

# Annotated NY Times Article #1

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## Removal of Leader Stirs Anger Over Dealings of Actuary Group

By MARY WILLIAMS WALSH

The American Academy of Actuaries, the public face of a behind-the-scenes profession, is in disarray after quietly sacking its incoming president, then trying to conceal both his ouster and an unpleasant secret from his past.

The president-elect, Bruce Schobel, is one of America's foremost authorities on the Social Security system. He is also a onetime convicted felon who, according to court records, served time three decades ago for "assault with a dangerous weapon while demanding property" in New Jersey. Few know this, though, because his record has been expunged.

Mr. Schobel has put many productive years between himself and his conviction. The matter would probably be entirely unknown if it had not surfaced in the profession's long-running debate about actuarial accountability, and the way numbers bearing little resemblance to reality keep turning up at the scene of failed insurance companies, collapsed pension funds and states that cannot balance their budgets.

Such scenes are embarrassing to actuaries, who consider themselves crack risk-management experts, toiling in obscurity to keep insurance companies solvent and pensions funded. Like doctors, they are generally reluctant to point fingers in public or accuse a colleague of malpractice.

The profession, decentralized and largely unregulated, relies on public trust, and no one wants to undermine that trust. So when controversy flares, there are panels, discussions, resolutions — but often little change.

Mr. Schobel has been among those trying to modernize the profession, raising its profile in Washington and its credibility with the public. Now, though, he is turning into one of the problems it has so much difficulty solving.

A spokesman for the academy said he could not comment on any aspect of Mr. Schobel's ouster.

Mr. Schobel, in response to questions, offered documents contending that his removal was illegal and letters he had received from both his sympathizers and

### Article Statistics (by word count)

Opinion → Academy/Profession

Positive – 0%

Negative – 6%

Opinion → Schobel

Positive – 4%

Negative – 14%

Fiction – 27%

News – 49%

### FICTION

It is a mystery what this is referring to. A Google search on the term "actuarial accountability" turned up 123 hits (one being this article). Many duplicated a single item – apparently, a routine CAS meeting inquiry into the topic.

Many simply used the word "actuarial" as an adjective not related to the profession per se.

This is hardly a "debate" even though the actuarial profession does, reasonably, recognize "accountability" as an important characteristic of a profession.

This information, apparently, came from one of Sanford's filings (see FICTION – top of page 3) which the reporter accepted as fact.

### FICTION

This would seem to be only an assumption. The *Actuarial Code of Professional Conduct*, Precept 13 requires actuaries to disclose apparent, material violations of the Code to the appropriate disciplinary body. In the U.S. this is the ABCD.

In fact, the Academy has a webcast on Precept 13 scheduled for October 7, 2009 specifically to educate members on the importance of this self-regulatory tool.

### FICTION

In the world, perhaps, decentralization might be argued but in the U.S. there is one organization, the AAA, representing all actuaries with respect to public policy issues. Does, for example, the AMA represent all doctors?

The SOA, CAS, CCA, and ASPPA serve their overlapping memberships with the AAA in different ways.

his detractors. He said his opponents had tried to use unflattering and irrelevant information to blackmail him. Several of his supporters cited a New Jersey law making it illegal in that state to reveal the existence of an expunged criminal record.

It was Mr. Schobel, however, who revealed his criminal record, in open court in Cook County, Ill., two years ago. He argued then, in a different lawsuit, that his crimes were “high misdemeanors,” not felonies, but the court disagreed and found that “felony” was the correct term. He was also convicted on a charge of “atrocious assault and battery” in that same episode.

The academy’s current troubles began in June, when 19 of its former presidents — nearly all of its former presidents living today — sent a letter to its board, saying that the public expected an “exceptionally high level of integrity” in actuaries, and expressing grave doubts about Mr. Schobel’s suitability as president. The board met in early August, and the majority voted to remove Mr. Schobel.

This was unprecedented — and yet no one broke the news to the membership. Only about three weeks later did the academy post a bland notice on its Web site, saying it would fill “the vacancy in the office of the president-elect,” without mentioning Mr. Schobel or explaining why there was a vacancy.

That started an uproar. Angry and incredulous actuaries have besieged the academy, quoting from the Declaration of Independence, calling the board “drunk with power,” and demanding to know what had happened to Mr. Schobel. Some pointed out the academy’s weak governance structures and proposed a coup of sorts.

This month, Mr. Schobel sued the academy, saying it had defamed him and removed him illegally, after being intimidated by “a cabal of individuals who disagree” with his “vision for the academy, and his personal style.” The lawsuit, filed in United States District Court for the District of Columbia, seeks Mr. Schobel’s reinstatement, and \$2 million in damages for defamation and harm to his client relationships.

It does not mention his conviction, but does refer cryptically to a blackmail attempt and to “certain events that occurred over 30 years ago.”

The academy has filed a response saying its board’s actions were legal and appropriate. It did not mention the felony conviction either, but attached further documentation under seal.

As it happens, the documentation is not sealed in the court in Cook County, where the academy is incorporated. There, Mr. Schobel was sued in his

#### FICTION

I believe that this is a reference to the fact that the record of an *expunged conviction* was *responded to* during the *arbitration* process.

- Legally, there is no “criminal record” since it was expunged.
- And, this event did not occur in “open court” nor was it “revealed” by Schobel. It was part of an *arbitration* process.

Just from a common sense perspective - What sense does it make for Schobel to “reveal” his expunged conviction only to later request that the record of such a revelation be sealed as this later reported (Page 3)? Wouldn’t it have been more effective to just not “reveal” them in the first place?

#### FICTION

I believe that this is a reference to actuaries (and, perhaps, non-actuaries) posting to the Actuarial Outpost.

There was no actual siege on the Academy offices in DC.

capacity as president of a sister group, the Society of Actuaries, in 2007.

The suit was filed by Sarah Sanford, who had been fired as executive director of the society and who accused Mr. Schobel of defaming her. In her complaint, she mentioned the long-running actuarial debate about accountability, adding that she had clashed with Mr. Schobel over whether convicted felons should be barred from the profession. She said she had supported such a ban, but Mr. Schobel had opposed it, saying felons should be barred only if their crimes were related to financial services.

Few knew at the time that Mr. Schobel had personal reasons for his stance. Ms. Sanford said she had found out about Mr. Schobel's felony conviction, and then learned that he knew that she knew. Almost immediately, she said, he began telling people he was going to get rid of her, saying she had taken "kickbacks" and "looted the Society of Actuaries."

Reached this week in Illinois, Ms. Sanford said she had nothing to say beyond the existing court records in the case.

A year and a half of messy litigation followed, in which Mr. Schobel countersued, accusing Ms. Sanford of defaming him by sending e-mail messages under a fake name, telling other actuaries about his old felony conviction.

In the end, an arbitration panel found that Mr. Schobel had been unable to provide any evidence to support his claims that Ms. Sanford "looted" the society — or that she sent defamatory messages about him. The society, a co-defendant with Mr. Schobel, had to pay an award and court costs of a little more than \$2 million.

Mr. Schobel tried to have the records sealed, but a Cook County circuit judge refused, on the grounds that Ms. Sanford had been harmed and had the right to clear her name.

By that time, though, Mr. Schobel had become the president-elect of the American Academy of Actuaries, having been nominated and affirmed by its board. The board of the academy, based in Washington, was unaware of the legal debacle at the society, which is in Schaumburg, Ill., and Mr. Schobel had been the only nominee for the post.

"Defamation of character is unprofessional and does not uphold the honor of the office of president-elect of the American Academy of Actuaries," one former president, David Hartman, wrote in a message to Mr. Schobel. Mr. Hartman said he could not fathom why Mr. Schobel had not tendered his resignation at once.

## FICTION

This is, apparently, taken from Sanford's filings made in support of her claim of defamation and should be read in that context.

Executive Directors of the SOA have never been involved in any serious discussions with members of the SOA Board regarding who should or should not be eligible for membership. That has always been an issue for the professional actuaries on the Board and the members of the profession to decide. The conversation described here is more likely than not a fabrication.

In fact, *Requirements for Membership* are clearly defined in the SOA Bylaws (Article III, Section 2) and are principally based on passing examinations prescribed by the SOA Board of Directors. There is no requirement for a college or even a high school diploma.

It is reasonable to think that the SOA might consider a general requirement that members be of high moral character, for example, but it is illogical to believe that the SOA Board might actually, specifically have considered whether or not felons should be admitted to membership and would have participated in such a discussion with its Executive Director. The characterization of that as a subject of a "long running debate" is, more likely than not, a fabrication.

Certainly, I beginning with my service on the SOA Board in 2002 have never heard that subject discussed — either within or outside of an SOA Board meeting.

## FICTION

The Nominating Committee makes recommendations to the Board and, more likely than not, considers many individuals for each position before offering a slate to the Academy Board or the membership for a vote.

While there may have been only one nominee for President-Elect it, it is inaccurate to imply that no other individuals were considered or that the Academy Board could not have rejected the Nominating Committee's recommendation rather than electing Schobel unanimously.

Characterizing the SOA *loss* in litigation v. its former Executive Director as a "debacle" is, perhaps, also hyperbole.

Mr. Schobel, who offered the note as explanation about the dispute, responded: “You only make yourself look foolish taking a position on a subject about which you know so very little.”

On Wednesday, a federal judge in Washington is scheduled to hear Mr. Schobel’s request for a court order affirming that he is still president-elect of the academy.

“The fact that the A.A.A. board crumbled in the face of an extortionist’s demands says something about the board’s principles — or lack thereof,” Mr. Schobel said in response to questions. “Fortunately, Illinois law protects me, the A.A.A.’s membership and the public in general.”

**While he soldiers on in court**, the academy has begun a search for a new president-elect. **Whoever does emerge will be seated as president at a full meeting of the academy in Boston on Oct. 26.**

*Karen Ann Cullotta contributed reporting.*

**FICTION**

If the “whoever does emerge” is a reference to the person emerging from the previous sentence’s described search for a new President-Elect, then this conclusion assumes that Schobel will lose the now ongoing litigation which may not be the case.

If this is a broader conclusion that someone will be seated as President of the Academy on October 26, then it may presume that the ongoing litigation will be finally resolved by then. Theoretically, at least, this case might find its way to the Supreme Court on appeal – although that too is, I hope, a wildly speculative assumption on my part.