminar are sure to enjoy the ultra-modern Disney's Contemporary Resort. Made up of a towering, A-frame, high-rise building and complemented by one garden wing annex, this lakeside resort is the only hotel in Walt Disney World to have the monorail system pass through the main lobby. Boasting views of nearby Space Mountain and Cinderella Castle, the resort overlooks 4.5 miles of shoreline along Bay Lake and Seven Seas Lagoon and is the closest hotel to Magic Kingdom theme park. The sprawling grounds include a marina, pools, recreational facilities, a health club, tennis courts, convention facilities, and restaurants including the hotel's award-winning California Grill restaurant on the 15th floor.

Visit [www.casact.org/clrs](http://www.casact.org/clrs) to register now for this interactive opportunity to learn more about loss reserving! 



## Exhibit at the 2010 CLRS

The CLRS organizers encourage companies to exhibit their products and services to professionals who collect, compile, and analyze data on loss reserving. This seminar will give exhibitors the opportunity to show how their products or services can help solve the loss reserve professional's problems. To learn more about this opportunity, visit the CAS Web Site. 



## It's Back to School and the "Quench The Thirst" Campaign is in High Gear!

Over 700 teachers are looking for actuaries to help! Give students a reservoir of financial knowledge they can draw upon for the rest of their lives through the Foundation's *Quench The Thirst* campaign. To learn how you can help and view the schools requesting program materials, visit <http://www.actuarialfoundation.org/donate/quench.shtml>.

## ERM Research Excellence Award in Memory of Hubert Mueller

The Actuarial Foundation presents an award for the best overall paper submitted in response to a call for papers, issued in conjunction with the ERM Symposium. This award recognizes significant contributions to the growing body of ERM knowledge and research. This year the honor goes to Neil M. Bodoff, FCAS, MAAA, who was awarded the ERM Research Excellence Award in Memory of Hubert Mueller for best overall paper 2010. To view or download a copy of the paper, "Discarding Risk Avoidance and Embracing Risk Optimization: Managing Reinsurance Credit Risk," go to [http://www.actuarialfoundation.org/programs/actuarial/awards\\_prizes\\_comp.shtml#erm](http://www.actuarialfoundation.org/programs/actuarial/awards_prizes_comp.shtml#erm).

The ERM Research Excellence Award in Memory of Hubert Mueller is funded by contributions from Hubert's colleagues and friends throughout the insurance industry, as well as by Towers Watson. Contributions in memory of Hubert Mueller may be made through The Actuarial Foundation, either online or via mail.

Hubert Mueller (1960-2009) raised awareness of the importance of ERM across the insurance industry and promoted the role of actuaries in ERM. He was instrumental in founding the Joint Risk Management Section and was one of the first actuaries to receive the CERA designation. He is remembered as a great role model and friend.



Neil Bodoff

## NASI Develops Brief on When to Take Social Security

When to stop working and when to claim Social Security benefits are two of the most important financial decisions—ones that can have lasting consequences. The National Academy of Social Insurance (NASI), with funding from the Foundation, has developed a new education brief titled, "When to Take Social Security: Questions to Consider." The brief examines the questions consumers should ask themselves when determining the times to stop working and to claim benefits. The brief outlines the feasibility in delaying benefit claims to bring the greatest financial security to retirees over the long term. The brief can be viewed on the Foundation's Web site at <http://www.actuarialfoundation.org/programs/consumer/NASI-Brief-SocialSecurity.shtml>.

## Are You a Regional Affiliate Member?

Want to spread the word about The Actuarial Foundation? Invite us to speak at one of your regional meetings. We have something that should interest every one of your members. The Foundation, through its generous donors, supports actuarial research, consumer education, scholarships and youth education. For more information, visit <http://www.actuarialfoundation.org/contact.shtml>.

## Keep up with Foundation News!

Read the most recent newsletter online at <http://www.actuarialfoundation.org/publications/newsletters.shtml>. 

# A Tribute to Martin Gardner

M

artin Gardner, a math and science writer who concentrated on recreational mathematics, died on May 22, 2010. Older CAS members will remember him as the author of the “Mathematical Recreations” column in *Scientific American* from 1955 to 1981. Younger members might know him from his continued production of puzzle books and exposés of pseudoscience. In his memory, I am rerunning one of his puzzles, which appears in his book *Knotted Doughnuts and Other Mathematical Entertainments*, published by W. H. Freeman. Gardner attributes the problem to Lars Bertil Owe of Lund, Sweden.

## Five Couples

My wife and I recently attended a party at which there were four other married couples. Various handshakes took place. No one shook hands with himself (or herself) or with his (or her) spouse, and no one shook hands with the same person more than once. After all the handshakes were over, I asked each person, including my wife, how many hands he (or she) had shaken. To my surprise each gave a different answer. How many hands did my wife shake?



## Missing Letters

The puzzle, credited to Chris Maslanka, was to find two words so that one is \*B\*R\*A\*I\*N, and the other is B\*R\*A\*I\*N, where each asterisk represents a missing letter. The same puzzle was also set with “brain” replaced by any of “cones,” “poses,” “sales,” or “pries.” Solutions include:


brain—aberration, eburnation, oberration; barbarian

cones—scroungers, accounters; crownless, crownlets

poses—upholsters; piousness, poolsheds

sales—assaulters; smallness, shawlless, spaulders

pries—appraisers, sportiness, upbraiders, sparkiness, appraisees; perkiness, pursiness, partimens, porkiness

John Captain, John Herder, Jim Muza, and Dave Schofield sent solutions for all of the puzzle words. Other solvers are Joseph Degeneffe, A. Wil Edie, Chauncey Fleetwood, Steven Koester, Christine Ren, Rob Thomas, Ryan Thomas, Rajesh Thurairatnam, and David Uhland. 

## Cross-Country Biker

Ever since a former actuarial student participated in a group ride across the United States for the Bicentennial, Walt Wright had dreamed about bicycling across the country. After retiring in 2008, he decided to pursue that dream. Although he had not previously been an avid, high-mileage bicyclist, he had always enjoyed bicycling and suspected that he would enjoy a long road trip. He viewed a cross-country trip as a great way to relax after retiring—seeing new parts of the country and having a little adventure. He intended to meander slowly from Seaside, Oregon to Brooklyn, New York, enjoying the trip and not being concerned about speed or schedules. For the first time in his adult life he was free of timelines and responsibilities. His goal was gradual progress toward home, passing through Buffalo, New York before its first snowfall. He anticipated that his biggest challenge would be forcing himself to go slowly, especially in the early weeks, so that he didn't stress his "old, out-of-shape body" (over the years his weight had increased to 272 pounds) and end up plagued with a series of sore throats or colds that would prevent completion of his little adventure. His motto for the trip was, "The pleasure of a journey is inversely related to the speed with which it is undertaken," which he attributes to Thoreau.

Naturally, such an undertaking required considerable preparation. Walt purchased a good touring bike, sufficient to easily handle his weight as well as all his gear. The equipment fit into front and rear panniers (saddlebags) plus a handlebar bag. He strapped a tent and sleeping pad onto the rear rack atop the panniers. He usually carried about 60 to 70 pounds of gear. His equipment included a small cooking stove, propane canister, cooking pot, a spare tire, two spare tubes, a bicycle tire pump, a first-aid kit, bike tools, sunblock, insect repellent, two pairs of sunglasses, his regular glasses, and an iPhone with a solar-powered battery charger. His clothing was lightweight and quick drying. He took a few days' supply of simple food staples, planning to restock along the way.

Walt had planned to do a lot of training for several months prior to departing, but too many other things got in the way. He started from Seaside on May 17, 2008. In the early weeks he focused on getting lots of rest so as not to burn out. By the time he reached Pierre, South Dakota, after 2,000 miles and about two months, he was in pretty good bicycling shape. His wife, Leslie, joined him and they rented a car and spent ten days visiting friends and sightseeing in the Black Hills. It was a nice break, and when he got back on the road he was well rested, refreshed,

and eager to start pedaling again.

Although he passed magnificent sights and wildlife along the way, Walt regards the highlights of the trip to be the wonderful people that he met along the way. It seems that people are extremely friendly and helpful when they encounter someone traveling by bicycle. On a typical day, following breakfast he lingered over coffee and conversation with "locals," ordinarily retired or still active ranchers or farmers who approached him to talk, waiting courteously until he had finished eating. Once back on the road, whenever he passed a gas station, which almost always doubled as the local coffee shop/restaurant, he would stop for coffee or a cold drink and usually engage in conversation again with local residents. Sometimes this scenario would be repeated several times in a day, so that it would be almost mid-afternoon before he started pushing to get in several hours of serious riding before nightfall.

In Helena, Montana, he dined with a friend of a kayaker whom he had met in Idaho, and then spent the night sleeping on the floor in the home of a motorcyclist he had met along the way. Max, whom he met in Great Falls, lent Walt his car for two days so that he could sightsee in the area. Max also arranged to get Walt a heavily discounted rate in a first-class motel in Great Falls, as well as in other small cities along the route that had that particular chain of motels. To top it off, when Walt reached Bismarck, North Dakota, an old high school friend of Max (class of 1944) took him out to breakfast! Recently, Walt was pleased to have had the chance to get together with one of Max's daughters and her husband when they visited New York City.

In Michigan Walt was lucky to meet Jim and Debbie. Every Saturday they rode 30 miles west from Midland, then turned around and rode back to Midland. Walt met them as they were turning around to ride back, and enjoyed riding and talking with them along the way. The next day, as he was crossing a bridge over the Saginaw River in Bay City, he met them again. They were out for their Sunday ride. They rode together and talked some more, and have stayed in touch. In 2009, Walt and Leslie were traveling through Michigan by car and enjoyed spending the night at Jim and Debbie's home.

A few roads that combined heavy traffic and very narrow shoulders probably represented the most danger. Walt was always aware of the perils of lightning storms, hail, and tornados, but luckily was never caught in really bad weather. Hardly a day went by without seeing deer and antelope, and there were times



in Montana and North Dakota when he worried that he would startle a young one lying in the grass by the side of the road and that it would jump into his path. Fortunately the animals always jumped away from him. Somewhat surprising (to me, at least), buffalo never presented any danger. The only bear incident occurred while he stayed in a little cabin. It would have been somewhat dangerous had he been in a tent.

Walt's greatest disappointment was the "Tragedy at Wolf Creek." Several weeks earlier in Walla Walla, Washington, Kathy, a woman he met, told him that the best huckleberry milkshake she had ever had was in Wolf Creek, Montana. Little did Kathy know what an impact "best huckleberry milkshake" would have on him. For weeks, as he labored through the heat and over the mountain passes, that shake was on his mind. He fretted over the fact that huckleberries were not yet in season, and so the ice cream would be made with frozen berries. Had Kathy's rave review been based on fresh berries? Is fresh v. frozen the difference between "best" and "mediocre?" He wondered if there was more than one establishment. Upon arriving in Wolf Creek he was told that the ice cream place had been closed for a long

time. There was no place to buy a shake in Wolf Creek!


What surprises Walt most is how vivid his memories are. Despite the toll of age on his "normal" memory, he is able to flash back to virtually any day of the trip and recall people, places, and things in considerable detail, as though they just happened yesterday. He doesn't know to what to ascribe that, other than to the fact that, even though the trip was extremely pleasurable, he was out of his comfort zone most of the time. Despite never feeling that he was taking much of a risk, he was pushing himself in various ways every day—struggling to make it up long hills, fighting heat and headwinds, and wondering where he would spend the night. He thinks this sense of being out of his comfort zone heightened the experience, increased the enjoyment, and gave him so many good and lasting memories.

He arrived home in Brooklyn on October 1. The next day he bicycled to Coney Island, completing his 4,530 mile coast-to-coast tour in 139 days. The following morning he weighed in at 248 pounds, 24 pounds lighter than when he started. He had hoped to lose at least 30 pounds, but intended to keep bicycling and losing more.



Although Walt realizes that he will probably never again have the luxury of taking four months off for a bike trip, he enjoyed his cross-country ride too much to give up bicycle touring completely. In 2009 he enjoyed a ride from New York City to Charleston, South Carolina, and is planning a fall 2010 trip from New York City to Pittsburgh, by way of Washington, DC.

Extensive details of Walt's tour and later rides can be found on his blog, [www.walt-fatmanonabike.blogspot.com](http://www.walt-fatmanonabike.blogspot.com).

Walt Wright is retired and living in Brooklyn. 

*With Coney Island amusement park as his backdrop, Walt Wright takes in the sight as he reaches the final stop on his cross-country bike ride.*

# We're Going to Need a Bigger Boat

## Part 1: Making Room for Varied Views of ERM

By Alice Underwood and Dave Ingram

**A**s the 2003 CAS report “Overview of Enterprise Risk Management” points out ERM is a “big idea.” ERM offers many potential benefits to industries, including but certainly not limited to property/casualty insurance. And the practice of ERM provides opportunities for CAS members to expand their career horizons.

But if we want to help more firms get on board with the idea of ERM—and on board with the idea of casualty actuaries as natural leaders in ERM—we’re going to need a bigger boat.

### Four Different Perspectives on Risk

Corporations and the human beings who run them have varied views on risk and risk management. Studies show that risk perspectives fall into four groups:

- **Pragmatism.** Pragmatists do not believe that the future is very predictable—so they try to keep their options open and seek freedom to react to changing conditions.
- **Profit Maximization.** According to this perspective, risk in and of itself is not very important—*profits* are important. Businesses managed according to this perspective are willing to accept large risks, so long as they are well compensated.
- **Conservation.** Conservators, in contrast, are very concerned about risk and are anxious to avoid it, even if that means foregoing some degree of profit.
- **Risk Reward.** Careful balancing of risks and rewards is the heart of this perspective. Firms following this view employ experts to help find risks that offer the best rewards, while at the same time managing these risks appropriately.

Does one of those perspectives sound especially familiar?

### Resistance to the Current ERM Paradigm is Inevitable

The current paradigm of ERM is dominated by Risk Reward thinking. This is comfortable territory for casualty actuaries—it’s what we have been trained to do. But if the discipline of ERM fails to offer approaches that make sense for each of the four risk perspectives, it will not achieve broad or enthusiastic adoption. And if casualty actuaries restrict themselves to a pure Risk Reward approach, firms looking to charter a vessel for their ERM journey may well conclude that our boat’s not properly equipped.

Profit Maximization firms see Risk Reward-focused ERM as an unnecessary restriction. Why should a limited risk appetite be enforced, when any risk can be accepted for the proper price? That means turning away potential profit!

For Conservation firms, Risk Reward ERM is a dangerous strategy because it encourages taking more risk. While such a firm may, with trepidation, adopt a Risk Reward-focused ERM program, managers remain convinced that risk quantification cannot be trusted because the result is always too low.

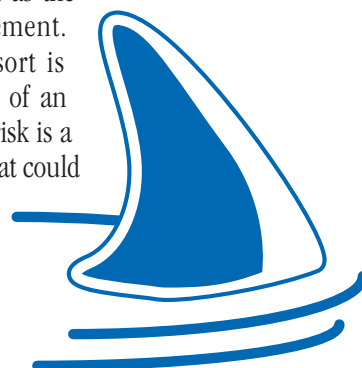
Pragmatic firms do not trust risk quantification either, but they are not sure whether existing assessments are too optimistic or too pessimistic. Adherents of this perspective think that Risk Reward-focused ERM takes too constant a view of an ever-changing world. In their minds, Risk Reward ERM means letting a model run the company and a fixed set of rules and metrics hampers their ability to react to changing circumstances.

### How Big is ERM?

Risk management in one form or another has been practiced for a very long time by adherents of *all* four basic risk perspectives. It would be difficult to argue that adding an enterprise-wide view to any risk management strategy is not beneficial.

A review of the literature suggests that there are four different strategies that fall under the general heading of risk management:

- **Loss Controlling.** This is the most traditional form of risk management; it seeks to identify and mitigate the firm’s most significant risks. Commonly practiced by non-financial firms, Loss Controlling also applies to financial risk; examples include the careful underwriting of loans or insurance policies, as well as the practice of claims management. Risk management of this sort is not new—but the inclusion of an aggregate, firm-wide view of risk is a relatively new development that could be termed Loss Controlling ERM. This type of ERM is favored by Conservation firms.




**Bigger Boat,** page 15

# Hartman Elected HonFIA

**D**ave Hartman has been elected an Honorary Fellow of the Institute of Actuaries (HonFIA) in England. He was recognized as such in conjunction with the Biennial Dinner of the Institute in June in London.

Mr. Hartman has served as CAS President (1987-88), American Academy of Actuaries President (1993-94), Actuarial Standards Board Chair (1998-99), ASTIN Chair of the International Actuarial Association (2003-07), and International Actuarial Association President (2008). He retired in 2005 as senior vice president and chief actuary of the Chubb Group of Insurance Companies.

Honorary Fellows of the Institute of Actuaries or of the Faculty of Actuaries (HonFFA) in Scotland are few in number.

In addition to Mr. Hartman, seven Fellows of the CAS are HonFIAs: Bob Conger, Alice Gannon, Sam Gutterman, Allan Kaufman, Steve Lehmann, Mary Frances Miller, and Mavis Walters. CAS Associate Rob Brown is also an HonFIA and CAS Fellow Jim MacGinnitie is an HonFFA. 



*Institute of Actuaries President Nigel Masters (right) congratulates Dave Hartman on becoming an HonFIA.*


## Bigger Boat, From page 14

- **Diversification.** Spreading exposures among a variety of risks, and avoiding large-risk concentrations, is another traditional form of risk management. Formal diversification programs set risk-spreading targets, with maximums and minimums for various classes of risks. The newer ERM discipline adds the idea of interdependencies across classes, providing better quantification of the benefits of risk spreading. Pragmatic firms tend to favor diversification because it maximizes their tactical flexibility, but they avoid reliance on any particular risk mitigation process and often mistrust quantitative measurement of diversification benefits.
- **Risk Trading.** This approach arose from bank trading desks and the insurance industry. Risk Trading focuses on getting the price of risk correct, which leads to sometimes complicated models of risk, reward, and economic capital. While a Risk Trading strategy can be applied on a transaction-by-transaction or other “siloe” basis, establishment of a consistent risk valuation on a firm-wide level is Risk Trading ERM. Profit Maximizing firms favor this type of ERM.
- **Risk Steering.** Here the ideas of Risk Trading are applied to the major strategic decisions of the firm. Rather than focusing on the proper price of risk, the question becomes one of how much risk the firm *should* take—and how to steer the firm in that ideal direction. By its very nature, this is an enterprise-wide approach. Perhaps this is why some seem to think that this is the only “real” ERM. Risk



Reward-oriented firms, academics, and consultants find this approach appealing; however, firms not dominated by the Risk Reward perspective do not.

We believe that it would be a serious error to constrain the field of enterprise risk management to a Risk Reward-focused, Risk-Steering paradigm—or to limit the involvement of casualty actuaries to only this approach. Our boat should make room for each of the four risk perspectives.

*Look for Part 2 in the November AR.* 



# The Current Market for Actuarial Talent

## Part 1: Recruiters Discuss Telecommuting, the Economic Downturn, and Health Care Reform

By Arthur J. Schwartz

**T**o assess the state of the employment market for actuaries, I recently held a roundtable discussion with a number of prominent recruiters. Our panel includes:

**Angie Wachholz**, from D.W. Simpson Global Actuarial Recruitment in Chicago. DW Simpson works on a global basis and is the largest firm specializing in actuarial recruitment. Angie is a senior recruiter. Her firm specializes in actuarial recruitment within all lines of business including property & casualty, life, health and pension, as well as all levels from entry to Fellowship. She can be reached at [Angie.wachholz@dwsimpson.com](mailto:Angie.wachholz@dwsimpson.com)

**Margaret Resce Milkint**, from The Jacobson Group in Chicago. Margaret is managing partner of The Jacobson Group, the nation's leading insurance search and staffing firm. Margaret handles executive management and actuarial searches on a national and international basis across all aspects of the insurance industry. She can be reached at [mmilkint@jacobsononline.com](mailto:mmilkint@jacobsononline.com).

**Jim Coleman**, from Nationwide Actuarial Search (NAS) in Las Vegas. His firm specializes exclusively in the placement of casualty actuaries anywhere in the country as well as some off-shore opportunities. NAS is well recognized in the casualty insurance industry and has been placing P&C actuaries for more than 25 years from students through Fellows of the CAS. He can be reached at [jim@actuary-recruiter.com](mailto:jim@actuary-recruiter.com)

**Pauline Reimer**, ASA, MAAA, from Pryor Associates in New York. Named a top recruiting firm by Dun & Bradstreet, Pryor has 40 years of insurance (P&C, Life, Health, Pensions, and Investments) experience. Pauline has headed the actuarial placement division since 1986, after working as an actuary in insurance and consulting firms. She is also a CAS Platinum Partner, on the SOA Entrepreneurial Actuaries Section Council, on the Executive Board of ASNY, and on the Advisory Board of Columbia University's Masters in Actuarial Science program. She can be reached at [paulinereimer@aol.com](mailto:paulinereimer@aol.com).

*Schwartz: Let's talk about demand. What would be typical demand for (a) students with 1 to 4 exams; (b) pre-Associates with 5 to 6 exams; (c) new Associates; (d) new Fellows; and (e) experienced Fellows (about ten or more years beyond Fellowship)?*

**Wachholz:** There certainly is an uptick in the economy as

reflected in there being an uptick in actuarial positions for this year, as compared to last year at this time.

**Reimer:** We've seen continued demand for P&C actuaries. Life and pension actuaries have not been so fortunate. There have been far more company-wide layoffs on the life and pension side. P&C actuaries have been relatively immune from this on a mass basis.

**Wachholz:** On the life side, things have slowed considerably; perhaps this is as a result of the stock market's tumultuous nature as annuities, for example, are tied to the stock market and we all know that the market has been negatively affected over the last several months. On the pension side, there's been a move to outsource valuations of pension plans, which means that more junior level pension roles have started to disappear. With regard to the health side, given health care reform, we've seen a number of new roles on both the insurance company and consulting sides. Lastly, with regard to P&C, although there was a bit of a slow down, this market has picked up considerably—especially with regard to professional liability roles.

**Milkint:** There's a lot of historical perspective on this call. I would argue that actuaries as a profession are relatively recession-proof. We saw this in this last downturn. The profession is somewhat insulated from economic trends.

**Coleman:** Hiring rates have been strong for pre-Associates with 5 to 6 exams, followed by new Associates, then new Fellows, and rounded out by students with from 1 to 4 exams. However, we are also seeing strong and recent increased interest towards recently credentialed Fellows. More new Fellows are being sought for chief actuary roles. Companies are looking for strong management and interpersonal skills at the experienced Fellow level. Overall, we are seeing increased activity across the board on the P&C side for actuaries.

**Milkint:** I would put Fellows, new or experienced, first.

*Schwartz: How active is the job market for each of these five categories? Which areas (either types of practice, skill sets, or backgrounds) are really "hot" right now? Which areas are really "cold?"*

**Reimer:** What's really hot right now is professional liability like E&O (errors and omissions) and D&O (directors and



officers); these areas have been in very high demand for the last two years. Skills in ERM have become increasingly important as a result of the recent financial crisis. Modeling, especially predictive modeling and catastrophe modeling, has become more significant. Knowledge of economic capital analysis, due to the scheduled implementation of Solvency II in Europe in 2012<sup>1</sup>, is very valuable. Finally, accident and health actuarial experience will be of critical worth going forward due to the importance of health care reform in the national agenda.

**Wachholz:** Modeling, especially predictive modeling, has become more critical, as companies search for ways to better develop their long-term risk management. The area of ERM has also led to an increase in roles in all disciplines as we are seeing several risk management roles requiring actuarial credentials. Finally, the EU regulations, i.e., Solvency II, are leading to a push for Solvency II-related roles here in the United States as well. As we near the deadline for Solvency II implementation, I expect that the need for candidates with Solvency II experience will continue to rise.

**Milkint:** In addition to the hot areas including predictive modeling and catastrophe modeling, I would also add positions based on “business intelligence.” Business intelligence is the “art and science” of the analysis and presentation of meaningful corporate data used to create business dashboards, metrics, and quantitative-driven strategic perspectives. Health care reform is going to put special emphasis on actuaries skilled in workers compensation, and how it relates to managed health care. There are now interplays between health organizations and the workers compensation world.

**Wachholz:** On health care reform we are seeing an uptick in positions in both insurers and consulting firms. One consulting firm that employs a lot of actuaries is particularly starting to ramp up new hiring because they see that new job assignments in health care over the next four years could mean a great deal of new work opportunities for them. Furthermore, with health care reform, there is likely to be an increased need for all levels of consultants—from junior to direct-entry partner.

**Reimer:** I see that consulting firms are often vying for the same clients. There are many RFPs out there, yet consulting firms typically win only 20%. These consulting firms are competing for the same business. Insurers are being more proactive in putting RFPs out there and that’s one reason why there’s a jump in consulting activity.

**Milkint:** Because of health care reform we are seeing synergies between workers compensation and health care. The terminology for this is managed compensation. There’s an intersection between actuaries with workers compensation skills and health actuaries.

**Coleman:** Job opportunities are strong for actuaries who are

technically capable, well rounded, effective communicators at all levels. The only “cold” area is probably that of finite reinsurance.

**Reimer:** Speaking of reinsurance in general, due to the soft market, the acceleration of job opportunities has definitely slowed down from the abundant pace of prior years. Also there are fewer start-up reinsurance companies compared to previous years.

**Coleman:** We are not seeing demand for actuarial involvement in merger and acquisition activity as we saw prior to the economic downturn. The greatest areas of demand are skills in ERM and in modeling designed to evaluate the impact of a wider range of dependent variables, i.e., predictive modeling.

**Reimer:** There are also far fewer insurance companies setting up regional actuaries in offices around the country.

**Milkint:** Unemployment among actuaries in the economic downturn has been minimized due to the insulation of the actuarial profession. More insurance organizations are realizing that they need to be proactive, and that they need a bench of talent. Otherwise their talent is going to retire in the next three to five years. Companies need to start hiring now or they’ll be in trouble later.

*Schwartz: In the current economy, are actuaries more willing to consider large geographical moves than previously? How are actuaries affected by the drop in home prices (which may make them less willing to move)? Does the confluence of these two trends result in more actuaries and more employers considering “work from home” options (with coming into the office occasionally)?*

**Wachholz:** What we see is that actuaries will start out saying, “I’ll look only in Atlanta,” and then they move out in concentric circles. Given the economy, candidates are more flexible to consider geographic locations they would not have considered previously—especially if they are unemployed. There were several telecommuting opportunities in the past, but there seems to be a decrease in this option, starting out. However telecommuting may be possible after several months of work in the office setting, although even here this is becoming less and less common. The reason for this is that companies want to see you, want to see how you work, and they want to make sure that you are toeing the mark. If you are not in the office daily, it is difficult to evaluate your performance and may make you more vulnerable than someone who works in the office.

**Reimer:** Especially if you’re in management, it is not conducive to work from home. Additionally, telecommuting is common for proven employees—especially when there’s a change in their family circumstances such as a spouse’s new work obligation—but it is exceedingly rare to be hired directly into a telecommuting role.

**Milkint:** I’ll be a bit of a contrarian here. Actuaries work in a national market. They relocate all the time. If actuaries are

<sup>1</sup> Solvency II has objectives of improving policyholder protection and increasing competition in the EU insurance market by revising the amount of capital an insurer requires to hold against unforeseen events.

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## A Comparison of Salaries from Actuarial Recruiters (Salaries in \$K)

Aggregate Exams	Years of Experience			
	0 to 1 years	1 to 5 years	5 to 10 years	10 years or more
1 to 2	\$44-65	\$50-85	-	-
3 to 4	\$50-80	\$55-90	\$70-125	-
Near Associates (5 to 6)	-	\$65-95	\$75-140	-
Associates	-	\$80-105	\$90-165	\$100-305
New Fellows	-	-	\$100-215	-
Experienced Fellows	-	-	\$100-240	\$140-500+

### Roundtable Discussion, From page 17

underwater on their homes, it can affect their interest in relocating. I have heard actuaries saying, “I’ll commute on weekends, but I won’t move the family.” Some employers are sensitive to this issue and are extending relocation packages beyond one year.

**Wachholz:** Large sign-on bonuses, ex-pat packages, and home buy-outs are something that has become virtually nonexistent in the last several years. However, in the last six months, I am seeing companies being more willing to buy an actuary’s home for the impressive candidates. It’s been several years since we’ve seen this and it’s likely a sign that companies are willing to pay a premium to attract strong actuarial talent.

**Milkint:** We see that willingness to buy a home at the executive-level for sure. We are seeing companies offer more flexibility, not so much for a pure work-from-home option, but rather in flexible work arrangements such as working a four-day week. Demand for actuarial talent is driving companies’ flexibility.

**Reimer:** Gainfully employed actuaries are sensitive to selling a home that may result in a financial loss. Of course they may offset this loss by procuring a bargain on the purchase of a new home. Yet they sometimes have a psychological problem with the two transactions. It is clear that if companies have a “home

buyout” policy, it will immensely increase the likelihood of a candidate’s acceptance of a job offer.

**Milkint:** We do not see much unemployment in P&C actuaries so we are operating in a talent-driven market.

**Coleman:** Relocation is always a challenge as candidates evaluate job opportunities, family connections and relationships with friends. Another factor today is the cost associated with selling or buying a home. Homeowners who are underwater are very slow to agree to sell until all other options are largely exhausted. They would prefer working from home. Yet companies only offer work-from-home options to well experienced, well-known, individuals on a very limited basis. This is not an option that’s available to newly hired employees.

*Schwartz: Thanks to all for sharing your expertise!*

*Look for Part 2 of the Roundtable Discussion in the November AR. *

# 2010 Election

## Review of CAS Ballot Initiatives



# Constitution, Bylaws Changes to be Voted on During 2010 Elections

**T**he CAS Board of Directors is proposing changes to the CAS Constitution and Bylaws for the Fellows' approval on the 2010 ballot. These proposals are based on resolutions passed during the March 2010 and May 2010 Board meetings, and are the resulting efforts of the CAS Constitution and Bylaws Task Force, which was formed in November 2009.

The Board charged the Task Force with conducting a critical review of the Constitution and Bylaws and recommending changes in response to current and emerging issues. Part of the Task Force's charge was to develop provisions for removing officers/directors from office and enabling members to propose amendments to the Constitution and Bylaws. In addition, the Task Force conducted a general review to uncover "antiquated" provisions and ensure that the Constitution and Bylaws accurately reflect current policies and practice.

The Board believes that the proposed changes represent the opportunity for a clearer governance framework for the CAS.

The proposed changes, each of which will be presented and voted on individually, are enumerated below.

See the proposed amendments in the redlined Constitution and Bylaws beginning on page 18.

## Summary of Proposed Changes to the CAS Constitution and Bylaws

### 1. Provide for the orderly removal of an elected Officer and/or Director from office.

*Changes affecting (1) Constitution Article IV, Section 4, and (2) Constitution Article V, Section 4*

As it is currently written, the CAS Constitution provides no guidance on removing an Officer or Director from office. The Board feels that explicit guidance would provide the CAS with a stronger governance framework.

CAS leadership advised the Task Force that under the law in Illinois (the state of CAS incorporation), appointed Officers can be removed by a simple majority vote of the Board. In addition there is a process in Illinois law for the removal of appointed board members that includes additional notice and majority requirements. Because this statute concerning appointees already exists, the proposed changes are limited to a removal process for elected Officers and Directors. The proposed changes allow CAS members, Officers, or Directors to initiate the process to remove elected Officers and Directors from office. For example, 5% of Fellows can petition to initiate the process for removal; this threshold for member petition is the figure that also currently constitutes a quorum for a meeting of the membership.

Reasons for removal are included so as to give the Board a guidepost for recommending action to the membership. These reasons include violation of the code of conduct; abuse of power; or behavior gravely incompatible with the proper function and purpose of the office.

A vote to recommend removal would require a two-thirds majority of the Board members voting (with the officer or Board member proposed to be removed not voting); and subsequently, the final decision for removal rests with a two-thirds majority of the Fellows voting, as specified under Illinois law.

If this proposal is approved by the Fellows, rules of procedure for a removal recommendation hearing (similar to what exists for discipline cases) will be developed and implemented.



## 2. Provide a mechanism for the membership to initiate amendments to the Constitution and Bylaws.

*Changes affecting (1) Constitution Article XII, and (2) Bylaws Article IX.*

Currently, the Constitution and Bylaws are silent as to the means for proposing amendments. The proposal puts forth a process for the Board (with a two-thirds majority of Board members voting) or the membership (with a petition of 5% of Fellows) to initiate proposed changes. Similar to the threshold selected for initiating the process for removal of an Officer or Director, the 5% threshold for member petition was chosen as that is the figure that currently constitutes a quorum for a meeting of the membership.

The proposal gives a supermajority of the Board the authority to veto a member petition in case such a petition is poorly worded or deemed by the Board to be in conflict with the interests of the CAS.

## 3. Ensure that an Officer is designated to hold the position of Secretary/Treasurer for the Society.

*Changes affecting (1) Constitution Article IV, Section 1, and (2) Bylaws Article IV.*

Currently, no CAS Officer is designated to hold the position of Secretary/Treasurer, and there can be times when the organization needs an Officer to legally fulfill these duties. With Constitution and Bylaw changes in 2006, the CAS created Article IV of the Bylaws that describes the duties of the Chief Staff Executive as they relate to record keeping and financial matters, among the common roles of a Secretary and Treasurer. However, the Chief Staff Executive is not currently designated as an Officer of the CAS.

The proposed changes clarify that the Chief Staff Executive is an Officer of the Society, and explicitly notes that an Officer will henceforth be designated by the Board to serve as Secretary/Treasurer. This clarifying language more accurately reflects appropriate practice while allowing for flexibility in the future regarding the designation of Secretary/Treasurer.

## 4. Align the Constitution and Bylaws with current governance practices within the CAS.

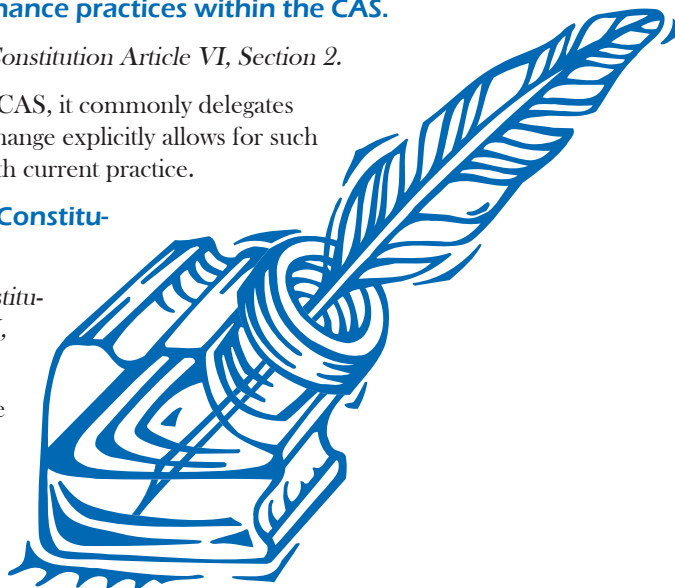
*Changes affecting (1) Constitution Article V, Section 3, and (2) Constitution Article VI, Section 2.*

In order for the Board to focus on strategic issues impacting the CAS, it commonly delegates certain operational tasks to the Executive Council. This proposed change explicitly allows for such delegation, bringing the Constitution and Bylaws language in line with current practice.

## 5. Eliminate antiquated terms and redundancy from the Constitution and Bylaws.

*Changes affecting (1) Constitution Article IV, Section 2, (2) Constitution Article V, Section 2, (3) Bylaws Article II, (4) Bylaws Article III, Sections 2 and 3, (5) Bylaws Article V and (6) Bylaws Article VII.*

In reviewing the current Constitution and Bylaws, the Task Force noted several instances of antiquated language and one instance of redundancy. The changes specifically eliminate gender-specific references as well as references to “mail” ballots. In addition, the changes eliminate a redundant paragraph relating to filling vacant Board positions.



# Frequently Asked Questions on the 2010 CAS Ballot Propositions

## **Q: Broadly speaking, what proposals for revisions to the CAS Constitution and Bylaws will be included on the 2010 CAS elections ballot?**

A: Three broad groups of changes are being proposed:

- A process for removing Officers/Directors (#1 of accompanying article, page 14);
- A process for members to propose amendments to the Constitution and Bylaws (#2 of accompanying article, page 15); and
- A general update removing antiquated provisions and ensuring that the Constitution and Bylaws accurately reflect current or ideal policies and practices (#3-5 of accompanying article page 15).

Each of these proposals will be voted on separately.

## **Q: What are the proposed changes for removing Officers/Directors?**

A: It's the law in Illinois, the state of CAS incorporation, that **appointed** Officers and Directors can be removed by a vote of the Board. The law also specifies that Board members and Officers elected by the membership can only be removed by a vote of the membership but does not specify a means for initiating such a process. The proposed changes fill this gap in the law with language delineating the removal process for elected Officers and Directors.

The proposed changes specify how the removal process will work, such as how to initiate and resolve the action, and reasons for removal. Specifically, the proposed changes state the following:

- There are several options for initiation of the removal process:
  - A petition of 5% of the Fellows, the current figure constituting a quorum for a membership meeting.
  - A two-thirds majority vote of the Officers of the CAS (with the person proposed to be removed not voting)
  - A majority vote of the Board of Directors (with the person proposed to be removed not voting)
- Reasons for removal include code of conduct violations, abuse of power, as well as behavior gravely incompatible with the proper function and purpose of the office. These reasons would guide the Board in recommending such action to the membership.
- A vote by the Board to recommend removal would occur after a hearing and would require a two-thirds majority (with the officer or board member proposed to be removed not voting); subsequently, the final decision for removal rests with a two-thirds majority of the Fellows voting.

If this proposal is approved by the Fellows, rules of procedure for a removal recommendation hearing (similar to what exists for discipline cases) will be developed and implemented.

## **Q: Why are changes needed on proposing amendments to the Constitution and Bylaws?**

A: Because the current Constitution and Bylaws do not include the means for proposing amendments, these proposed changes establish such a process.

Specifically, in order to initiate amendments, a two-thirds majority of Board members voting is required. For member-initiated amendments, a petition of 5% of Fellows is required. (Again, the 5% threshold for member petition was chosen because it is the figure that currently constitutes a quorum for a meeting of the membership.)

The proposal also gives a supermajority of the Board the authority to veto a member petition in case such a petition is poorly worded or deemed by the Board to be in conflict with the interests of the CAS.

## **Q: What prompted the proposals on Officers/Directors removal and amendments to the Constitution and Bylaws?**

A: These proposed changes fulfill the need for guidance on the processes for removing an Officer/Director from office and amending CAS governing documents by petition. The Board feels that such guidance would provide a stronger governance framework for the CAS.

**Q: What are the proposed changes to remove antiquated provisions?**

A: The Constitution and Bylaws contained instances of outdated language, gender-specific references, and one instance of redundancy. The changes simply remove these items.

**Q: What change is being proposed to ensure that the Constitution and Bylaws accurately reflect current policies and practice?**

A: Because of its focus on CAS strategic issues, the Board commonly delegates certain operational tasks to the Executive Council. This proposed change explicitly allows for such delegation. This change also brings the Constitution and Bylaws language in line with current practice.

**Q: What changes will help the CAS follow ideal “best practices?”**

A: Oftentimes the CAS needs an Officer to legally fulfill Secretary/Treasurer duties. Right now no one is appointed to be Secretary/Treasurer of the CAS. When the Constitution and Bylaws were last amended in 2006, Bylaws Article IV was created to outline the duties of the Chief Staff Executive, primarily related to record keeping and financial matters—some of the common duties of a Secretary and Treasurer. However, specific references to the Secretary/Treasurer were removed at that time, and the Chief Staff Executive was not designated as an Officer of the CAS. This created uncertainty that this proposal is meant to clarify as to the status of the role of Secretary/Treasurer.

The newly proposed changes will make the Chief Staff Executive (the Executive Director) an Officer of the Society, and explicitly note that an Officer will from now on be designated by the Board to serve as Secretary/Treasurer. This language more accurately reflects appropriate practice and allows for flexibility in the future about whom can serve as Secretary/Treasurer. The Board’s current intent is to appoint the Chief Staff Executive to serve as Secretary/Treasurer.

**Q: Where can I see the actual proposed changes to the CAS Constitution and Bylaws?**

A: The changes, as they will be if all the proposed initiatives pass, are included in this publication. They are also available on the CAS Web Site and will be available with the election ballot.

**Q: When will the Fellows vote on these proposals?**

A: Balloting will take place with the annual CAS elections, from August 1, 2010, through September 1, 2010.

**Q: What is required to amend the Constitution and Bylaws?**

A: The Constitution or Bylaws may be amended by an affirmative vote of 10% of the Fellows or two-thirds of the Fellows voting, whichever is greater. Each of these changes, which will be decided individually, will require a separate vote.

**Q: Why should the Board delegate responsibilities?**

A: The ultimate responsibility for running the CAS falls to the Board. This is unchanged in the proposed amendments. Running the CAS, however, entails many operational details requiring considerable time and effort.

The current list of Board duties is largely unchanged from the early 1980s. At that time, the CAS had only a single half-time employee housed at the National Council on Compensation Insurance offices in New York City and less than 1,000 members. (Membership totaled only 892 at the end of 1980.) There were far fewer meetings, committees, actuarial students, seminars, etc.

The CAS now has over 5,000 members and a staffed office in Arlington, Virginia. The number of CAS initiatives in process at any point in time is far greater now than it was 30 years ago, requiring a greater degree of delegation by the CAS Board. This greater degree of delegation has already occurred after due deliberation by the CAS Board and the development of a policy statement on such delegation. The proposed changes in the Constitution codify this practice.

# Proposed Changes to the CAS Constitution and Bylaws

[Proposed May 23, 2010]

## CAS CONSTITUTION

NOTE: Deletions are in ~~strike through~~; additions are underlined.

(As Amended September 2006)

### ARTICLE I. - *Name*

This organization shall be called the "Casualty Actuarial Society." (CAS)

### ARTICLE II. - *Statement of Purpose*

The purposes of the Casualty Actuarial Society are to advance the body of knowledge of actuarial science applied to property, casualty, and similar risk exposures, to establish and maintain standards of qualification for membership, to promote and maintain high standards of conduct and competence for the members, and to increase the awareness of actuarial science.

### ARTICLE III. - *Membership*

#### SECTION 1.—CLASSES OF MEMBERS

The membership of the Casualty Actuarial Society shall be composed of three classes:

##### *a) Fellows*

The Fellows of the Society shall be the present Fellows and those who may be duly admitted to Fellowship as hereinafter provided. Fellows shall be eligible to vote, hold office, make nominations, and generally exercise the rights of full membership. Fellows are authorized to append to their names the initials F.C.A.S.

##### *b) Associates*

The Associates shall be the present Associates and those who may be duly admitted to Associateship as hereinafter provided. Associates shall be entitled to attend meetings of the Casualty Actuarial Society and to participate at Society functions. Associates are authorized to append to their names the initials A.C.A.S.

##### *c) Affiliates*

The Affiliates shall be the present Affiliates and those who may be duly admitted as Affiliates. Affiliates shall be entitled to attend meetings of the Casualty Actuarial Society and to participate at Society functions. Affiliates are encouraged to refer to themselves as such, but are not authorized to append CAS initials to their name. In referring to themselves Affiliates may refer to themselves as "Affiliate of the Casualty Actuarial Society" or "Affiliate Member of the Casualty Actuarial Society." They may not refer to themselves as "Member of the Casualty Actuarial Society."

#### SECTION 2.—REQUIREMENTS FOR ADMISSION TO MEMBERSHIP

##### *a) Associateship*

Any applicant shall be enrolled as an Associate upon notification by the Casualty Actuarial Society provided that:

- (i) the applicant successfully completes the examinations prescribed by the Board of Directors for Associateship and complies with any further requirements the Board may prescribe; and
- (ii) the applicant is approved by a majority vote of the Board of Directors.

##### *b) Fellowship*

An Associate shall be enrolled as a Fellow of the Society following notification of successful completion of the examinations prescribed by the Board of Directors for Fellowship, subject to any further requirements the Board may prescribe.



### *c) Affiliates*

An actuary who is not otherwise a member shall be enrolled as an Affiliate upon action of the Board of Directors, subject to such requirements as the Board may prescribe.

### *d) Waiver of Examinations*

The Board of Directors may waive, subject to such other requirements as it may prescribe, any examination of the Casualty Actuarial Society if the applicant has passed an examination required by another recognized actuarial organization that the Board of Directors deems equivalent to such examination of the Casualty Actuarial Society.

### *e) Mutual Recognition*

The Board of Directors may negotiate and implement Mutual Recognition Agreements with other actuarial organizations that qualify actuaries through a process that includes rigorous testing of a comprehensive property and casualty specialization. Such Mutual Recognition Agreements will include requirements that applicants:

- (i) complete the property and casualty specialization requirements and all other requirements for full membership in their home organization,
- (ii) complete the CAS professionalism education requirements, and
- (iii) complete property and casualty experience requirements to be specified by the Board.

The Board may include additional requirements in the Mutual Recognition Agreements.

Any applicant who meets the Mutual Recognition requirements so agreed, and any other requirements prescribed by the Board, and who is approved by a majority vote of the Board of Directors shall be enrolled as a Fellow.

## **ARTICLE IV. - Officers**

### **SECTION 1.—OFFICERS**

The Officers of the Society, all of whom shall be Fellows, shall consist of a President, a President-Elect, and the Vice Presidents. The President, President-Elect and the Vice Presidents, all of whom shall be Fellows, shall be Officers of the Society. The Chief Staff Executive is also an Officer. An Officer shall be designated by the Board as Secretary/Treasurer of the Society.

### **SECTION 2.—ELECTION AND TERM OF OFFICE**

At the close of the annual meeting, the President-Elect shall assume the office of President for a term of one year. Annually, a new President-Elect shall be elected by the Fellows in a secret mail ballot for a term of one year. Before the close of the annual meeting, the Board of Directors shall, by majority vote of the Directors present and voting, elect the Vice Presidents for a term of one year.

The term of all Officers shall begin at the close of the annual meeting in the calendar year of their election and continue until their successors take office.

### **SECTION 3.—DUTIES**

The duties of the Officers shall be such as are customarily incident to their respective offices and such other duties as specified in the Bylaws.

### **SECTION 4. REMOVAL FROM OFFICE**

The process for the removal from office of the President-Elect or President can be initiated by either a petition of 5% of the Fellows, a two-thirds majority vote of the Officers of the CAS (with the person proposed to be removed not voting), or a majority vote of the Board of Directors (with the person proposed to be removed not voting). Reasons for the removal include: violation of the code of conduct; abuse of power; behavior materially incompatible with the proper function and purpose of the office.

Procedures relating to the removal process shall be adopted by the Board. Once the removal process has been initiated, a hearing and vote of the Board will be held within 45 days. A vote to recommend removal requires a two-thirds majority of the Board members voting (with the person proposed to be removed not voting). A Board recommendation for removal shall be subject to approval by a vote of the Fellows, to be held within 45 days of the Board vote. A two-thirds majority of the Fellows voting is required for removal.

## **ARTICLE V. - Board of Directors**

### **SECTION 1.—COMPOSITION**

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.

### **SECTION 2.—ELECTION AND TERM OF OFFICE**

Annually, in a secret mail ballot of the Fellows, four Fellows shall be elected to the Board of Directors for a term of three years. A retiring elected Director shall not be eligible for reelection for at least one year after the expiration of the term for which he the Director was elected. Appointed Directors will be elected by the Board of Directors and will serve a term of one year, renewable for up to three years.

**SECTION 3.—DUTIES**

The duties of the Board of Directors shall be to pass upon candidates for membership, to supervise the publication of papers presented at meetings of the Society, to supervise the examination of candidates and prescribe fees for such examinations, to call meetings, to ratify such committee and other special appointments as may be made by the President, to authorize promulgation of statements of principles, and, in general, to manage the affairs of the Society, and, for the latter purpose, shall determine all questions arising with respect to the interpretation or administration of this Constitution and the Society's Bylaws not inconsistent therewith.

The Board of Directors may, at its discretion, delegate authority to fulfill specific duties to the Executive Council, subject to policies adopted by the Board of Directors and ongoing monitoring and oversight by the Board.

**SECTION 4. REMOVAL FROM OFFICE**

The process for the removal from the Board of the immediate past President or any elected Director can be initiated by either a petition of 5% of the Fellows, a two-thirds majority vote of the Officers of the CAS (with the person proposed to be removed not voting), or a majority vote of the Board of Directors (with the person proposed to be removed not voting). Reasons for the removal include: violation of the code of conduct; abuse of power; behavior materially incompatible with the proper function and purpose of the office.

Procedures relating to the removal process shall be adopted by the Board. Once the removal process has been initiated, a hearing and vote of the Board will be held within 45 days. A vote to recommend removal requires a two-thirds majority of the Board members voting (with the person proposed to be removed not voting). A Board recommendation for removal shall be subject to approval by a vote of the Fellows, to be held within 45 days of the Board vote. A two-thirds majority of the Fellows voting is required for removal.

**ARTICLE VI. - Executive Council****SECTION 1.—COMPOSITION**

The Executive Council shall consist of the President, the President-Elect, the Vice Presidents and the Chief Staff Executive. The number and duties of Vice Presidents shall be determined by the Board of Directors.

**SECTION 2.—DUTIES**

The Executive Council shall act on matters specifically delegated to it by the Board of Directors. It shall act as the principal forum in which the operational activities of the Society are coordinated and monitored, subject to policies adopted by the Board of Directors and monitoring and oversight by the Board of Directors.

**ARTICLE VII.- Meetings**

There shall be an annual meeting of the Society on such date in the last quarter of each calendar year as may be fixed by the Board of Directors, but other Society meetings may be called by the Board from time to time and shall be called by the President at any time upon the written request of 5% of the Fellows. At least two weeks notice of all Society meetings shall be given to the members. At Society meetings, the presiding officer shall vote only in case of a tie.

**ARTICLE VIII. - Quorum**

A majority of the members of the Board of Directors shall constitute a quorum. Five percent of the Fellows of the Society shall constitute a quorum at every meeting of the Society.

**ARTICLE IX. - Public Expression of Professional Opinion**

No opinion with respect to questions of public interest shall be publicly expressed by, or on behalf of, the Casualty Actuarial Society, the Board of Directors, or any committee except on matters within the special professional competence of actuaries and then only in accordance with authority given and procedures determined in each instance by the Board and in accordance with the following conditions:

- (i) An opinion of the Casualty Actuarial Society (CAS) shall require advance approval by an affirmative vote of at least ninety percent of the Fellows who vote in a mail ballot. However, the Board of Directors of the CAS may, by a two thirds vote of all members of the Board, direct the CAS's delegate to the International Actuarial Association (IAA) to vote on behalf of the CAS on a proposed public expression of professional opinion to be issued by the IAA and allow the IAA to list the CAS as a supporting organization of that public expression of professional opinion when the vote is positive.
- (ii) An opinion of the Board of Directors or a committee authorized by the Board to express an opinion shall indicate that it does not purport to represent the views of the Casualty Actuarial Society, but only of the Board of Directors or the committee, as the case may be.

## ARTICLE X. - *Resignation and Discipline of Members*

Any member who is not in default in payment of dues, and against whom no complaints are pending, may resign at any time by filing a resignation request in writing with the Casualty Actuarial Society Office. Notwithstanding the foregoing, the Board of Directors may, in its discretion, approve the resignation of a member in default of payment of dues or against whom a complaint or charge is pending before the Actuarial Board for Counseling and Discipline, the Canadian Institute of Actuaries, or other appropriate investigatory body, or against whom a recommendation for public disciplinary action has been made to the Society by the Actuarial Board for Counseling and Discipline, the Canadian Institute of Actuaries, or other appropriate investigatory body. The Board, on written application of any member who has resigned, may reinstate such member subject to such conditions as it may prescribe.

No member of the Society shall be subject to public disciplinary action except upon action of the Discipline Committee or, in the case of an appeal, the Appeals Panel acting on behalf of the Board of Directors as provided for in the Bylaws of the Society.

## ARTICLE XI. - *Use of Financial Resources: Dissolution*

The funds of the Casualty Actuarial Society shall be devoted exclusively to the purposes stated in Article II hereof. No part of the net earnings of the Society shall inure to the benefit of, or be distributable to, its members, Directors, Officers, or other private persons, except that the Society shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth in Article II hereof. If the Casualty Actuarial Society is dissolved, all of its remaining assets shall be transferred to one or more organizations organized and operating exclusively for purposes similar to those of the Casualty Actuarial Society and which qualifies as an exempt organization under section 501(c)(3) of the Internal Revenue Code of 1954 (or the corresponding provision of any future Internal Revenue Law).

## ARTICLE XII. - *Amendments*

This Constitution may be amended by an affirmative vote of 10% of the Fellows or two-thirds of the Fellows voting, whichever is greater. Notice of such proposed amendment shall be sent to each Fellow by the Casualty Actuarial Society Office at least one month before the vote is taken.

An amendment to the Constitution can be proposed by a two-thirds majority vote of the Board members voting. Alternatively, an amendment can be proposed by a petition of 5% of the Fellows, unless such petition is vetoed by a two-thirds majority vote of the Board members voting.

# CAS BYLAWS

**NOTE: Deletions are in strike through; additions are underlined.**

**(As Amended September 2006)**

## ARTICLE I. - *Order of Business*

The Board of Directors shall authorize the procedure for determining the agenda and order of business at all meetings.

## ARTICLE II. - *Meetings of the Board of Directors*

Meetings of the Board of Directors shall be chaired by the immediate past President and shall be called whenever ~~he~~ the immediate past president or three members of the Board so request. Notice shall be sent to each member of the Board seven or more days before the time appointed. Such notice shall state the objects intended to be brought before the meeting, and, should any other matter be passed upon, any member of the Board shall have the right to reopen the question at the next meeting. At Board meetings, the presiding officer may vote in all cases.

A two-thirds vote of the Board members voting is required for approval or promulgation of statements of principles.

## ARTICLE III. - *Duties of Officers*

### SECTION 1.—PRESIDENT

The President shall preside at meetings of the Society and at meetings of the Executive Council. The President shall appoint all committees and shall perform all duties customarily incident to the Office of President and such other duties as may be prescribed by the Board of Directors from time to time.

### SECTION 2.—PRESIDENT-ELECT

The President-Elect shall have such duties as may be assigned to ~~him~~ by the President or the Board of Directors. In the absence of the President, or in the event of his the President's inability or refusal to act, the President-Elect shall perform the duties of the President.

### SECTION 3.—VICE PRESIDENTS

Each of the Vice Presidents shall have such duties as may be assigned to him by the President or the Board of Directors. In the absence of both the President and President-Elect, one of the Vice Presidents shall be designated by the Board of Directors to preside at meetings of the Society.

### ARTICLE IV. - *Chief Staff Executive*

The Chief Staff Executive shall be responsible for keeping a full and accurate record of the proceedings of meetings of the Society and of the Board of Directors and for sending notices of such meetings. Subject to the direction of the Board, the Chief Staff Executive shall have immediate charge of the archives of the Society, and shall have charge of the books, pamphlets, manuscripts, and other literary or scientific material collected by the Society.

The Chief Staff Executive shall also be responsible for collecting the annual dues of members, paying all bills for ordinary expenditures incurred by the Society and any other bills as authorized by the Board of Directors, keeping a detailed record of all receipts and expenditures, and presenting an accounting of same at the annual meetings. After the financial statements have been audited and reviewed by a committee appointed by the Board of Directors a financial report will be released reflecting the audited results.

The Chief Staff Executive shall have such other duties as may be assigned by the President or the Board of Directors.

### ARTICLE V. - *Elections and Filling of Vacancies*

Procedures for nominations and elections shall be established by a majority vote of the Directors present and voting at a meeting of the Board of Directors. These procedures shall be provided to the membership annually at the beginning of the election process. A majority of the votes cast by Fellows shall be necessary for the election of the President-Elect. For the election of Directors, the four candidates with the highest number of votes cast shall be elected, subject to a requirement that one-third of the valid ballots cast for Director shall be necessary for the election of a Director.

The Board of Directors may fill vacancies in the term of any Officer or member of the Board. Any Officer so appointed shall serve until the next annual meeting. Any member of the Board so appointed shall serve, subject to ratification by the Fellows at the next meeting of the Society, until the expiration of the term of office of the Board member being replaced.

~~The Board of Directors may fill openings on the Board of Directors caused by a change in the number of Directors. These openings may be filled by appointment or by election by the Fellows, at the Board's discretion.~~

### ARTICLE VI. - *Discipline of Members*

#### SECTION 1.—COMPLAINTS AND QUESTIONS

- a. Complaints concerning alleged violations of the Code of Professional Conduct, and all questions which may arise as to the conduct of a member of the Society, in the member's relationship to the Society or its members, or in the member's professional practice, or questions affecting the interests of the actuarial profession, constitute matters for serious consideration.
- b. Such complaints, questions, or requests for advice shall be referred to the national organizations responsible for profession-wide investigation, counseling and/or discipline, e.g., the Actuarial Board for Counseling and Discipline (ABCD) and the Canadian Institute of Actuaries (CIA).

#### SECTION 2.—REFERRAL AND CONSIDERATION OF PUBLIC DISCIPLINARY ACTION

Acting pursuant to Section 1, and if circumstances warrant, the appropriate investigatory body shall present a recommendation for disciplinary action to the Society. The member whose activities are the subject of the disciplinary recommendation is referred to here as the subject actuary.

Disciplinary action includes a public or private reprimand by, or suspension or expulsion from, the Society.

If an appropriate investigatory body recommends disciplinary action to the Society, the matter shall be referred to the CAS Discipline Committee, which shall consider the matter and may take such disciplinary action with respect to the CAS member (the subject actuary) as it deems appropriate in accordance with Rules of Procedure adopted from time to time by the Board of Directors.

The CAS Discipline Committee shall consist of ten Fellows. The Chairperson shall form a Discipline Committee Panel consisting of seven members of the Discipline Committee each time a recommendation for disciplinary action against a member is received from an investigatory body.

The Discipline Committee Panel shall schedule a hearing at which the subject actuary shall have the right to appear personally and with counsel and/or other advisor (at the subject actuary's expense) to explain why the recommendation of the investigatory body should not be followed. A hearing of the Discipline Committee Panel shall require a quorum to be present, which shall be five members of the Panel.

The Discipline Committee Panel shall provide written notice of this hearing, including the time, date, and place where the Discipline Committee will consider the matter, to the subject actuary not less than 45 days in advance of the hearing date. The 45-day time limit may be waived by mutual written consent of the parties.



A Discipline Committee Panel decision to render an order to publicly reprimand, suspend or expel the subject actuary requires an affirmative vote of at least five members of the Discipline Committee Panel. The decision of the Discipline Committee Panel shall include a written report of its findings and the rationale for the conclusion. The decision of the Discipline Committee Panel action shall be provided to the subject actuary within 30 days after the decision is reached.

The decision of the Discipline Committee Panel shall be considered final and binding unless written notice of appeal is submitted by the subject actuary within 45 days of receipt of the decision of the Panel.

### **SECTION 3.—APPEALS**

The subject actuary shall be entitled to appeal the decision of the Discipline Committee Panel by submitting a written request for an appeal to the CAS President within 45 days from receipt of the Discipline Committee Panel decision.

The CAS President shall designate five members of the Board of Directors as eligible to serve on an Appeals Panel, from which the subject actuary shall select three members to serve on the Appeals Panel. The Appeals Panel shall act on behalf of the CAS Board of Directors and in accordance with the Rules of Procedure.

The full written record, decision, findings and vote of the Discipline Committee Panel shall be made available to the Appeals Panel. The appeal shall be based entirely upon the written record and shall not include any appearance by the subject actuary but may include a written submission by the subject actuary, and any reply submission by the Chairperson of the Discipline Committee Panel.

The Appeals Panel shall conduct and complete the appeal within 90 days after receipt of the request for appeal. The Appeals Panel may affirm, modify or reverse the decision of the Discipline Committee Panel. A decision to do other than affirm shall require a determination by the Appeals Panel that: (1) the Discipline Committee Panel's factual determinations were clearly erroneous and, absent such errors, a different action is warranted; or (2) the Discipline Committee Panel failed to conform to the Rules of Procedure in a manner that was unduly prejudicial and which led to an unwarranted result; or (3) the disciplinary action imposed by the Discipline Committee Panel was clearly inconsistent with the magnitude of the Code of Professional Conduct violation or the harm that was done. The decision of the Appeals Panel shall require the vote of at least two members of the Appeals Panel.

The Appeals Panel decision shall include a written statement of the Panel's findings and conclusions and shall be provided to the subject actuary, the Chairperson of the Discipline Committee Panel, the Panel members, the CAS President and Chief Staff Executive, the CAS Board of Directors and the authorized representative of the relevant investigatory body. The Appeals Panel decision shall be final.

### **SECTION 4.—REINSTATEMENT**

An individual who has been expelled may be reinstated only upon request to and approval of the Board of Directors.

### **SECTION 5.—CONFIDENTIALITY AND NOTIFICATION**

All proceedings under this Article shall be confidential in accordance with the Rules of Procedure.

The Board of Directors shall notify the members in all instances in which the Discipline Committee Panel orders public disciplinary action. Notification shall not be given until the time to appeal has expired or, in the event of an appeal, until such appeal has been resolved. At the same time notification is given to the members, the Board of Directors shall also give notice of any public disciplinary action to the appropriate investigatory body, all other actuarial organizations of which the individual is a member, and to other persons and organizations, including government entities, which, in the opinion of the Board, should also receive notice of the action as being in the best interest of the public.

In the event of subsequent reinstatement of the member, the Board of Directors shall give notice of such action to all members and to entities previously advised by the Board of the public disciplinary action.

### **SECTION 6.—CASE REVIEWS**

The Board of Directors retains the right to review a decision by a national organization responsible for profession-wide counseling and discipline which does not result in a recommendation for disciplinary action with respect to a CAS member.

## **ARTICLE VII. - *Indemnification of Officers, Members of the Board of Directors, Committee Members, Presidential Appointees and Employees***

~~Each person~~Persons who at any time shall serve, or shall have served, as ~~an~~an Officers, members of the Board of Directors, committee members, Presidential appointees, members of any disciplinary board of the Society, or who ~~is~~are employees, or who ~~was~~were employees of the Casualty Actuarial Society (and ~~his~~their heirs, executors, administrators, and personal representatives) shall be indemnified by the Society against all costs and expenses (including but not limited to legal fees, amounts of judgments paid, and amounts paid in settlements) reasonably incurred in connection with the defense of any claim, action, suit, or proceeding, whether civil, criminal, administrative, or other, in which ~~he~~they may be involved by virtue of such persons being or having been ~~an~~an Officers, members of the Board of Directors, committee members, Presidential appointees, members of any disciplinary board of the Society, or who ~~is~~are employees, or who ~~was~~were employees of the Casualty Actuarial Society, or in connection with any appeal therein; provided, however, that in the event of a settlement the indemnification herein provided shall apply only when the Board of Directors approves such settlement; and provided further that such indemnity shall not be operative with respect to any matter as to which such persons shall have been finally adjudged liable in such claim, action, suit, or proceeding on account of ~~his~~their own willful misconduct.

The rights accruing to any persons under this Article shall be without prejudice to any rights or benefits given by the Board of Directors inconsistent therewith in special cases and shall not exclude any other rights or benefits to which ~~he~~they may be lawfully entitled.

## ARTICLE VIII. - *Dues*

### SECTION 1.—AMOUNT

The Board of Directors shall fix the annual dues for Fellows, Associates and Affiliates.

### SECTION 2.—FAILURE TO PAY

The Casualty Actuarial Society shall be responsible for notifying by mail any Fellow, Associate or Affiliate whose dues may be six months in arrears, and to accompany such notice by a copy of this Article. If a Fellow, Associate or Affiliate shall fail to make payment within three months from the date such notice is mailed, the Fellow, Associate or Affiliate shall cease to be a member, except at the discretion of the Board of Directors this provision may be waived.

### SECTION 3.—EXEMPTION, DEFERRAL OR WAIVER

The Board of Directors may, at its discretion and in accordance with established policy, exempt, defer or waive, partially or fully, the dues of any member who submits a written request to the Board of Directors before dues have become six months in arrears, citing the reason for the request.

### SECTION 4.—REINSTATEMENT

A Fellow, Associate or Affiliate who has ceased to be a member because of failure to pay dues, or by voluntary resignation, may be reinstated by a majority vote of the Board of Directors upon payment of a reapplication fee, to be set by the Board of Directors, and such payment may be partially or fully waived by the Board at its discretion.

## ARTICLE IX. - *Amendments*

These Bylaws may be amended by an affirmative vote of 10% of the Fellows or two-thirds of the Fellows voting, whichever is greater. Notice of such proposed amendment shall be sent to each Fellow by the Casualty Actuarial Society at least one month before the vote is taken.

An amendment to the Bylaws can be proposed by a two-thirds majority vote of the Board members voting. Alternatively, an amendment can be proposed by a petition of 5% of the Fellows, unless such petition is vetoed by a two-thirds majority vote of the Board members voting.

# The Case Against Stochastic Reserving

Much has been made of late about the actuarial profession's need to upgrade its tool set, including the need for reserving actuaries to become proficient in stochastic reserving, but should this relatively new tool always be utilized? Are there times instead when it should stay in the tool box? The following is an attempt to raise some questions about this decision, and hopefully open some eyes about alternatives and new perspectives on this issue.

## The Strength and Weakness of Stochastic Reserving

Many believe that stochastic reserving can give the “full” probability distribution of the possible outcomes for a given aggregate claim liability. But this distribution of outcomes is only as good as the assumptions (and data) that go into the process. Its strength is in measuring the *process risk* implicit in the model built to represent the claim liability. It is weak at measuring *parameter risk* (and only measures that risk if parameter uncertainty can be reasonably modeled with its own probability distribution). It generally does not measure *model risk* or *systemic risk*.<sup>1</sup>

This implies that stochastic reserving is well suited for small data sets where process risk dominates (e.g., small insurers, low volume lines of business), but may be poorly suited for large data sets where process risk is virtually nonexistent (relative to the aggregate liability).

## Is the Underlying Process Even Stochastic?

What is sometimes overlooked in this discussion is whether the underlying claim process is even a random process. Could it instead be a deterministic process, but with insufficient information concerning the deterministic nature of the event?

For example, consider a single court case to be decided by a judge. An actuary may be tempted to label the outcome a random variable, but try telling that to the judge. Try telling a judge that his or her decision is nothing more than a random variable. The judge will tell you that the decision will be based on the facts and circumstances of the case as she or he sees it, and is not at all “random.”

Consider another example. Suppose I am trying to estimate the time it will take for my commute back home. A stochastic model might say that the median time is 20 minutes, but there is a 25%

chance that it will take 30 minutes or more. But what if rain causes the delay most of the time? Why run a stochastic model to estimate the probability of getting home late, when I can do even better by looking out the window (and looking for rain) before heading home? I can replace my stochastic model with direct observation, and improve my prediction/estimation process materially.

## Decision Useful Information

In reality, most claim liability situations probably include both deterministic and stochastic components. But even the stochastic components may have a limited number of drivers that may be best modeled by deterministic scenario analysis. If we take the time to “look out the window and see if it’s raining” before we go forward with our modeling, we may learn valuable information. We might even produce much better management information.

For example, picture yourself presenting the results of your reserve analysis before the company’s CFO. You could tell the CFO that the reserves have a 25% chance of developing unfavorably by more than \$10 million. Or you could tell the CFO that the reserves may develop unfavorably by \$10 million (or possibly more) if a certain identified trend in the data persists. Which is more “decision useful” to the CFO and the company?

In my personal experience, giving an experienced business person an exact probability and associated precise dollar amount will result in less perceived credibility of the actuary, not more. Why? Because an experienced insurance business person is used to uncertainty, used to surprises, and used to estimates changing over time due to events unfolding that couldn’t have been predicted. Anyone who implies precision where such precision doesn’t exist (such as by stating a 75th percentile to the exact dollar) would be viewed with skepticism, and may be viewed as being naïve. If instead the actuary can discuss the causes of the uncertainty, and what may be monitored to give advance warning of how the uncertainty may play out, the actuary gains credibility. Management can make use of that advance warning, and take action on it as things play out.

## An Overlooked Tool

What can help the reserving actuary find these underlying drivers, the advance warnings that can guide management on what to look out for? One answer is data mining, perhaps including predictive modeling. It is much more valuable for the actuary to identify the drivers of the uncertainty than to simply

<sup>1</sup> The systemic risk issues can sometimes be modeled using copulas, which model the correlations of different events/distributions in the tail, but this raises significant issues as to how to parameterize the copula given few to no observations concerning these tail events.

# The U.K. Continuing Professional Development Policy

By Kathryn Morgan, FIA, Member, CAS Board of Directors

In light of the CAS Board approving the new continuing education policy, I thought it would be helpful to describe the importance of continuing professional development (CPD) to actuaries in the U.K. The U.K. policy for CPD has been fully in operation since 2007 and has evolved over time. This article summarizes the current policy, explains why the policy was set up, and tells what happens to actuaries who don't comply. As a U.K. actuary who has to comply with the policy, I've also added some personal observations.

## The Current Policy

The first part of the policy is declaring what kind of actuary you are—this is a choice among being an actuary:

- with a practicing certificate (for a role required by law to be fulfilled by an actuary)
- working in an actuarial field without a practicing certificate (for example, pricing P&C business)

Classifying one's self is reasonably easy to do, but also easy to forget to do. Failing to declare this to the profession every year can and does result in disciplinary action.

The second part of the policy is actually doing the CPD. Each type of actuary has to do a minimum number of hours of CPD each year. Some must be technical CPD and some must relate to professional skills. There are also requirements about the minimum number of distinct activities. CPD also has to be activities that are verifiable or able to be evidenced (e.g., attending a meeting where a register is taken and kept, or producing an article as output)—these can be events or private study. A key aim here is to get a good mix of learning and to increase exposure to different ideas. So a U.K. actuary might attend an in-house event where capital modeling was discussed and could count this as verifiable, technical CPD from an internal event.

Actuaries with practicing certificates have the highest requirements, having to do 30 hours of verifiable CPD each year. The other class of actuaries (the most common ones) have to do 15-20 hours each year, which must be verifiable. Both types of actuaries have to attend a professionalism course at least once every 10 years.

I am an “other” actuary, so have to do at least 15 hours of CPD a year, depending on the mix of events and private study. I don't find this difficult as there are a lot of opportunities to do different types of CPD. I have the advantage of working with a lot of actuaries and also I work in London, where many P&C actuarial events happen. The key to doing CPD is planning ahead and logging it during the year to make sure you are on track—trying to do 10 hours of technical CPD in the last week of the CPD year is not just a pain, but also missing the point of the policy.

The third part of the policy is recording the declaration and the CPD, and keeping records. The U.K. Profession has set up a members-only section of the Web Site where each Fellow or Associate must log both their declaration and all the CPD they do.

This makes the policy relatively easy to comply with, as the system summarizes your CPD by different types so you can see where you are against the requirements. It also makes it easy for the profession to spot who hasn't complied with the policy—remember that declaring your status and recording your CPD is as important as doing it.

## Why Did We Bother Having Such a Complicated Policy?

The policy is not that complicated, it just reflects the reality of actuarial work as well as the need for actuaries to not only keep up-to-date but also be seen to be up-to-date—this increases public confidence in the profession. In the U.K., the actuarial profession has come under criticism after some public failures, for example, the failure of the U.K. company Equitable Life led to major changes for the U.K. actuarial profession. One element of our response has been to increase the emphasis on CPD, both doing it and being seen to do it.

## What Happens If You Don't Comply?

As mentioned before, the profession disciplines actuaries who do not declare what type of actuary they are and who do not log their CPD as well as those who do not do CPD. Punishments can range from a reprimand to a fine of about £4,000. The profession does try to help someone into compliance, before starting discipline proceedings.



It can seem harsh to punish people who are doing CPD but not logging it. However, the policy as a whole has to be complied with and that includes the declarations. It's also hard to judge from an incomplete declaration whether someone has done the CPD and just not logged it or has not done CPD. I used to think the profession was overreacting to small administrative failures. I now think that for everyone to take the policy seriously, it has to be seen to have a downside for non-compliance. I *hope* that I would comply fully regardless of the risk of disciplinary action, but I *know* that I absolutely do not want to be listed in *The Actuary* and on the profession's Web site as a sinner!

#### To learn more...

For more information, visit these useful links.

#### CPD Policy:

[http://www.actuaries.org.uk/\\_\\_data/assets/pdf\\_file/0007/136195/CPDhandbook.pdf](http://www.actuaries.org.uk/__data/assets/pdf_file/0007/136195/CPDhandbook.pdf)

#### Discipline Policy<sup>1</sup>:

[http://www.actuaries.org.uk/\\_\\_data/assets/pdf\\_file/0009/152937/scheme\\_institute\\_20090701.pdf](http://www.actuaries.org.uk/__data/assets/pdf_file/0009/152937/scheme_institute_20090701.pdf)

#### Recent Cases:

[http://www.actuaries.org.uk/regulation/conduct\\_discipline/determinations](http://www.actuaries.org.uk/regulation/conduct_discipline/determinations)

*Kathryn Morgan is an appointed member of the CAS Board of Directors.* 

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<sup>1</sup> This reference is to the Institute of Actuaries' policy. The Faculty has a very similar policy. These policies will be combined when The Institute and Faculty merge in August 2010.



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#### Random Sampler, From page 31


model the uncertainty in stochastic terms. If the drivers are identified and understood, management has many more options for managing the risk.

To some extent, predictive modeling may be viewed as the antithesis of stochastic modeling. Stochastic modeling tries to create random variables to model what may be at least somewhat deterministic. Predictive modeling tries to produce more deterministic models to replace what is otherwise viewed as random.

#### A Full Tool Box

None of the above is meant to discourage actuaries from

learning about stochastic modeling. I personally believe that there is no alternative to such modeling with regard to evaluating reserve risk for economic capital models (provided other tools such as copulas are utilized to better address tail risk). But it is necessary when adding a tool to your tool box to know both when to use it and when not to use it. It is also important to realize when a new tool has a use that may otherwise be ignored (such as predictive modeling and data mining for reserve analysis). In the final analysis, however, it is not the number or sophistication of the tools in the tool box, but the skill of tool user that matters most.

*Ralph S. Blanchard III is CAS President-Elect.* 

# CAS Recognizes 2009-2010 Partners

In mid-2009, the CAS launched an integrated sponsorship program built around Society Partners, which are firms that demonstrate a commitment to the CAS and its mission by making an annual financial pledge to support CAS activities. A Society Partnership spans 12 months, from October 1 to September 30, to coincide with the CAS fiscal year. To receive the exclusive benefits of this program, Society Partners committed to a certain level of support at the beginning of the fiscal year. Three tiers of partnership were offered, with exposure opportunities and other benefits commensurate with the level of investment.

As the 2009-2010 Society Partners Program comes to a close, the CAS wishes to recognize its inaugural Partners.

## Platinum Partners



## Gold Partner



## Silver Partners



The 2010-2011 Society Partners Program will be announced in August 2010. Visit the CAS Web Site, or contact Mike Boa, Director of Communications and Marketing (703-562-1724 or [mboa@casact.org](mailto:mboa@casact.org)), to learn more. 

# CAS Unveils Plans to Award the CERA Designation

**O**n November 13, 2009, the CAS, SOA and 12 other actuarial organizations across the globe signed a treaty for the purpose of establishing a new enterprise risk management (ERM) designation, designed to promote actuaries in the field of ERM. The credential will be awarded through qualified participating associations and will incorporate and adopt the name CERA, or Chartered Enterprise Risk Analyst, which is currently issued by the Society of Actuaries (SOA). The credential will identify actuaries who meet stringent education requirements in ERM and are governed by a strong code of professional conduct.

While the treaty signing was an important milestone, it only marked the beginning of the process that will eventually allow the CAS to award the CERA credential in the future.

## Forming the CERA Global Association

During early 2010, the international CERA Treaty Board was formed. The Board is the governing body of the global ERM credential, and the CAS is represented on the Board by John Kollar. Per the treaty, the CERA Review Panel was also formed. The purpose of the Review Panel is to ensure that each treaty organization's proposed CERA program meets the treaty standards. As each organization applies to become an Award Signatory (i.e., obtains permission to award the CERA designation) it must first be reviewed by this panel, which then makes its recommendation to the Board. The Board reviews and acts upon all Award Signatory applications. The CAS's representative on the Review Panel is Steve D'Arcy. In addition, Gary Venter is a reviewer.

The CERA Board created a legal entity under Swiss law to house the intellectual property rights shared by all treaty-signing organizations; the organization is called the CERA Global Association.

The process of reviewing applications to become an Award Signatory began with the application of the Institute of Actuaries (U.K.), followed by the Institute of Actuaries of Australia and the CAS. The review of the CAS's program has just been started, but no official timeline for completion of the review has been announced. Once the review is completed and the international Board has approved the application, the CAS may begin awarding the CERA designation. Review of other organizations' applications will follow.

## Proposed CAS Paths to Obtaining CERA

The CAS has proposed, in its application, to offer two paths by which individuals may obtain the CERA (pending CERA Treaty Board approval).

The first path involves exams, and there are four ways that candidates may earn CERA through this process:

1. Under the 2011 syllabus, CAS Associateship requirements plus successful completion of new Exams 7, 9, and RM will be required to qualify for CERA. Exam RM is American Institute for Chartered Property Casualty Underwriters Exam ERM 57—Enterprise-Wide Risk Management.
2. Fellows who do not satisfy the first criteria are required to successfully complete a rigorous ERM seminar plus Exam RM to qualify for CERA. This option will be offered on a transitional basis for a limited period of time, with the exact timeframe still to be determined.
3. Associates who do not satisfy the first criteria are required to have credit for current (2010) Exam 8 and successfully complete the rigorous ERM seminar plus Exam RM to qualify for CERA. This path will be offered on a transitional basis for a limited period of time, with the exact timeframe still to be determined.
4. Under Options 2 and 3, Exam RM and the rigorous ERM seminar can be replaced by either of the following examinations: (a) SOA Advanced Finance/ERM exam including its related Internet modules or (b) the U.K. ST9 Enterprise Risk Management Specialist Technical Exam. This path is anticipated to still be available when the rigorous ERM seminar is no longer offered. Otherwise, after the ERM seminar is no longer offered, the only other way to qualify for CERA is option 1 above.

The second path is called the Experienced Practitioners Pathway (EPP), consistent with the Treaty, which states:

"The [CERA Treaty] Board may choose to approve an arrangement whereby an Award Signatory may...award the Treaty Designation to a number of its members who are leading practitioners and academics and who are considered, by virtue of their experience, to have demonstrated a level of knowledge and understanding of ERM comparable to that achieved by other Designees."

The CAS plans to model this program after the SOA's. Pending

## CERA Designation, From page 35

approval by the CERA Treaty Board, the following steps would be implemented for the EPP:

1. An announcement will be sent to CAS members inviting them to apply for CERA via EPP.
2. Interested candidates will complete an application in which they must demonstrate substantial professional ERM expertise.
3. A CAS review team will review all applications and make a determination as to which applicants are to be awarded CERA through EPP.
4. Accepted applicants must participate in a seminar covering advanced enterprise risk management topics. This seminar is anticipated to span two days and would be taught by CAS CERA members and other qualified faculty. Note that the EPP seminar is NOT the same seminar as that required as part of the exam path. Exam-path candidates must attend the exam-path seminar; EPP-path candidates must attend the EPP seminar.
5. Upon completion of the seminar, applicants are awarded CERA.
6. Applicants declined CERA through EPP may pursue CERA through the normal exam route.

It is expected that the EPP will be offered for a limited time. Once the program begins, applications would be accepted for a period of a few months. Several EPP seminars would then be offered over a period of 12 to 18 months to accommodate schedules. After that time, the EPP path would no longer be available, and those pursuing CERA would need to do so through the exam route. Additional details regarding the application process and the seminar will be provided as soon as they are available.

In addition to these two pathways, there are currently about 40 CAS members who obtained the CERA designation through the SOA. These members will be invited, but not required, to


transfer their designation to the CAS. There will be no additional qualification requirements for this group.

### Timeline for Awarding CERA

The proposed CAS CERA program is being reviewed by the CERA Review Panel, and then would be considered by the CERA Treaty Board, and this process may span a couple of months. The EPP could begin shortly after final approval by the CERA Treaty Board. If, for illustration, approval is received at the end of August 2010, an EPP announcement and invitation to apply would be released right away. Applications would be accepted and the CAS Review Team would begin reviewing individual applications. Under this scenario the first EPP seminar could be offered in late 2010 or early 2011.

Exams for the revised 2011 education structure will begin in May 2011. Exam RM is currently available through the American Institute for Chartered Property Casualty Underwriters as ERM 57—Enterprise-Wide Risk Management. The exam is offered by computer-based testing in four two-month windows each year. The rigorous ERM seminar could be available in the fourth quarter of 2010.

### Volunteer Opportunities


Many CAS volunteers are currently involved in various aspects of the CERA designation, including syllabus and exam design and EPP design. In addition, volunteers are serving in different roles with the CERA Treaty Board and CERA Global Association. More volunteers are needed in the effort to launch CAS CERA. On an on-going basis, volunteers will be needed for the ERM Committee (whose charge includes the administration of the CERA within the CAS). Volunteers will also be needed to represent the CAS on the international board and review teams. If you are interested in volunteering for these efforts, please complete the Participation Survey or contact Larry Peacock at the CAS office at [lpeacock@casact.org](mailto:lpeacock@casact.org) or (703) 276-3100. 

## 25 Years Ago, From page 5

many binary numbers any more but still occasionally worries about input, although at ISO they call it data quality.” *Interested readers might want to review the pre-1965 exam questions themselves.*

*The IRS was proposing the loss reserves be discounted for tax purposes (this writer realizes he is getting old when he thinks of the Tax Reform Act of 1986 as being recent!), and Richard G. Woll provided a long analysis in a front page article headlined “The Treasury’s ‘QRA’ P/C Tax Proposal,” while Stephen Philbrick, in his Random Sampler column, wrote: “I realize*

I haven’t said anything very controversial for a while. Wishing to rectify that situation, I am going to propose reasons why the management of some insurance companies should be in favor of changes that would require *discounted* loss reserves to be used in the calculation of Federal Income Taxes.”

Last, and a somewhat unfortunate reminder of the changing times, Thomas G. Meyers wrote an article addressing an upcoming problem that many members probably thought was extremely unlikely. The title tells it all: “Actuarial Malpractice Liability is Real, Actuaries Cautioned by CAS Panelists.” 



# Does the Placement Go to the Lowest Quote?—Another Look at an Ethics Question

**A**s an FCAS, a former reinsurance broker for six years, and now in a reinsurance underwriting role, the topic discussed in “Does the Placement Go to the Lowest Quote?” (Ethical Issues Forum, *AR* May 2010) very much hits close to home. I feel this is a very fair topic to raise, and this is an issue that is not uncommon in the reinsurance marketplace. Furthermore, with respect to where we are in the pricing cycle, this is a very well-timed piece. For that, the *AR* and the CAS Committee on Professionalism Education (COPE) are to be commended for their efforts. The viewpoints expressed here are mine alone, and do not necessarily represent the views of my current or prior employers.

Unfortunately, however, this is not a debate. The answer to the question, “Is it okay for Joe to place a very large part of TWIC’s reinsurance coverage with LC Re at the quoted price?” is absolutely yes. The points below illustrate both Joe’s responsibilities as broker (not actuary), as well as the responsibilities of Joe’s employer, BBI, as a reinsurance brokerage firm.

## What the Broker’s Responsibilities Are Not

- Neither Joe, nor his actuarial department, is providing formal actuarial services for TWIC. It is true that BBI is performing an actuarial analysis of TWIC’s business to get an opinion on the loss costs and variability of the subject business to be reinsured. In addition, BBI will perform further analyses and form opinions on the effects resulting from the indications that come back from the market. However, BBI is not issuing a formal actuarial statement of opinion on these analyses, and clearly communicates as such to the client. The purpose of BBI’s actuarial work is to provide TWIC with an unbiased (some cedants may dispute my use of the word unbiased) opinion of the resulting effects of the reinsurance programs on TWIC’s balance sheet and income statement, in order to assist the client in making a well-informed reinsurance purchasing decision.
- The consultant has been retained and remunerated by LC Re, not BBI. Therefore, it is the responsibility of LC Re, not BBI, to assess the quality of its consultant’s work. While it can be said that it is a professional courtesy for BBI to converse with LC Re regarding LC’s consultant’s analysis, BBI has no professional or legal duty to do so. Further, it can

be argued that once BBI chooses to insert itself into LC Re’s pricing process, BBI then exposes itself to issues acting as an agent for the client, as well as for the reinsurer. In the worst of circumstances, this could be construed by the regulatory authorities as being collusive and anticompetitive behavior that would violate federal antitrust laws. The possibility that BBI was acting with only the best intentions is irrelevant.

- It is not the responsibility of BBI to assess the underwriting process or appetite of LC Re. Joe does not know what transpires behind the scenes at LC Re, and it is entirely possible that all of the processes and procedures at LC Re have been followed. It is possible that LC Re is fully aware of what may look to be aggressive pricing, but simply sees or believes something the rest of the market does not. It is common practice in the reinsurance industry that underwriting decisions are made that look at face value contrary to the pricing indication. An underwriter’s view of the prospective landscape may, in fact, differ from the actuarial analysis that is more reflective of the historical internal and external landscapes.

## What the Broker’s Responsibilities Are

- Clear and transparent communications: It is the broker’s responsibility to provide the client with all quotes, indications, and communications that come back from the reinsurance marketplace as presented. The broker is free to provide its opinion on the quality of the proposals and how they stack up against the competition, but all the work completed by the market is its alone. Acting in a manner outside the broker’s charter has the potential to expose the broker to duties it does not intend to perform (and is not compensated for).
- Market security: BBI has a fiduciary obligation to place reinsurance for its clients with reinsurers that BBI believes are of strong financial standing, so that claims will be paid. All brokers have market security committees that review the quality of assuming reinsurers, and that committee works with their clients to fully vet the viability of a prospective reinsurer. Perhaps based on their quote, BBI’s market security committee should take a closer look at LC Re to make sure it is still of an acceptable financial standing.

# 2010 Grant Recipients Announced


In an effort to support the advancement of knowledge in actuarial science, the Individual Grants Competition is held annually as a joint effort of The Actuarial Foundation, the Society of Actuaries' Committee on Knowledge Extension Research, and the Casualty Actuarial Society. The 2010 competition resulted in a multitude of interesting and exciting research proposals.

As a co-sponsor of the competition, the CAS chooses to partially or fully fund any research projects that seem promising and useful to the property and casualty insurance field. After reviewing all of the proposals submitted by the researchers for the 2010 competition, the CAS Research Grants Task Force, chaired by Linda Howell, selected projects that were potentially useful to CAS members and therefore worthy of funding. Over \$60,000 in funding was awarded.

Five projects will be supported by CAS funding this year. They are:

- "Capital Allocation in the Property-Liability Insurance Industry" by Stephen D'Arcy, Ph.D., FCAS, MAAA
- "Sequential Analysis of Actuarial Risks and Credibility" by Michael Baron, Ph.D.
- "Incorporate the Dependence Structure in Estimating Loss Reserves" by Jun Zhou, Ph.D.
- "Robust-Efficient Methods for Regression Credibility" by Vytautas Brazauskas, Ph.D., and Harald Dornheim, Ph.D.
- "Assessing the Joint Effects of Auto and Homeowner Claims" by Edward W. Frees and Yunjie Sun

Completed papers are expected to be submitted to either *Variance* or the *North American Actuarial Journal* upon completion and will be available on the CAS Web Site.

For anyone interested in participating in the 2011 Individual Grants Competition, letters of intent are due in October. More information can be found on The Actuarial Foundation's Web Site. 

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## Opinion, From page 37

- Relationship management: This is the most delicate of issues. The broker must maintain its reputation by preserving the best relationships both with its clients as well as the reinsurance marketplace. The client wants the most favorable terms with a solid reinsurer, and most will not react well if it learns that its broker is essentially telling a market to raise their price. At the same time, the reinsurer always wants feedback as to where its indication has stacked up against that of the competition. Clearly, LC would welcome BBI's feedback that LC was the low-cost provider. However, the broker is precluded by law from exposing the details of competing quotes, and discussions of such nature should be nonrevealing. As mentioned previously, if BBI feels that LC's consultant has made an error in the analysis, a conversation to that end would be well received by LC as a professional courtesy, and would enhance their relationship. However, the potential risks of violating antitrust laws as well as client relationships must be taken into account when deciding how or if to raise the issue.

Note that I did not mention "actuarial consulting services" as a responsibility of a reinsurance broker. This is a service that

some reinsurance brokers provide, and some do not. There are no requirements when being licensed as a reinsurance broker that one of the broker's responsibilities is to provide actuarial guidance. Some brokers choose to utilize actuarial/statistical services and models as a value-added service in hopes of differentiating itself as a broker from the competition. But, a broker stops short of issuing formal actuarial opinions because it is absent from their charter and represents a potential conflict of interest.

Finally, it is true that all members of the CAS are bound by its Code of Professional Conduct. This applies to Joe, despite the fact he is not currently acting in an actuarial capacity at BBI. However, Joe is not bound by the Code for work completed by others, and as the scenario mentions, Joe did not see the analysis. So, Joe is not in a position to opine on the quality of the work, and is only speculating that an error was made. Joe is not acting without integrity by remaining silent on an issue he is not in a position to challenge in the first place. In fact, it would be irresponsible (and a violation of the Code) for Joe to voice his opinions without conducting a thorough analysis to support his position.

*John Levy is an Underwriter/Actuary for IAT Reinsurance Co. Ltd. in Rolling Meadows, IL.* 

# Upgradecrocky

(with apologies to Lewis Carroll)

'Twas thrillig, while the solver goves  
But myred and fumbled with the ribbon;  
All flimsy were the shortcuts now,  
And the moans of wraths outshpillon.

“Beware the Upgradecrock, my son!  
The print that hides, the macros that harm!  
Beware the Cutcut linx, and shun  
The lumious Bandwidthcharm!”

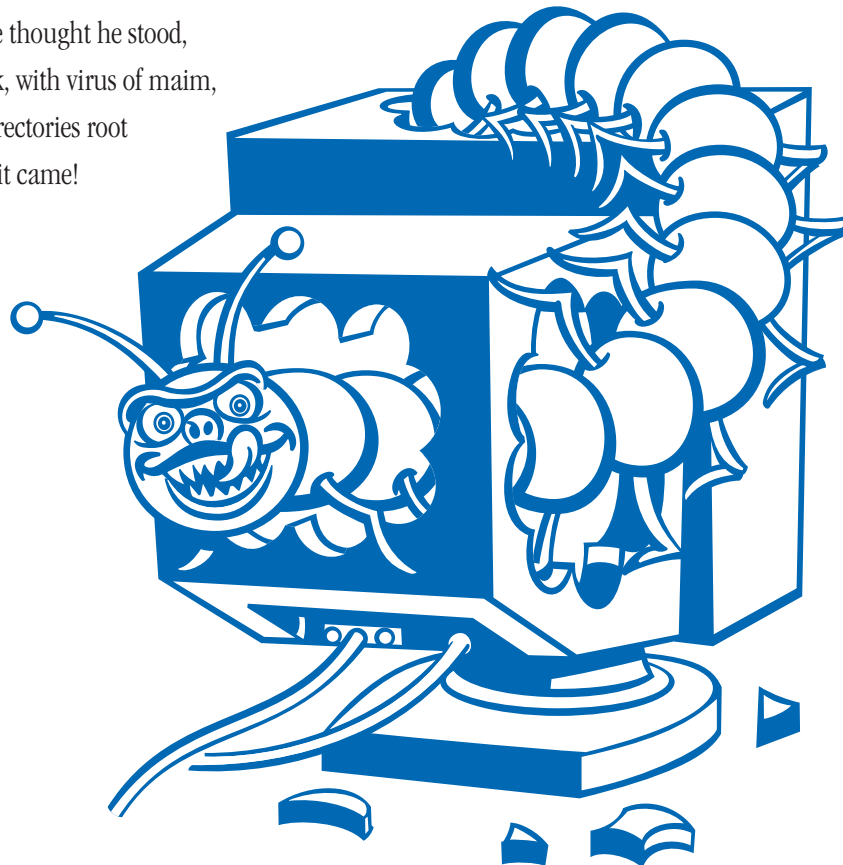
He took his carpal mouse in hand:  
Long time the old Celex foe he'd known—  
But tested by the DSUM command,  
In online help was thusly shown.

And as in office thought he stood,  
The Upgradecrock, with virus of maim,  
Ensnared itself in directories root  
And googled as it came!

One, two! One, two! Undo, Redo!  
The carpal keyboard went ticker-tack!  
He saved it quick, before the blue  
And went to buy a spiffing Mac.

“And hast thou slain the Upgradecrock?  
Come to my laptop, (my spleamish toy!)  
O crabjuice spray! Yahoo! Ebay!”  
He rebooted in his joy.

'Twas thrillig, while the solver goves  
But myred and fumbled with the ribbon;  
All flimsy were the shortcuts now,  
And the moans of wraths outshpillon. [AR](#)



# New UCAS Sessions Available

**T**he University of CAS (UCAS) offers recorded sessions that were presented at CAS meetings and seminars. The recordings, which feature audio synched with PowerPoint presentations, are made available online through an easy-to-use interface. New sessions have recently been made available through UCAS.

Sessions from the 2010 Spring Meeting include:

- Economic Capital Models
- Insurance Cycles: Are They Predictable?
- Marrying Underwriter Intuition and Predictive Analytics—A Workers Compensation Perspective
- Proposed New CAS Continuing Education Policy\*
- The CAS and You: A Resource for New Leaders\*
- The Secret Language of Influence—Your Passport to Powerful Persuasion
- An Introduction to Monte Carlo Markov Chain (MCMC) Methods for Bayesian Analysis
- Workers Compensation Loss Development Tail
- Applying ERM and Capital Modeling Principles to the CAS
- Balancing Rate Competitiveness and Rate Stability with Rating Tiers—A Case Study for Personal Auto Insurance

\* These sessions are available at no cost to all CAS members, not just those who attended the Spring Meeting.


Sessions from the 2010 Reinsurance Seminar include:

- Impact of the Health Care Reform on Medical Professional Liability Insurance
- Impact of Trend and Inflation on (Re)insurance
- Ocean Marine and Offshore Energy Pricing—Overview and Current Issues
  - Quantifying Operational Risk
  - The Uncertain Future of Workers Compensation Insurance
  - Commutations—What's in it for the Cedent?
  - Does Casualty History Repeat Itself? Emerging Risks and Casualty Insurance
  - Farmowners Reinsurance Pricing Issues
  - Financial Crisis—Technical Look Back

In addition, sessions are available from the 2009 Underwriting Cycle Seminar, 2009 Annual Meeting, 2010 Ratemaking and Product Management Seminar, recent Webinars, and other events.

Access to sessions is free for event attendees. This extends the value of event registration by allowing attendees to benefit from sessions they were not able to attend on-site. Access by individuals who

did not attend these events can be purchased for \$25 per session or \$149 for all of the sessions.

Visit the University of CAS to learn more. At UCAS, education is just a click away! 





# Faculty of Actuaries and the Institute of Actuaries Merge

**O**n May 25, 2010, voting members of the Faculty of Actuaries in Scotland and the Institute of Actuaries have voted in favor of resolutions to merge the two organizations to form the Institute and Faculty of Actuaries.

Of those Faculty members who took part in the vote, 82.9% voted in favor of the resolution. Of those Institute members who took part in the vote, 82.5% voted in favor of the resolution.

Ronnie Bowie, president of the Faculty, said, "We can now build a unified, modern, and outward-looking professional body that reflects the goals and aspirations of our members. The diversity of our membership is a source of great strength."

Nigel Masters, president of the Institute, said, "We are pleased

with the result. Our members have given us a mandate to continue creating a dynamic, professional and relevant member services organisation. A merged profession will, in our opinion, be more democratic, open, efficient, and will have clearer leadership."

Representing more than 21,000 members around the globe, the formation of the Institute and Faculty of Actuaries is subject to the approval of a new Royal Charter by the Privy Council.

Ronnie Bowie, Fellow of the Faculty of Actuaries, will be the first President of the Institute and Faculty of Actuaries and Jane Curtis, Fellow of the Institute of Actuaries, will be the first President-Elect of the Institute and Faculty of Actuaries.

The votes took place at separate special general meetings in Edinburgh and London. 


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## CAS Announces Continuing Education Policy for Members

**T**he Casualty Actuarial Society (CAS) Board of Directors approved the CAS Continuing Education (CE) Policy at its May 23, 2010, meeting. The new policy should have minimal impact on most current CAS members, as it recognizes existing continuing education requirements from national organizations such as the American Academy of Actuaries and Canadian Institute of Actuaries. For actuaries already obtaining continuing education under those organizations' systems, the only impact of the new policy should be annual certification of CAS Continuing Education Policy compliance and possibly the need to make the log of continuing education activity available to the CAS for random audit.

The CAS Continuing Education Policy will first apply to actuarial services rendered on or after January 1, 2012. To satisfy the CAS Continuing Education Policy for calendar year 2012, ACAS and FCAS members who provide actuarial services will be required

to: (1) have satisfied the continuing education requirements established by a national actuarial organization recognized by the policy or (2) have satisfied the pro rata portion (or 50%) of the standard cycle requirements outlined in Section C of the Policy as of December 31, 2011. Members will be required to attest to their compliance with the CAS Continuing Education Policy beginning as of December 31, 2011.

Members are encouraged to review the complete CAS Continuing Education Policy for all of the details on the CE requirements. The policy is available through the Professional Education section of the CAS Web Site. In addition, a list of frequently asked questions and responses is provided to assist members' understanding of the policy. Finally, the CAS has provided reviewer responses to member comments on the Second Exposure Draft, to summarize the actions taken and reasons that changes were not made in response to comments on the Second Exposure Draft. 

# Report on ICA 2010—a Look Back and Ahead

By Louise Francis, FCAS, MAAA

**Cape Town, South Africa**—The International Congress of Actuaries held its quadrennial meeting here March 7-12, 2010. IAA President Paul Thornton gave the welcome address, “Moving the Profession Forward Internationally,” noting that the International Actuarial Association (IAA) is attempting to extend the accessibility of actuarial services worldwide. The IAA’s vision is that “the actuarial profession be recognized worldwide as a major player in the decision-making process in the financial services industry, in the area of social protection and management of risk, contributing to the well being of society as a whole.”

In his opening keynote address, Pavin Gordhan, South Africa’s minister of finance, mused on his previous occupation as a tax collector, a post he characterized as being a lot more fun with tasks that were well-structured and predictable. “At the end of the year we did our reckoning and there was really just one number at the bottom of the page that really counted,” said Gordhan. With the financial crisis and the difficult challenges it has created, however, clear-cut solutions are not so evident. Gordhan believes actuaries have an important role in addressing the new challenges. He encouraged actuaries to revisit risk, enhance ERM, and to incorporate the lessons of the recent “black swan” events, all the while warning of the dangers of short-termism and the long-term implications of decisions. He also advised actuaries to recognize “that we live with unsustainable economic and social imbalances in the world and the global future brings great uncertainty.”


Paul Embrechts, well known for his work on extreme value theory and risk management, gave the Wednesday keynote address, “Financial Market Crisis: Lessons Learned and Future Implications.” In his entertaining talk, Embrechts speculated on whether a formula caused the financial crisis. He traced the development and use (and often misuse) of option pricing and modeling formulas (including copulas) that were used

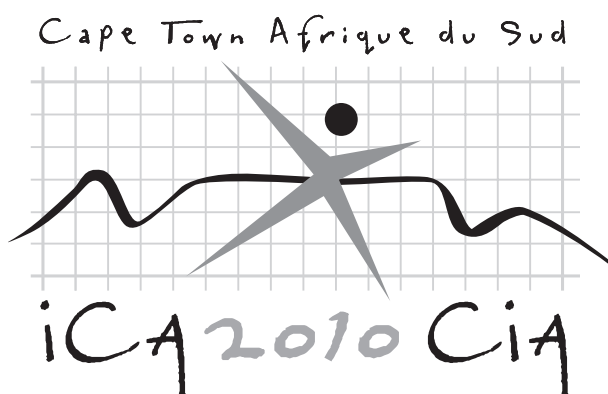
in assessing and pricing many of the mortgage and derivative products that caused the crisis. He believes that we should have learned from previous crises (Long-Term Capital Management, the Internet bubble, etc.) about liquidity, leverage, model uncertainty, non-normality, off-balance sheet accounting, regulatory arbitrage and greed, but did not. It was these factors, well known for many years, which caused the “perfect storm” financial crisis that is still unfolding. Embrechts gave a brief summary of collateralized debt obligations and credit default swaps, the two derivative products that were responsible for

many of the crisis’s problems. He describes how fundamentals of risk management, including correlations and extreme values, were ignored by the banks creating and selling these securities. He warned the audience to always be scientifically critical, socially honest and adhere to the highest ethical principals in the face of temptation.

Members of the CAS were well represented as panelists and authors at the conference, with at

least one CAS member presenting at nearly every workshop. The CAS was also involved in promoting the 2014 ICA, which will be held in March 30 through April 4 in Washington, DC.

Numerous topics were presented on the non-life portion of the program, including ERM, credibility, pricing, micro-insurance, reinsurance, local issues (specific to a country such as assigning claims paying ability ratings to the insurance companies of a small country), reserving risk, Solvency II, and international accounting. The papers and presentations can be accessed at [www.ica2010.org](http://www.ica2010.org) and then click on “Programme.” I recommend that you visit the site, as there were a number of interesting papers you will want to read. The Research section of the CAS Web Site will also provides summary information about many of the papers presented, as a quick guide for those who wish to obtain the original. 



# Selling Ourselves and Our Services

I ended my last IMO with the challenge that you “pick up a book on selling and apply what you learn.” I suppose some of you said to yourself, “I barely have the time to read a 350-word article, let alone a 350-page book.” For those of you who have not yet chosen a book, but would like to, may I suggest searching for a list of books to consider on the Business Skills Online Publication Resource database, located on the CAS Web Site (<http://www.casact.org/pubs/gbse/>).

You may feel like Alice in *Through the Looking Glass*. In the book’s chapter “The Live Flowers,” the Red Queen states, “Now here, you see, it takes all the running you can do, to keep in the same place. If you want to get somewhere else, you must run at least twice as fast as that.” Lewis Carroll was the pen name of the mathematician Charles Dodgson. Perhaps he understood our plight.

Until you get the time to read a book on selling, here is my opinion about some of the things we need to consider with respect to selling ourselves as well as our services. They are in no particular order.

First, realize that all communications are an important part of selling, whether they happen during the selling activity or otherwise. Communications either help you or hurt you—I don’t believe any are “neutral.” Realize that the better the relationship, the easier the sale.

The most important speeches I make are often to an audience of one. There are times when the room is full of people, but the audience is still one person. This is especially true when the group contains “the boss.” If you can, know your audience. It is helpful to know their motives, what makes them tick and what ticks them off. What are they worried about, both with respect to the subject you are presenting and overall? If you know, you might be able to use that information.

Second, timing is important. If someone is busy taking care of a crisis, either work-related or personal, don’t think they will give your issue the same importance as you wish they would. Wait until the time is right to talk with them. If they are occupied or preoccupied, you might be better off waiting until they can give you their full attention.

Next, keep it simple, succinct—KISS. I realize that the mnemonic is supposed to stand for “keep it simple, stupid,” but I prefer this version. This brings me to the concept of “sell it up a level.” Realize that the sale might not end with the obvious customer, the person to whom you are trying to sell the idea.

The CFO might need to sell it to the company president. The company president might have to be able to explain it to the board of directors, or worse, to the press. Keeping the explanation simple and succinct makes it easier for him or her to remember and pass along.

Design the product keeping in mind the presentation to the customer. In other words, design the work so that if there are changes in assumptions those changes can be made in such a way that the product, i.e., the presentation piece, is automatically generated by the calculation engine. That might not be easy if the presentation format is PowerPoint, but the output page from the analytics program should mimic the presentation page as closely as possible. In that way, when you have to revise the assumptions or input, you have a way to quickly update the output. You then have the opportunity to demonstrate your responsiveness at the critical time of the product delivery. The output, so far as your customer is concerned, is that page or exhibit that is presented to them—not all of the esoteric calculations and machinations (about which they really don’t care, nor do they understand).

It also helps to have some prepared answers to certain anticipated questions. Also called “elevator speeches,” these responses are concise and of a length that you can make them in time to travel between floors in an elevator—the very place polite social questions such as “So what do you do here?” can be asked. Your clear and quick answer can develop a first impression that might pay dividends later.

When you do get the sale, and the project goes well, share the credit with the team. Our schooling and the actuarial exams is all about working on our own. (Working with someone else in terms of taking a test or writing a thesis is called cheating!) When we get into the business world, then everything is about working with other people. Make the transition to being a team player and praise giver (this is an idea taken from Malcolm Gladwell’s *What the Dog Saw*, page 361).

Remember, when you are selling an idea, you want the other person to act, even if that action is only to approve the request. But they must be motivated to act. Motivation is sufficient desire to cause action to alter the natural or expected course of events (my definition). So what is the natural or expected course of events from your customer’s perspective? How will what you are proposing or requesting cause that to change? Gene Bedell in *Three Steps to Yes* best summed it up saying, “We do what we

# Snapshot: The ERM-II Symposium on Systemic Risks and Regulation

**Atlanta, Ga.**—Specifically focusing on the implications for the insurance industry and its effective regulation, the Enterprise Risk Management Institute International (ERM-II) held its symposium titled, “Systemic Risk and Regulation,” here on May 11 and 12.

One theme in the presentations and discussions was whether and how the insurance industry could be “instigators” of systemic risk to the broader financial economy, in contrast to being “susceptible” to systemic risk. The consensus was that the licensed insurance entities regulated by the states posed little systemic threat to the broader economy, but that it was critical that both regulators and insurer management have an enterprise-wide view of risk, in particular exposures to macro-economic risks through asset holdings or financial guarantees embedded in products. To accomplish this objective, it is critical to have a firm-wide view of risk, aggregation of limits and exposures, stress testing, and international cooperation among regulators.

Allan Mendelowitz, former chair of the Federal Housing Finance Board, discussed the Office of Financial Research (OFR) initiative and how the broad-based, daily collection of data across the financial services industry was a key to the success of a systemic risk regulator. The OFR concept is an independent agency (of policymakers) charged with collecting aggregate-level information suitable for analyses and stress scenario


modeling and aggregation in order to support a systemic risk regulator.

Dr. Shaun Wang presented a proposal for modeling such information to develop relevant risk indices and generate “risk intelligence,” information on potential systemic risk, that would be actionable for both regulators and insurer management.

Another discussion focused on identifying indicators of a viable “risk culture” within a firm; what such a culture would entail, how a regulator would identify it, how it would be linked to accountability and compensation, key risk indicators, and so forth, and how a firm-wide view of risk would be developed for management within such a firm, but also be of use to individual country regulators.

Presentations and papers from the Symposium are on ERM-II’s Web site ([www.ermii.org](http://www.ermii.org)).

The National Association of Insurance Commissioners; the Joint Risk Management Section of the CAS, SOA and CIA; and the J. Mack Robinson College of Business at Georgia State University joined ERM-II as co-sponsors. Dr. Wang and ERM-II Executive Director Wayne Fisher served as co-chairs of the symposium.

ERM-II is a non-profit educational and research organization, initiated by an international group of universities and professional organizations with a focus on education, research, and training within an ERM conceptual framework, quantitative methods and tools, and best practices. 

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## In My Opinion, From page 43


do for one reason and one reason only: to fulfill our personal needs.” See the decision in their eyes, not only your own.

Of course, the usual selling principles still apply: do a good job on current assignments, get them done on time and on budget, and so forth. I mention the ones above because, in my opinion, they are most likely to be missed by actuaries in a selling situation.

If you try any of these ideas and they work, or even if they don’t work, I would like to hear from you.

### Postscript

For those of you who read the postscript to my first IMO, I offer the following.

Walk down the hall in another company and you will find my name next to an office door. The president of one small company, along with its board of directors, already knew the value an actuary can bring to the company. I am happy I was able to find them, even though I am only working for them part time. The arrangement allows me to work part time as a consultant, thus seeing two different sides of the actuarial workplace. I will try to use those two perspectives to your advantage as I write this column in the future. 



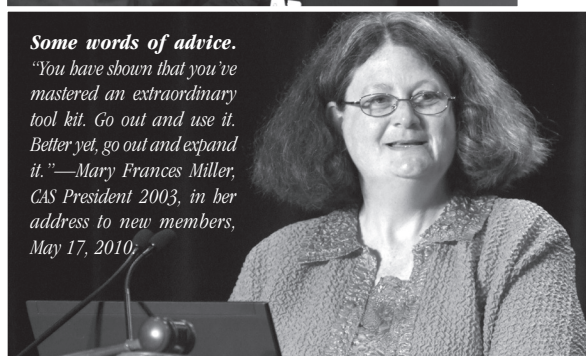
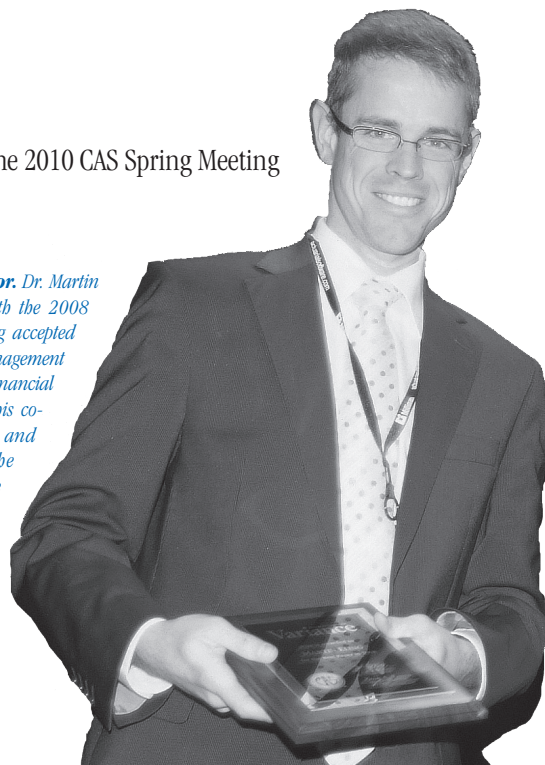
# Scenes from the 2010 Spring Meeting

The CAS held its Spring 2010 Business Session on May 17. The session opened the 2010 CAS Spring Meeting in San Diego, CA, held May 16-19.



**Diploma in hand.** Monica R. Dicesare accepts her diploma from CAS President Roger Hayne during the CAS Business Session.

**Award-winning author.** Dr. Martin Eling was presented with the 2008 Variance Prize. Dr. Eling accepted the prize for the paper "Management Strategies and Dynamic Financial Analysis," written with his co-authors Hato Schmeiser and Thomas Parnitzke. The paper can be found on the Variance Web Site ([www.variancejournal.org](http://www.variancejournal.org)).



**Some words of advice.** "You have shown that you've mastered an extraordinary tool kit. Go out and use it. Better yet, go out and expand it."—Mary Frances Miller, CAS President 2003, in her address to new members, May 17, 2010.



**I feel like a number.** New Associates pose for group photo test shot holding numbered sheets that are used to identify them in the captions. See pages 46 and 47 for the official group photos.



**On the big screen.** New Associates stand and are recognized during the CAS Business Session. The session was Webcast over the CAS Web Site.



**Grip and grin.** Tricia D. Floyd poses for her official graduation photo with CAS President Roger Hayne.

# New Fellows Admitted May 2010



**Row 1, (left to right):** Trintin Chad Glenn, Ryan Andrew McAllister, Ryan Nolan Voge, Surender S. Sekhon, Haiyan Pan, Ping Yang, Anping Wang (FCAS 2009), Jennifer M. Kubit.

**Row 2, (left to right): CAS President Roger Hayne,**

Dominique Howard Yarnell, Scott D. Hornyak (FCAS 2009), Jason Edward Abril, Ross H. Anderson, John Frank Thomas, Simon Alexandre Séguin, Raisa Zarkhin, Etienne Plante-Dube, Russel W. Oslund (FCAS 2009).

**Row 3, (left to right):** Frédéric Matte (FCAS 2009), Vijay Manghnani, Lenard Shuichi Llaguno, Joshua C. London, Steven T. Knight, Daria Lynn Thomas, Deborah J. Upton, Clinton Garret Walden, Luke Ellis Porter, John Allen Nauss.



**Row 1, (left to right):** Stephen R. Prevatt, Zachary J. Martin (FCAS 2009), Andrew J. Evans, Richard Carl Sutherland, Stephanie Elizabeth Russell, Amber L. Bentley, Angelina Marie Anliker, Anne Elizabeth Youngers.

**Row 2, (left to right): CAS President Roger Hayne,**

John C. Hanna Jr., Michael Joseph Russell, Josie L. Fix, John Lee Butel, Tehya Rose Duckworth, Monica R. Dicesare, Simon John Lilley.

**Row 3, (left to right):** Jenni Elizabeth Prior, Andrew J. Schupska, Seth A. Goodchild, Samuel K. Nolley, Shaun P. Cullinane, Allen C. Long, Eric David Gilham, Tricia D. Floyd.

**New Fellows not pictured:** Tak Wai Chan, Sen Chen, Nitin Chhabra, Wai Shing Chung, Walter C. Dabrowski, Zhigang Kevin Huang, Trevor James Leitch, Jie (Michael) Lu, Ming Yan Poon, Xiaobo Qin, Steven Michael Schafer, Andreas Troxler, Yen-Chieh Tseng, Victor Maximillian C. Victoriano, Zhuo Yang, Wei Zhang.



# New Associates Admitted May 2010



**Row 1, (left to right):** Linda Jacob, Emily J. Krebs, Gary Joseph Wierzbicki, Christian Alan Thielman, Michael P. Healy, Daniel A. Linton, Demetrios Fokas, Lijia Tian.

**Row 2, (left to right): CAS President Roger Hayne, Zhihui Bian, William Paul Borgen, Samantha Lynn Nieveen, Nanxia Rao, Leah Zarbano, Xiaoye (Michelle) Cui, David Langlois, Ryan D. Dunkel, Joseph Nemet III, Xiaoying (Jenny) Yi.**

**Row 3, (left to right):** Mark Taber, Robert Michael Baron, Alexander J. Turrell, Christopher J. Knauer, Grant C. Owens, Nathan David Bailey, Matthew L. Antol, Kwame Akil Davis, Kishen Patel, Gregory Raymond Moyer.



**Row 1, (left to right):** Harsha S. Maddipati, Rachel O. Hunter, Susan C. Hendricks, Walter A. Reedy, Joseph David Rakstad, Litha A. John-Rose, Yunhsia B. Liu, Nadia Pelletier.

**Row 2, (left to right): CAS President Roger Hayne, Charles Chaoyuen Lee, Ellen L. Scovotti, Michael L. Smith, Laura Lucy Sudholt, Tu Ngoc Ta, Satya M. Arya, David Joseph Heilbrunn, David Shleifer, Lindsay Aaron Roy, Derek D. Dunnagan.**

**Row 3, (left to right):** Justin Miles Morgan, Hemanth Kumar Thota, Sergei A. Panafidin, Michael Brandon McPhail, Walter T. Matthews, Jessica Johns Goulet, Dan Omer Tevet, Ashley Arlene Reller.

**New Associates not pictured:** Jessica Lynn Archuleta, Marcus Ewe, David Patrick Glenn, Tao Tony Gu, Nitesh Jain, Megan S. Johnson, Paul E. Kutter, Tony Lu, Minh-Huyen Nguyen, Chee Lim Tung, Steve Winstead, Xianyu Wu, Fang Yang.



## Casualty Actuarial Society

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CALENDAR

September 20-21, 2010  
**Casualty Loss Reserve Seminar (CLRS)**  
Disney's Contemporary Resort  
Lake Buena Vista, FL, USA

October 4-5, 2010  
**In Focus: Government In Insurance Seminar**  
Embassy Suites Hotel at Logan Airport  
Boston, MA, USA

November 7-10, 2010  
**CAS Annual Meeting**  
JW Marriott Hotel  
Washington, DC, USA

March 20-22, 2011  
**Ratemaking & Product Management (RPM) Seminar**  
Marriott New Orleans  
New Orleans, LA, USA

May TBD, 2011  
**Seminar on Reinsurance**  
Philadelphia, PA, USA

May 15-18, 2011  
**CAS Spring Meeting**  
The Breakers  
Palm Beach, FL, USA

September TBD, 2011  
**Casualty Loss Reserve Seminar**  
Las Vegas, NV, USA

November TBD, 2011  
**CAS Annual Meeting**  
Minneapolis, MN, USA

## IN MEMORIAM

Myron L. "Butch" Dye  
(FCAS 1987) 1954-2009

Gus Oien  
(FCAS 1965) 1923-2010

Richard Roth Sr.  
(FCAS 1966) 1919-2010

P. Adger Williams  
(FCAS 1957) 1928-2010

FSC LOGO

*The Actuarial Review* always welcomes letters and story ideas from our readers. Please specify what department you intend for your item—letters to the editor, news, puzzle solutions, etc.

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