

REPORT OF THE
LONG RANGE PLANNING
COMMITTEE
TO THE CAS BOARD

NOVEMBER 13, 2005

REPORT OF THE CAS LONG RANGE PLANNING COMMITTEE

NOVEMBER 13, 2005

Over the last two years, the CAS Long Range Planning Committee (LRPC) has undertaken a comprehensive scan of the environment in which CAS members operate. The primary focus of the scans has been to identify potential threats to our ability to successfully accomplish the CAS Centennial Goal and the associated SAM goals.

This LRPC report to the CAS Board summarizes the scans that were undertaken, the threats that were identified as a result of this effort, and contains a number of recommendations to mitigate the risks associated with these threats. The LRPC believes that adoption of these recommendations will enable the CAS to broaden its long range strategy, and increase the chance that the CAS will successfully achieve the Centennial Goal.

The Scanning Process

Starting in January 2004, the LRPC performed a scan of the environments inside the CAS, among other actuarial and insurance organizations, and among other professions that often deal with casualty actuaries.

The actuarial and insurance organizations scanned included:

US Actuarial Organizations

Society of Actuaries

American Academy of Actuaries

Conference of Consulting Actuaries

The Actuarial Foundation

International Actuarial Organizations

Canadian Institute of Actuaries

Institute / Faculty of Actuaries

Institute of Actuaries of Australia

Other Insurance Organizations

AICPCU (CPCU)

RIMS (Risk and Insurance Management Society)

AIMR (CFA Exams)

PRMIA (Professional Risk Managers Int'l Assoc)

SOFE (Society of Financial Engineers)

Other professions and organizations scanned included:

Financial

Rating

Regulatory

Academic Community

Legal Profession

Employers

In each case we sought the organization's views on the threats and opportunities facing casualty actuaries, particularly with regard to our Centennial Goal, and also how each organization's long term goals may influence our success. The scans involved interviews with officers or members of the other organizations, a review of their websites where available, analysis of available data, and in some instances relying on the CAS Membership Advisory Panel for input.

Key Threats Uncovered as a Result of the Scanning Process

Key threats to our ability to successfully achieve the Centennial Goal were identified and relate to six general categories. Six subgroups of the LRPC were formed to identify strategies to address these threats. For each category listed below, this report identifies the particular threat, and presents recommendations and strategies to address the threat. In some cases, the LRPC is also recommending the adoption of new SAM goals to monitor ongoing progress on the recommended strategies. A copy of the individual subgroup reports are also attached in the back of this report for your review.

1. Competition for Risk Integration and Enterprise Risk Management (ERM) Services

Recent failures of insurance companies and other financial institutions have generated new demand for successful management of risk-bearing organizations. Casualty actuaries by training and experience are skilled in such management and the organization of teams to address such management issues. In particular, their skill set includes identification, measurement, and management of various aspects of risk. Other professional groups are seeking recognition in risk management and rapidly moving into this area and drawing significant attention. Indeed CAS members are not generally perceived as among the most capable managers of risk and risk-bearing entities.

Threat(s): Beyond Enterprise Risk Management (ERM) and risk integration services being inherent in casualty actuarial practice, they are crucial to efforts by the CAS to achieve its Centennial Goal. The speed at which the Society of Actuaries (SOA) and other professionals are attempting to enter the “ERM” space is outpacing the CAS volunteer and financial resources needed to formulate a prudent response and strategy. Some associations are, in fact, attempting to create an “ERM institute” which would, potentially, create a new profession with its own designation and standards of practice, thereby competing with the CAS. Whether in collaboration with say GARP et. el., or in “going it alone”, the CAS establishing such a new designation would contradict the essence of the message of our Centennial Goal.

Strategies

Based on the Long Range Planning Committee’s deliberations, strategies may be categorized under three general themes, namely (1) membership buy-in, (2) resources, and (3) leadership. Hence we developed the acronym BRL.

Membership Buy-in:

The CAS needs to enhance internal communication and clarify the message implied in the Centennial Goal for the benefit of CAS members who are unfamiliar with the new CAS management tools and strategies. “Membership Buy-in” for ERM and integrated risk services is a critical step in achieving our Centennial Goal.

Resources

The Working Group applauds the CAS Board, which recently took major steps in strengthening CAS ERM activity by approving a number of initiatives, including sponsoring a Risk Management Section, partnering with ERMII, creating a new VP-Risk Integration position. We must continue these initiatives by increasing CAS participation in the Joint SOA-CAS Risk Management Section, the IAA Task Force on Risk Management, and the AAA ERM Task Force in the interest of monitoring and influencing education

initiatives, the creation of a new ERM credential, and public policy strategies on ERM for the benefit of CAS members.

Leadership

The CAS should Lead in the Expansion of Research, Publications, and Public Relations regarding risk assessment and integration. The CAS needs a more vigorous effort leading research, public relations, and education to CAS members and other professionals to join in on research initiatives.

Our primary recommendation is to take the lead in developing an international journal of ERM as a CAS/ERMII sponsored research initiative, in continued support as a founding partner. The CAS/ERMII should then provide research participation and opportunities to all professions that are reaching into the ERM space (i.e. GARP, PRMIA, COSO, Academia etc). The goal of this strategy is to develop the perception of the CAS as a Prominent Leader and Developer in ERM research and open-door allowances to other professions and academics to contribute research. We believe that ERMII can be a valuable partner consistent with the CAS's Centennial goal and can help us achieve the "Take the Lead Strategy" through jointly sponsoring and marketing this journal to the world with our pledge to provide continuing financial support for specific research needs.

Goals

Consistent with our recommendations outlined above, we recommend corresponding SAM objectives to gauge the strategies we provide above:

- # and/or % of CAS membership devoted to volunteerism on ERM
- # of Associations and/or # of non-CAS authors participating in the "CAS/ERMII Journal of ERM"
- % of CAS members supporting and buying into the Centennial Goal

2. Marketing Actuarial Skills:

Achieving the Centennial goal also requires the CAS to be widely recognized and acknowledged as the pre-eminent resource for educating casualty actuaries in the traditional areas as well as the newly emerging area involving risk integration. Providing sufficient opportunities to educate (potential) actuaries in the newly emerging areas is not sufficient. Gaining broad recognition for the skills and capabilities of our members is also required.

Threat(s): Casualty actuaries are not recognized within areas outside of insurance. Within the insurance space, we are not given sufficient credit for what we do well. Our website does not attract visitors from outside the profession.

Recommended Strategies:

A. The CAS VP – Marketing & Communications in partnership with the CAS Marketing Manager should present ways to improve the CAS message within the AAA/SOA Image Campaign. The current campaign does not sufficiently inform the public about the unique skills of the casualty actuary.

B. The CAS should develop a marketing campaign to enhance the image of the CAS. We believe this campaign should accomplish some of the following objectives:

- Be consistent with our CG and SAM goals
- Define our "brand" to those unfamiliar with actuaries
- Enhance our "brand" to those who currently use actuaries by improving our message
- Expand our marketing reach in traditional actuarial circles
- Expand our marketing reach outside of traditional actuarial circles
- Capitalize on free publicity to get the message out (e.g., member quotes, member presentations, etc.)

C. We recommend that the CAS consider creating a staff actuary position (full-time or part-time). The person hired would be an actuary working for the CAS. One of this position's roles would be to get speaking opportunities at non-actuarial meetings as an attempt to highlight the various roles that the actuary can provide value. The SOA and the AAA both have staff actuaries.

3. Volunteerism

The lifeblood of the CAS has been the willingness and ability of CAS members to volunteer considerable time and effort in support of various activities of the CAS. During a time of increasing scrutiny of the performance of CAS members and increasing opportunities to expand the reach of casualty actuaries, it is critical for the CAS to maintain (and even increase) the levels of volunteerism. The Centennial Goal recognizes and articulates this need. However, a number of factors are emerging which may make it more difficult to maintain, let alone increase, levels of volunteerism.

Threat(s): Potentially weakening corporate financial support may limit the ability of actuaries to volunteer for CAS activities. Members are also facing increasing work/life balance issues that may further inhibit their ability to volunteer for CAS activities.

Recommended Strategies:

1. COVR Recommendation. Recognizing that (a) the current and past levels of volunteer activity within the CAS are enviable by practically any standard; (b) the continued high level of volunteer activity is an essential element of the long term success of the CAS (as an organization operated primarily by volunteers in partnership with the CAS office, on behalf of all its members), and (c) the achievement of the CAS Centennial Goal is highly dependent on maintaining and increasing the current levels of volunteerism, the Committee on Volunteerism is asked to undertake a one time assignment to review and evaluate the issue of volunteerism in the life of the CAS from a *strategic* perspective with emphasis on the following elements:

- A. Update the study to estimate the annual cost of the CAS paying for all travel expenses of members in connection with participating in committee and other activities of the CAS.
- B. Confirm whether or not the suspected employer resistance to granting “time off” to their employees to devote to CAS activities is a real and growing issue and, if so, identify ways in which the CAS can minimize the burden on both members and employers of members who are unable to obtain compensatory time off from their jobs to attend and participate CAS activities, including volunteering.
- C. Identify ways in which volunteering for CAS activities can compete successfully with other life priorities (family time, other community activities, etc.)
- D. Identify and evaluate ways in which the CAS can cope with the oft expressed resistance to serving in senior leadership positions (Board, VP’s, and PE) because of the heavy time commitments involved.

2. SAM Goal Target Participation Rate. The current goal is for at least 50% of the members to be involved in some CAS activity (including Academy participation). The subcommittee feels that while this is a laudable target as it is definitely challenging, it may not be achievable. Therefore the LRPC recommends that the COVR examine this issue and either confirm the 50% figure or amend it to more realistic but still challenging levels.

NOTE: A fuller discussion of these recommendations appears in the Volunteerism subgroup report attached at the end of this report.

4. Internationalism

One key aspect of the Centennial Goal is for the CAS to be globally recognized as the pre-eminent education source for casualty actuaries. However, the CAS is primarily focused on North America, both on the part of our membership in general and our image to the rest of the world. There is a general lack of interest by our members in the profession outside of North America.

Threat(s): While our casualty-only focus has helped us maintain a single priority for the entire life of the CAS, it can also be a threat to SAM Goal 1 -- countries developing an actuarial profession usually do not have a large enough insurance market to differentiate general insurance actuarial from life actuarial. Specializing in general insurance puts us at a disadvantage relative to other organizations such as the Institute. Similarly, threatening SAM goals 7 and 9 is the relatively small general (or non-life) insurance markets outside a limited number of countries. International activities may also drain resources from other CAS domestic activities.

Recommended Strategies:

Build active working-level partnerships with existing actuarial organizations that have a distinct general insurance (non-life, property & casualty) practice, including joint task forces or committees including cross-membership in each other's committees.

5. Quantification Skills

Historically, CAS members have played key roles in the development and utilization of analysis methods and tools broadly used by general insurance professionals. However, over the past fifteen years, a number of significant analysis tools have been developed by professionals who were not CAS members. Several examples included the original development of:

- *dynamic financial analysis by US finance professionals,*
- *generalized linear modeling in the UK, and*
- *sophisticated property catastrophe modeling by US engineers and software developers (EQE, RMS)*

These developments have led to the perception by some academicians and some insurance professionals that the CAS members have not continued to enhance and improve their collective modeling skills.

Threat(s): Lack of required financial and hazard quantification modeling skills; perceived lack (by non-CAS members) of CAS membership having the necessary quantification skills; and lack of required modeling and/or integration skills to facilitate the migration of CAS members' skills into new areas.

NOTE: A fuller discussion of these threats appears in the Quantification Skills subgroup report attached at the end of this report.

Recommended Strategies:

Develop a wider audience for developments in quantification methods produced by CAS members by:

- Sponsoring research by CAS members to be presented in other (refereed) journals.
- Including more research by non-CAS members in CAS publications

Build awareness of developments in quantification techniques produced by other professional groups by:

- Reviewing journals/papers from other groups identified by LRPC that have similar type skills to us
- Creating additional partnerships similar to the recent one on Enterprise Risk Management.

Create a new SAM goal as follows:

20% of papers published in non-CAS journals related to property casualty insurance and the quantification of risk will be by CAS members and 10% of the papers published in the CAS Proceedings will be by non-CAS members.

6. Reputation of the Actuarial Profession

Recent negative articles and reports concerning the performance of the casualty actuarial profession unfavorably impact our ability to achieve the CAS Centennial Goal. The statements last January by Standard and Poor's, in particular, created the need for a quick response by the CAS. More efforts, however, are needed to maintain the reputation of our membership.

Threat(s): Unfavorable impressions of the profession could jeopardize successful achievement of the Centennial goal, even if all the SAM goals are met.

Recommended Strategies:

Short and intermediate term action plans are currently under development by the CAS. In conjunction with these plans, the LRPC recommends additional SAM goals to monitor improvement in the profession's reputation as follows:

- The difference between the actuary's best estimate and the recorded reserve for a sample of the insurance industry should approach zero.

NOTE: With the adoption of the actuarial memorandum to accompany the 2005 Statement of Actuarial Opinion, the subgroup believes it will be possible to establish current benchmarks for this difference and how it will change over time. The extent to which this difference shrinks over time is felt to be an important barometer of the profession's credibility.

- Changes in the actuary's best estimate of reserves over time should be randomly distributed around zero.

NOTE: This information may be somewhat more difficult to gather, but with the adoption of the Task Force recommendations, this information could be gleaned from actuarial reports.

- Changes in legislation/regulation that would require management to record the Appointed Actuary's best estimate.

NOTE: The subgroup believes such changes would be indicative of expanded reliance on the actuary's work-product – an outcome that would naturally depend on the credibility of the profession.

- Salaries for Casualty Actuaries should rise at a greater rate than for other comparable professions.

NOTE: Once again, the Subgroup feels that while compensation structures are dependent on several factors, relative growth in actuarial compensation would be indicative of improvements in the perceived value proposition and credibility of the profession.

- The number of casualty actuaries employed by rating agencies should quadruple in the next five years.

NOTE: The current credibility crisis stems in part, from reports issued by the rating agencies. Growth in the number of actuaries employed by the rating agencies would be indicative of improvements in credibility.

- The number of actuaries serving as CEO's of their organizations will grow as a percentage of the CAS membership.

NOTE: The Subgroup feels that this metric would also serve as a proxy of actuarial credibility.

- The pipeline of applicants for actuarial positions (examinations) would grow more significantly than in the last five years.

NOTE: The Subgroup feels that this metric would also serve as a proxy of actuarial credibility.

Draft of October 7, 2005

Risk Management

Threats, Strategies, Goals

Purpose

Beyond Enterprise Risk Management (ERM) and risk integration services being inherent in casualty actuarial practice, they are crucial to efforts by the Casualty Actuarial Society (CAS) to achieve its Centennial Goal¹. This memorandum briefly describes issues and strategy considerations relating to ERM and risk integration.

Issues

In the 2003 LRPC report, which describes the Vision of the CAS in its 100th anniversary, a section was devoted to identifying barriers to the Centennial Goal. The report mentions that in addition to identification, these barriers need to be assessed in terms of their significance and respective strategies to overcome them.

Three of the four major barriers/challenges identified relate to the risk integration component of the Centennial Goal. Threats recognized and discussed in that report are:

- Research - Not enough research to support the CAS Centennial Goal
- Membership Apathy – Widespread myopic focus on specific past activity at expense of general themes of the profession.
- Supply and Demand of the skills of the Casualty Actuary relative to other professions and other actuarial associations.

Environmental scans performed by the LRPC continue to recognize the above challenges within the integrated risk management space.

Although not using the word “enterprise risk management” (ERM) per se, the Centennial Goal envisions CAS members being recognized as leading experts figuring prominently in the ERM arena. Indeed, Members of the CAS, today, have superior qualifications to provide professional actuarial services vital to successful ERM and risk integration services. This is especially true within the property/casualty insurance domain.

¹ Centennial Goal Adopted by CAS Board, March 2003 – *The CAS will be globally recognized as the pre-eminent resource in educating casualty actuaries and conducting research in casualty actuarial science. CAS members will be recognized as the leading experts in the evaluation of hazard risk and the integration of hazard risk with strategic, financial and operational risk.*

The speed at which the Society of Actuaries (SOA) and other professionals are attempting to enter the “ERM” space is outpacing the CAS volunteer and financial resources needed to formulate a prudent response and strategy. Some associations are, in fact, attempting to create an “ERM institute” which would, potentially, create a new profession with its own designation and standards of practice, thereby competing with the CAS.

Both the IAA and the SOA have been deliberating the feasibility of countering these initiatives by non-actuarial associations, with ideas that would include developing an ERM designation for the benefit of all actuarial associations via a risk practice track that would be available for adoption by actuarial associations.

We recommend that the formation of a new and separate ERM designation should be discussed at the CAS board level as soon as practical. We believe that a new designation promulgated by another society challenges our Centennial Goal as it would position the CAS as followers in ERM, rather than prominent leaders. Whether in collaboration with say GARP et. el., or in “going it alone”, the committee perceives such a new designation would contradict the essence of the message of our Centennial Goal. Although we recognize that other professions will be performing ERM analysis and strategies in other industries, we need to establish and maintain a perceived prominence in this area within the insurance domain.

Strategies

Based on the Long Range Planning Committee’s deliberations, strategies may be categorized under three general themes, namely (1) membership buy-in, (2) resources, and (3) leadership. Hence the acronym BRL.

1. **Membership Buy-in:**

The Casualty Actuarial Society is a professional society for individual casualty actuaries. Its strength derives from the volunteer activity of its members. Strategic planning as such is new to the CAS and a crucial step in enabling the CAS to continue to promote casualty actuarial science.

The CAS needs to enhance internal communication and clarify the message implied in the Centennial Goal for the benefit of CAS members who are unfamiliar with the new CAS management tools and strategies. For example, many CAS members are asking:

- Is the Goal to be Insurance Industry Experts or more Broad Experts?
- Would the CAS be cooperating or competing with other organizations?
- Is the CAS planning a New Designation or not??

“Membership Buy-in” for ERM and integrated risk services is a critical step in achieving our Centennial Goal. In the context of strengthening communication regarding CAS goals and strategy, the CAS also needs to more fully discuss the current trends in ERM and integrated risk services using the current buzz words as well as sound actuarial principles.

2. Resources

The CAS is actively organizing designated groups of volunteers for various aspects of enterprise risk management and integrated risk services. The Working Group applauds the CAS Board, which recently took major steps in strengthening CAS ERM activity by approving a number of preliminary initiatives. These initiatives include sponsoring a Risk Management Section, partnering with ERMII², and creating a new VP-Risk Integration position.

In regard to working with other organizations, the CAS should ensure, maintain, and increase CAS participation in the Joint SOA-CAS Risk Management Section, the IAA Task Force on Risk Management, and the AAA ERM Task Force in the interest of monitoring and influencing education initiatives, the creation of a new ERM credential, and public policy strategies on ERM for the benefit of CAS members.

3. Leadership

Leadership follows from the dedication of CAS resources to those activities creating the most valuable contributions of casualty actuaries to enterprise risk management and integrated risk services. The following recommendations should be periodically reviewed to ensure that the CAS properly addresses emerging opportunities.

The CAS should lead in the Expansion of Research, Publications, and Public Relations regarding risk assessment and integration. The CAS needs a more vigorous effort leading research, public relations, and education to CAS members and other professionals to join in on research initiatives

The CAS should continue active participation in the newly formed joint SOA-CAS risk management section. At the same time we need to take the lead in developing an international journal of ERM as a CAS/ERMII sponsored research initiative, in continued support as a founding partner. The journal can be named the “Journal of ERM” and can contain both CAS and ERMII logos. The CAS/ERMII should then outreach research participation and opportunities to all professions that are reaching into the ERM space (i.e. GARP, PRMIA, COSO, Academia etc). The end-result goal of this strategy is to develop the perception of the CAS as a Prominent Leader and Developer in ERM research and open-door allowances to other professions and academics to contribute research. This strategy alters the paradigm of “yes we will join with you” to “we are inviting you in to share ideas and research”. Said another way, “To take the lead, you have to assume and act that you already are in the lead.”

² ERMII is setting a mission to set an international university risk education standard which would include a modular course that is intended for potential use by both universities and professional associations, including the CAS.

ERMII can be a valuable partner consistent with the CAS’s Centennial goal and can help us achieve the “Take the Lead Strategy” through jointly sponsoring and marketing this journal to the world with our pledge to provide continuing financial support for specific research needs.

Other suggestions and ideas are reflected below:

- The newly formed joint SOA-CAS risk management section should outreach membership to all professions that are reaching onto the ERM space (i.e. GARP, PRMIA, Academia etc)
- Charging the ERM research committee with developing a position paper on casualty actuarial science and operational risk
- Funding a special research project with ERMI of the “actuarial” approach to operational risk.
- Public relations material highlighting operational risk as one of our areas of quantitative expertise.

Although we should take the lead, we continue to believe that continued collaboration and sensitivity with other actuarial and non-actuarial societies is imperative. The PRMIA/CAS/SOA ERM symposium is proving to be a successful teaming, for example, but, there have been sensitive issues concerning conflicts of interests cited by other organizations in other collaborations.

Different organizations have different vested interests in cooperating on ERM efforts. For example, PRMIA was miffed that both the CAS and SOA supported ERMII as PRMIA considers ERMI a conflict of interest. They were also miffed that the SOA interacted with GARP as PRMIA is a “GARP- spin-off” association. Maintaining efficacious, productive cooperation will require substantial effort.

The Working Group feels that the success of all three of the strategic themes is necessary for the achievement of this portion of our Centennial Goal.

New SAM Goals

Consistent with our recommendations outlined above, we recommend and lining up new SAM goals to correspondingly align to the three strategies noted above:

- # and/or % of CAS membership devoted to volunteerism on ERM (e.g. publishing, research committee, public speaking, sitting on other association committees, etc.)

- # of Associations and/or # of non-CAS authors participating in the “CAS/ERMII Journal of ERM”
- % of CAS members supporting and buying into the Centennial Goal (initially as measured by MAP survey)

Summary

Challenges

Beyond Enterprise Risk Management (ERM) and risk integration services being inherent in casualty actuarial practice, they are crucial to efforts by the Casualty Actuarial Society (CAS) to achieve its Centennial Goal. The speed at which the Society of Actuaries (SOA) and other professionals are attempting to enter the “ERM” space is outpacing the CAS volunteer and financial resources needed to formulate a prudent response and strategy. Some associations are, in fact, attempting to create an “ERM institute” which would, potentially, create a new profession with its own designation and standards of practice, thereby competing with the CAS. Whether in collaboration with say GARP et. el., or in “going it alone”, the committee perceives that the CAS establishing such a new designation would contradict the essence of the message of our Centennial Goal.

Strategies

Based on the Long Range Planning Committee’s deliberations, strategies may be categorized under three general themes, namely (1) membership buy-in, (2) resources, and (3) leadership. Hence the acronym BRL.

Membership Buy-in:

The CAS needs to enhance internal communication and clarify the message implied in the Centennial Goal for the benefit of CAS members who are unfamiliar with the new CAS management tools and strategies. “Membership Buy-in” for ERM and integrated risk services is a critical step in achieving our Centennial Goal.

Resources

The Working Group applauds the CAS Board, which recently took major steps in strengthening CAS ERM activity by approving a number of initiatives, including sponsoring a Risk Management Section, partnering with ERMII, creating a new VP-Risk Integration position. We must continue these initiatives by increasing CAS participation in the Joint SOA-CAS Risk Management Section, the IAA Task Force on Risk Management, and the AAA ERM Task Force in the interest of monitoring and influencing education initiatives, the creation of a new ERM credential, and public policy strategies on ERM for the benefit of CAS members.

Leadership

The CAS should Lead in the Expansion of Research, Publications, and Public Relations regarding risk assessment and integration. The CAS needs a more vigorous effort leading research, public relations, and education to CAS members and other professionals to join in on research initiatives.

Our primary recommendation is to take the lead in developing an international journal of ERM as a CAS/ERMII sponsored research initiative, in continued support as a founding partner. The CAS/ERMII should then outreach research participation and opportunities to all professions that are reaching into the ERM space (i.e. GARP, PRMIA, COSO, Academia etc). The end-result goal of this strategy is to develop the perception of the CAS as a Prominent Leader and Developer in ERM research and open-door allowances to other professions and academics to contribute research. We believe that ERMII can be a valuable partner consistent with the CAS's Centennial goal and can help us achieve the "Take the Lead Strategy" through jointly sponsoring and marketing this journal to the world with our pledge to provide continuing financial support for specific research needs.

Goals

Consistent with our recommendations outlined above, we recommend corresponding SAM to gauge the strategies we provide above:

- # and/or % of CAS membership devoted to volunteerism on ERM
- # of Associations and/or # of non-CAS authors participating in the "CAS/ERMII Journal of ERM"
- % of CAS members supporting and buying into the Centennial Goal

Submitted by the Risk Management Working Group on October 7, 2005

Robert F. Wolf

/s/____

Robert F. Wolf, Chair

Richard D.

Pagnozzi /s/___

Richard D. Pagnozzi

Alfred O. Weller

/s/____

Alfred O. Weller

MARKETING ACTUARIAL SKILLS

Threats, Strategies, Goals

Impacted Goals- Centennial and SAM

A. Centennial Goal:

The CAS will be globally recognized as *the pre-eminent resource in educating casualty actuaries and conducting research in casualty actuarial science. CAS members will be recognized as the leading experts in the evaluation of hazard risk and the integration of hazard risk with strategic, financial and operational risk.*

B. SAM Goals:

7. The CAS Website will average at least 1 million page views per month (currently 500,000 per month) with at least 20% of the views emanating from non-CAS members and at least 25% emanating from outside the US and Canada. *In addition, material available through the CAS website will frequently appear in the top 10 results for the major search engines that use relevant content as the primary search component, when searching for topics in our area of expertise, such as:*

- *Quantitative risk analysis*
- *Enterprise risk management*
- *Integrated risk management*

10. The CAS should, in cooperation with other professional organizations, as appropriate, conduct a survey of top management in both insurance and other organizations to determine the current perceptions regarding the abilities of casualty actuaries and other professionals in a number of key areas. Based on the results of this survey, specific goals should be set for improvement by the year 2014.

Threats

- Proper credit is not always given to actuaries
- CFOs/CEOs/non insurance companies may not be aware of what actuaries can do
 - Competition from other sources (e.g., CFAs, MBAs, FMDPs)
 - Stereotyping of actuaries as only insurance professionals
- Actuaries may be perceived in a different light
 - Recent developments regarding actuarial credibility
 - Stereotyping of actuaries as only insurance professionals
 - Stereotyping of actuaries as “looking out the rear view mirror”
- Ability of our web-site to attract visitors (CAS and non-CAS members)
- Look and feel of our professional publications
- Lack of CAS focus on and contribution to the development and implementation of the AAA/SOA Image Campaign

Strategies

Two key themes appear to be emerging:

- 1) Make general public aware of our current skill set
- 2) Make general public aware of what we can bring to the table in newer endeavors (e.g., ERM, patient safety analysis)

- In order to be recognized as leading experts, we need to
 - Focus on strategies to work with the current SAM goals to promote the actuarial profession outside of traditional actuarial publications/avenues.
 - i. Publish articles in non-actuarial publications
 - ii. Eminence (e.g., CNN, Wall Street Journal, etc.)
 - Consider the use of advertising (e.g., the CFA has been advertising on radio stations).
- Review the recent AAA/SOA Image Campaign that focuses heavily on non CAS members when promoting actuaries
 - Is our story being told?
 - Do we want to be part of their story?
 - Possible CAS deliverables with key emphasis on the second deliverable
 - i. Develop specific feedback for the SOA to promote the general recognition of casualty actuaries
 - ii. Develop ideas we want to communicate
- Improve the CAS web-site
 - Mike Boa and the CAS staff members – Have made some early changes
 - Preliminary RedBoots feedback – relevance of search terms
 - Committee on Online Services (COOS) will review and make recommendations to the LRPC, such as revisions to the SAM Goal, at a later date
- Continue enhancing the CAS Forum and other publications to improve the professional look and feel of our work products
 - Recent formatting changes to the Forum – John Pedrick
- Recent ERM article in contingencies → marketing has to occur with employers and people entering into the profession

SAM Goals

At the current time, we do not believe a new marketing SAM goal is required.

- A. In terms of addressing the AAA/SOA Image Campaign, we would recommend that Joanne Spalla (VP – Marketing) and Mike Boa (Marketing Manager on staff) investigate ways to improve the CAS message.
- B. There was discussion among LRPC members about adding a SAM goal that focuses on tracking the number of CAS presentations made to non-actuarial groups (e.g., unions, hospital associations, IASA, etc.). Although this goal could help us track how well we educate/inform non-actuaries on what we bring to the

table, we are uncertain whether the CAS has the resources or manpower to accomplish such a bold task. This statistic would likely include actuaries who speak at non-CAS meetings for consulting firms. As consultants, we think it is highly unlikely that consulting firms would really be helping the CAS deliver a message directly benefiting the CAS. Any benefit to the CAS would likely be indirect and probably minimal. In some circumstances, the audience might not even know or remember the person speaking was an actuary.

Our committee did discuss whether it might be time for the CAS to consider creating a staff actuary position (full-time or part-time). The person hired would be an actuary working for the CAS. One of this position's roles would be to get speaking opportunities at non-actuarial meetings as an attempt to highlight the various roles that the actuary can provide value. The SOA and the AAA both have staff actuaries.

Draft 07/10/05

**Report of the LRPC Subcommittee to Review
The Threats/Opportunities to Achieving the Centennial Goal**

VOLUNTEERISM

Activity: The subcommittee (a) met via teleconference on March 24, 2005, (b) met with the other subgroup leaders on May 18, 2005 to review progress, (c) met with the full LRPC on May 24 to review a draft report, and (d) reviewed and incorporated the results of the Leadership Meeting with respect to volunteerism. The following is based on the input drawn from the listed activities.

Conclusion. The subcommittee concluded that Volunteerism *per se* permeates the entire Centennial Goal. It is the motive force that drives any success the CAS might have in achieving the various SAM goals. In other words, it is an “energy” that will drive all other SAM goals. Accordingly, the subcommittee felt that strengthening the probability of achieving the Volunteerism SAM goal is all that is needed at this time. The Subcommittee work then focused on some of the ways by which the idea of volunteerism can be strengthened. The subcommittee used the items identified in the Weller report as its main agenda. Finally, the subcommittee felt that the current target of the SAM goal is probably overly ambitious – and well beyond the “challenging but achievable” paradigm we all like to have associated with the various goals.

Recommendation: The subcommittee ended up with two broad recommendations as follows:

1. *COVR Recommendation.* Recognizing that (a) the current and past levels of volunteer activity within the CAS are enviable by practically any standard; (b) the continued high level of volunteer activity is an essential element of the long term success of the CAS (as an organization operated primarily by volunteers in partnership with the CAS office, on behalf of all its members), and (c) the achievement of the CAS Centennial Goal is highly dependent on maintaining and increasing the current levels of

volunteerism, the Committee on Volunteerism is asked to undertake a one time assignment to review and evaluate the issue of volunteerism in the life of the CAS from a **strategic** perspective with emphasis on the following elements:

- A. Update the study to estimate the annual cost of the CAS paying for all travel expenses of members in connection with participating in committee and other activities of the CAS.
- B. Confirm whether or not the suspected employer resistance to granting “time off” to their employees to devote to CAS activities is a real and growing issue and, if so, identify ways in which the CAS can minimize the burden on both members and employers of members who are unable to obtain compensatory time off from their jobs to attend and participate CAS activities, including volunteering.
- C. Identify ways in which volunteering for CAS activities can compete successfully with other life priorities (family time, other community activities, etc.)
- D. Identify and evaluate ways in which the CAS can cope with the oft expressed resistance to serving in senior leadership positions (Board, VP’s, and PE) because of the heavy time commitments involved.

2. *SAM Goal Target Participation Rate.* The current goal is for at least 50% of the members to be involved in some CAS activity (including Academy participation). The subcommittee feels that while this is a laudable target as it is definitely challenging, it may not be achievable. Therefore the subcommittee recommends that the LRPC examine this issue and either confirm the 50% figure or amend it to more realistic but still challenging levels. To this end, the subcommittee also recommends that the LRPC consult COVR on this point to get its input on the participation ratio.

Discussion. The committee reviewed the results of the “Weller Group” scan with respect to Volunteerism and reached the following conclusion with respect to various threats and opportunities:

Weakening Corporate Financial Support. Over the years, it has been felt that employers generally have become less willing to grant the time off from work and/or pay the expenses associated with their employee participation in CAS activities. It is also generally felt that this trend may be continuing. One of the aspects of dealing with this situation, to make sure it does not become an intractable problem, is to consider reimbursing all travel expenses associated with members participation in CAS activities. In order to discuss this question intelligently, it would be useful to update a study that was undertaken about 10 years ago in which the annual cost of such a venture was estimated. Therefore, the subcommittee felt that this issue needs to be revisited and hence the suggestion that COVR undertake this assignment. It should be noted that the CAS already has begun moving in this direction on two fronts: (1) all expenses are paid for those who grade examinations and (2) travel expenses (or stipends against travel expenses) are authorized on a case by case basis for hardship situations as determined by appropriate members of the EC.

Weakening Corporate Support for Time to Serve on CAS Activities. This is the complement of the previous issue. Most volunteers find ways to compensate for lost time at work by investing personal time on CAS activities. However there is a suspicion that this may be becoming an issue that prevents or complicates members’ efforts to volunteer for CAS activity. The subcommittee felt that the CAS should consider finding the means to pave the way to making it less difficult for members to devote time to CAS activities when there is resistance from their employers. The subcommittee felt that this could be done positively rather than defensively. More specifically, COVR is asked to examine this issue, to determine whether it is a true or imagined obstacle, and, if it found to be a legitimate issue, to identify ways in which the CAS can minimize the burden on both members and employers of members who are unable to obtain compensatory time off from their jobs to attend CAS committees/activities.

In addition, the Nominating Committee has, for many years, had to provide multiple backups for volunteer position at the senior level (Board, VP, and PE). The time commitments are so onerous that often people who would do well in those positions pass up the opportunity. It is difficult to determine whether this reluctance is rooted in corporate resistance or in balance issues (see below). But whichever it is, the subcommittee felt that this issue needs to be dealt with in an affirmative way as part of the COVR strategic look at volunteerism.¹

Balance Issues. The subcommittee discussed various elements of this issue. Members are thought to often find themselves choosing between various alternatives when deciding to devote time to their CAS activities (family time and/or other community and volunteer activities). The subcommittee concluded that much of this issue rests with individual choices over which the CAS has little control. However, there may be ways that the CAS can compete successfully with other life priorities. The challenge is to identify those ways. The subcommittee also recognized that this issue was addressed in the past through various forms of recognition such as the Matthew Rodermund Service Award and the Above and Beyond Achievement Award. One of the aspects that is not highlighted enough, is that the deed is often its own reward. In other words, this idea needs to be communicated more effectively so that members can see the value in volunteering by virtue of the activity itself as opposed to relying on just the recognition element – which is granted fairly infrequently through various awards as well as occasional selection to lead various committees and task forces. The subcommittee thought COVR should examine this issue anew and identify ways in which the work itself can be highlighted as the prize for working on CAS activities. It may be too “Zen” to use the language of “the deed is its own reward”, but we may be able to package the idea in more every day terms, such as: “the satisfaction that accompanies successful service on CAS endeavors” or equivalent.

¹ And within this subject the additional task of identifying and preparing future leadership, either through a standing committee (e.g., nominating committee) or a new committee (e.g., a subgroup of the proposed Senior Fellows group that is presently forming under the leadership of David Hartman.

Target Participation Rate In the SAM Goal. The present SAM Goal target rate is set at “at least 50%”. The subcommittee felt that in light of the history of this ratio the 50% target is so challenging that it likely will not be achieved. One can argue that if this level can generate a great deal of effort to reach 50% and we somehow fail – but reach, say 45% -- that that is a victory of sorts. However, the subcommittee felt that it would be better to peg the target at a more reasonable level that is also challenging. The history of this ratio has been a very slow upward change. This is all very interesting given the rapid concurrent increase in the size of the CAS membership. Nevertheless, the rate of participation has moved in very small increments. Given this history, and the appearance that the 50% target is daunting, the subcommittee felt that COVR should be consulted on what is an appropriate level for this SAM goal. In a related vein, the subcommittee also felt that COVR should make some attempt at relating whatever the final COVR % recommendation turns out to be with the general volunteer level that the current organizational structure plus the CG requirements may require.²

In addition, the subcommittee felt that one aspect of “promoting” volunteerism that COVR should consider in doing its work is in developing the idea of volunteers themselves communicating their experience in an “ambassadorial” way to other colleagues. In other words the best Exhibit A we have to offer to potential volunteers is a volunteer who feels good about his or her participation in CAS activities.

Other Issues. The subcommittee also considered the following elements that were also identified in the Weller report but which the subcommittee decided that no action is necessary. Specifically:

1. *Mutual Recognition.* This deals with the idea that working on volunteer activities to which members may have access as a result of mutual recognition may represent a hindrance of some sort. The subcommittee felt that this element of

² Part of this exercise may be a calculation by COVR of the target ratio times the projected membership as of 2014 – to get a handle on the number of specific opportunities that will be needed to meet the target.

the issue, while probably real, is not going to be of any scale to make any discernible difference.

2. *Political Issues.* This deals with the demands placed by political developments on members time (such as asbestos legislation, credit scoring, etc.) Again, the subcommittee felt that this is not an issue since any political matters that emerge that need attention and that will involve CAS members, are likely to be addressed by the AAA – and our volunteer activities take into account the work done for the AAA by CAS members .

3. *Path to Leadership.* This issue deals with the time it takes to go through the chairs in order to become eligible for leadership positions and that some members may not be willing to devote the time to wait in line, as it were, for volunteer activities to manifest. While the subcommittee acknowledged this issue, it also noted that occasionally the CAS reaches beyond normal development paths to tap certain individuals for leadership positions. While this is relatively infrequent, it does happen. Overall, the subcommittee felt that, other than those exceptions, the normal developmental paths to leadership are going to remain to be primarily through devoted, sustained, quality service to the CAS.

In addition, recognizing that it is in the best interest of the CAS to cultivate and develop volunteers, we understand that the EC has been discussing potential volunteer recognition and developmental programs that may be recommended to COVR in the near future. Additionally, the Nominating Committee is addressing the issue through of broadening the scope of the Nominating Committee so as to include “leadership identification and developmental activities”.³ Neither of these initiatives is official and both are still in the early stages of development.

However, it is encouraging to note this activity.

³ If the leadership development activity is placed within the portfolio of the Nominating Committee, it should be recognized that the composition of the Nominating Committee will likely have to be changed (e.g., change it to recognize that only seasoned members who are well-versed in CAS activities and history have the best view of what constitutes effective leadership for the CAS.)

In view of the above, the subcommittee concluded that no action is suggested.

4. *New Meeting Technologies.* The subcommittee felt the CAS is moving aggressively in this area and that no further action is needed at this time.

INTERNATIONALISM

Threats, Strategies, Goals

Recommendation

Build active working-level partnerships with existing actuarial organizations that have a distinct general insurance (non-life, property & casualty) practice. This could include joint task forces or committees and would at least involve cross-membership in each other's committees.

SAM Goals

1. The CAS will be engaged in a partnership with all of the international actuarial associations that have or wish to develop a distinct casualty (general) area of practice.
2. The CAS will provide assistance to all countries that are developing an independent actuarial profession to incorporate casualty actuarial material in the certification program, including providing translations of basic CAS texts as appropriate
- 5 At least 20% of CAS members will practice/reside primarily outside of the USA and Canada
7. The CAS Website will average at least 1 million page views per month (currently 500,000 per month) with at least 20% of the views emanating from non-CAS members and at least 25% emanating from outside the US and Canada.
9. The CAS will have liaison programs with 250 universities in the US and Canada, and 50 universities in other countries.

Threats

- Our (general) North American focus, both on the part of our membership in general and our image to the rest of the world
- General lack of interest by our members of the profession outside of North America
- Our organizational focus on "our members" as opposed to "casualty actuarial science"
- Our casualty-only focus is a treat to SAM Goal 1 -- countries developing an actuarial profession usually do not have a large enough insurance market to differentiate general insurance actuarial from life actuarial. Specializing on general insurance puts us at a disadvantage relative to other organizations such as the Institute (see for example Eugene McGovern's article in the March/April 2005 Contingencies, "An Actuary in Cairo"). Similarly threatening goals 7 and 9 is the relatively small general (or non-life) insurance markets outside a limited number of countries.
- International activities may drain resources from other uses.

Strategies

- Categorize countries:
 - Countries with advanced actuarial professions with separate general (non-life) insurance track (e.g. USA, UK, Australia)

- Countries with advanced actuarial profession without a well-defined or structured general (non-life) insurance track (e.g., Germany, Switzerland)
 - Developing countries in need of actuarial general (non-life) actuarial services (e.g. Kazikstan, India), and
 - Countries with less developed economies not in immediate need of actuarial services.
- Focus basic education efforts in developing markets
- Focus on partnerships in the more advanced countries, including with the SoA outside of North America.
- More international focus in our publications (in publications task force report)
- More focus on the profession rather than our members in our publications (also in publications task force report)
- Make basic education materials easier to access (in one book for example -- also in publications task force report)
- More international material on our syllabus and other publications
- More international presence (possibly subsidized by the CAS) at our meetings and seminars
- Listen more
- More involvement in international actuarial organizations by CAS members (see Nolan's comments re ASTIN)
- Other?

New SAM Goals

- Combine current SAM goals 1 & 2 (difficult to talk of them separately)
- The CAS will publish basic education materials in at least three different languages.
- 25% of papers presented at international actuarial meetings (GIRO, ASTIN, etc.) will be by CAS members and 25% of attendees at those meetings will be CAS members
- 25% of members of CAS committees, working parties, and faculties at CAS seminars will be from outside of North America (and not necessarily CAS members)
- CAS members will make up 25% of working parties and committees in major general insurance actuarial organizations outside of North America (ASTIN, GIRO, etc.)

QUANTIFICATION SKILLS

Threats, Strategies, Goals

Impacted Goals- Centennial and SAM

A. Centennial Goal:

The CAS will be globally recognized as *the pre-eminent resource in educating casualty actuaries and conducting research in casualty actuarial science. CAS members will be recognized as the leading experts in the evaluation of hazard risk and the integration of hazard risk with strategic, financial and operational risk.*

B. SAM Goals:

3. *At least 20% of the CAS curriculum and 20% of CAS continuing education programs will focus on strategic, financial or operational risk, or the integration of hazard risk with these risks.*

7. *The CAS Website will average at least 1 million page views per month (currently 500,000 per month) with at least 20% of the views emanating from non-CAS members and at least 25% emanating from outside the US and Canada. In addition, material available through the CAS website will frequently appear in the top 10 results for the major search engines that use relevant content as the primary search component, when searching for topics in our area of expertise, such as:*

- *Quantitative risk analysis*
- *Enterprise risk management*
- *Integrated risk management*

8. *The CAS will dedicate funding of at least \$100,000 annually for research around the world in identified areas of need.*

Threats

The threats to the Centennial Goal (“CG”) and SAM goals 3, 7 and 8 fall into three categories, which are:

- Lack of required financial and hazard quantification modeling skills;
- Perceived lack (by non-CAS members) of CAS membership having the necessary quantification skills; and
- Lack of required modeling and/or integration skills to facilitate the migration of CAS members’ skills into new areas.

Examples of the potential lack of required skills needed to be the leading authorities in the evaluation of hazard risk include:

- Development of predictive or inference modeling for pricing casualty risk, best exemplified by Progressive (not known as a strong actuarial company);
- Establishment of actuarial units in India by several international companies employing PhDs, who are not CAS members;
- Dynamic Financial Analysis originally developed in the financial world;

- Generalized Linear Modeling originally developed in the UK.

Examples of the CAS not being perceived by non-CAS members as having the necessary quantification skills and tools include:

- Recent developments regarding actuarial credibility;
- Lack of a strong casualty actuarial presence in the US and Canadian academic worlds.

One example of a situation in which actuaries have not been broadly successful in utilizing our skills in new areas is:

- Enterprise Risk Management is not currently perceived as falling within the actuarial realm by external audiences:
 1. The “easy bits” of ERM (identifying and categorizing exposures) have been claimed by the audit profession. This is probably a space where the CAS does not want to play much. It could provide syllabus material, however.
 2. Much of the potential for the CAS around ERM is around quantifying the non-hazard risk exposures. CAS members likely have the ability to develop the distributions around these exposures; what is presently lacking is the understanding of these exposures. Curriculum and CE can help develop this understanding, but it does not get us the whole way to being recognized as leading experts.

One additional threat to the CAS relates to preserving our “unique” philosophy of wedding strong technical knowledge and skills with an intense focus on practical application of that knowledge and skills:

- The trend in completing more exams prior to employment and the recent proposed changes to the examination process could produce actuaries with syllabus knowledge, but no practical expertise. This does little to contribute to our being recognized as experts. In addition, many of the issues related to the integration of various risks require a broader business perspective.

Goals and Strategies:

Historically, the CAS has developed ways to handle these threats. The work associated with those efforts needs to continue – specifically, the current Committee structures in place for:

- defining minimum required skill levels to become a CAS member (Admissions Committees)
- defining required continuing education responsibilities for experienced CAS members; and
- promoting research and publication that increases the quantitative tools available to actuaries and other professionals.

In addition to the current approaches, to be considered leading experts, CAS members need to provide

- Ways to help organizations develop integrated models of their risks;
- Approaches to assist in the management and/or mitigation of risk; and

- Clear communications around these items.

The CAS needs to develop a wider audience for developments in quantification methods produced by CAS members. One approach would be to:

- sponsor research by CAS members to be presented in other (refereed) journals.
- include more research by non-CAS members in CAS publications

To be recognized as the leading experts in the integration of hazard risk with financial, strategic, and operational risk, the CAS needs to build awareness of developments in quantification techniques produced by other professional groups:

- review of journals/papers from other groups identified by LRPC as having similar type skills to us
- creation of additional partnerships similar to the recent one on Enterprise Risk Management.

In today's world, expectations are significantly higher regarding the verity of financial statements. No longer is solvency or risk of impairment the only standard by which actuaries are measured. Unexpected changes in the valuation of liabilities that significantly impact prior year statements of earnings have increasingly gained the focus of regulators and shareholders. To ensure we are viewed as being the leading experts in the quantification of hazard risk, the CAS needs to continue to enhance actuaries' skills on more traditional balance sheet items. Principles could be developed that focus not only on quantifying the liabilities and assets, but also on quantifying risks associated with the estimated values.

Proposed additions/revisions to the SAM Goals

New:

- 20% of papers published in non-CAS journals related to property casualty insurance and the quantification of risk will be by CAS members and 10% of the papers published in CAS Publications will be by non-CAS members.

Revised:

8. The CAS will dedicate funding of at least \$100,000 annually for research around the world *to enhance the quantification tools available to CAS members and others as well as other identified needs.*

Additional Recommendation:

1. Have the CAS Admissions committees (Education Policy and Syllabus) develop a set of learning objectives to define the core set of skills CAS members should possess for more sophisticated quantification skills (as exemplified by the broad category of "predictive modeling"). These core skills would, at a minimum, enable all CAS members to use and confidently discuss/describe to non-actuaries these more advanced tools and techniques.

2. Have the Professional Education Policy Committee continue to develop curricula that would enable credentialed actuaries upgrade their skills regarding these types of tools and techniques. This would build upon the progress that has been done to date as evidenced by the seminars on Predictive Modeling.

CAS LONG RANGE PLANNING COMMITTEE SUBGROUP ON CREDIBILITY OF THE ACTUARIAL PROFESSION

At its May 2005 meeting, the CAS Board adopted the reports prepared by the Task Force on Actuarial Credibility in its entirety. The report presented several short and intermediate term recommendations for enhancing the perceived credibility of the actuarial profession. The CAS is currently undertaking a series of action steps to implement the recommendations of the Task Force.

The internal and external scans conducted by the LRPC in 2004 highlighted the importance that improvement in the profession's credibility played in successfully achieving the Centennial Goal. Recognizing that the CAS Board (via the Task Force) was focusing on short and intermediate term credibility enhancing strategies, the LRPC felt that a longer-term perspective on this subject would also be an important dimension to assuring successful achievement of the Centennial Goal.

As such, the LRPC subgroup on credibility of the actuarial profession set out to answer two questions:

- (1) What additional SAM Goals should be considered, so that the CAS can monitor whether improvements in the profession's credibility are achieved?
- (2) Are there other longer-term recommendations for improving the profession's credibility?

Additional SAM Goals:

The subgroup recognized that directly measuring improvements in the profession's credibility might prove difficult, given the nebulous nature of perceived credibility. However, there were a number of barometers that can be reasonably assumed to be highly correlated with changes in perceived credibility. On this basis, the following metrics are presented for consideration to be embodied in new CAS SAM goal(s):

O The difference between the actuary's best estimate and the recorded reserve for a sample of the insurance industry should approach zero.

NOTE: With the adoption of the actuarial memorandum to accompany the 2005 Statement of Actuarial Opinion, the subgroup believes it will be possible to establish current benchmarks for this difference and how it will change over time. The extent to which this difference shrinks over time, is felt to be an important barometer of the profession's credibility.

O Changes in the actuary's best estimate of reserves over time should be randomly distributed around zero.

NOTE: This information may be somewhat more difficult to gather, but with the adoption of the Task Force recommendations, this information could be gleaned from actuarial reports.

O Changes in legislation/regulation that would require management to record the Appointed Actuary's best estimate.

NOTE: The subgroup believes such changes would be indicative of expanded reliance on the actuary's work-product – an outcome that would naturally depend on the credibility of the profession.

O Salaries for Casualty Actuaries should rise at a greater rate than for other comparable professions.

NOTE: Once again, the Subgroup feels that while compensation structures are dependent on several factors, relative growth in actuarial compensation would be indicative of improvements in the perceived value proposition and credibility of the profession.

O The number of casualty actuaries employed by rating agencies should quadruple in the next five years.

NOTE: The current credibility crisis stems in part, from reports issued by the rating agencies. Growth in the number of actuaries employed by the rating agencies would be indicative of improvements in credibility.

O The number of actuaries serving as CEO's of their organizations will grow as a percentage of the CAS membership.

NOTE: The Subgroup feels that this metric would also serve as a proxy of actuarial credibility.

O The pipeline of applicants for actuarial positions (examinations) would grow more significantly than in the last five years.

NOTE: The Subgroup feels that this metric would also serve as a proxy of actuarial credibility.

Other Longer-Term Recommendations:

After reviewing the Task Force report, and the longer term options presented therein, the LRPC subgroup has determined that they would not recommend any longer term recommendations to enhance the reputation of the profession at this time. However, they believe that the profession and

the CAS will be better armed to defend the profession's credibility and market their value proposition when armed with the statistics and other information embodied in the metrics and proposed SAM goals presented above. A marketing program wrapped around this information would be instrumental in elevating the image of the actuary and enhancing the profession's credibility.