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Sent: Mon, Aug 3, 2009 9:52 pm

Subject: AAA Board Meeting *PLEASE READ*

To Members of the AAA Board of Directors,

Thank you for all the time and energy you put into the work you do as a member of the Board of Directors of the Academy. It is much appreciated. The Academy now faces a crossroads - a crisis in leadership. It is in uncharted waters when it considers a recall of an elected officer of the Academy. The more than 16,000 members of the Academy are counting on you to exercise your wisdom and good judgment to come up with a responsible and equitable conclusion.

I am writing to you as an individual. My purpose is to hopefully help you focus on the issue raised by the letter of July 9 from 19 past presidents of the Academy. That issue is - what action, if any, does the AAA Board need to take now to protect the Academy's interests (to reduce or eliminate the risk to the Academy's reputation) due to the existence, availability and content of the Award document with its potential of being injuriously utilized by others. Ignoring the Award document is not an option. Nor is it an option to try to cover it up. It exists, in multiple copies, in the public domain. All it takes is one copy in the wrong hands to create a very bad situation. The situation exists. How it came to be is irrelevant. What is relevant is how the Academy should position itself in recognition of the fact of the existence, availability and content of the Award document.

To me, the best alternative at this point, for both Mr. Schobel and the Academy, would be for Mr. Schobel to resign voluntarily. I would like you to know that I have personally written to Mr. Schobel (on June 11 and again on July 31) to ask him to resign/step aside. To date, I have no knowledge that he has done so.

Without a voluntary resignation, in my view, the AAA Board will want to vote to require Bruce Schobel to immediately step aside as an officer of the Academy. My reasoning can best be summarized by applying the "New York Times Test." That test is that you should only do things if you would be comfortable having your actions reported on the front page of the New York Times (professionalism 101). If the Board were to decide not to require Mr. Schobel to step aside, given the existence, availability and content of the Award document, it would look very bad in the eyes of the public.

In the Award document the arbitrators unanimously found that Mr. Schobel defamed someone's character leading to a payment of compensatory damages of \$1,000,000 and punitive damages of \$450,000. In the Award document the arbitrators also unanimously found that Mr. Schobel is a convicted felon. Regardless of the N.J. expungement, that is what the Award document says. When it comes to an officer of the AAA, the public does not care why or when the felony conviction occurred. Rather than being about Mr. Schobel, this issue is about the existence, availability and content of the Award document and the threat it represents to the Academy's reputation as long as Mr. Schobel remains in office. Mr. Schobel has said to me in regards to the arbitration, and I agree with him, that "this matter is finished and will not be reopened." It will not be re-tried. It is done and the result cannot be overturned. It's there, it's a fact. The Award document exists and speaks for itself. Mr. Schobel believes he has done nothing wrong and that the arbitration result is unfair. Whether he is correct is immaterial. It is not the job of the Academy to right the perceived wrongs of an imperfect world. The job of the Academy is to advance the interests of its members and the public they serve in that world.

No one, not the arbitrators, the past presidents nor I, is saying the SOA did not have a right to terminate its Executive Director. What the Award document conveys is that Mr. Schobel did not need to, but did, defame her character in the process of terminating her. Readers of the New York Times are going to assume that the arbitrators got it right. I ask that you also remember that reputation is about perception, not proof. As stated above, it is the existence, availability and content of the Award document and its potential of being injuriously utilized by others that is of concern to me and others.

The Academy exists to serve the public with integrity. If you do nothing, a reader of the New York Times will likely ask why, then, would the AAA Board retain someone in an officer position about whom such an Award document has been rendered? As you may know, elected officials in NJ are resigning because of allegations of corruption made against them July 23. In this case, the public will not see just allegations, but findings. The AAA Board will therefore want to require Mr. Schobel to step aside. Otherwise it runs the risk of having a U.S. equivalent of the U.K. Morris Review being conducted here. I hope all of you are aware of the situation in the U.K. arising out of the collapse of The Equitable in the early part of this decade. Following the collapse, an investigation was conducted by Lord Penrose (see http://www.hm-treasury.gov.uk/indrev_pen_index.htm - note in particular the Key Findings on page 727 in Part 7) which led to the Morris Review. The result of the Morris Review was that, among other things, the U.K. actuarial profession lost its privilege of self-governance (see <http://www.soa.org/library/newsletters/the-actuary-magazine/2005/august/the2005august.aspx>).

One simple question you could ask yourself is - if you knew of the Award document prior to electing Mr. Schobel President-Elect of the AAA last October (and you could not have, since the Award document was only finalized last December), would you have voted to elect him? If your answer is "no," now is the time to rectify the situation. If your answer is "yes," then you must ask yourself why you would want to expose the Academy to the risks to its reputation by having Mr. Schobel continue to serve as an officer of the AAA. Asking that question in a different way, how would you explain to the AAA membership the existence, availability and content of the Award document and the fact that Mr. Schobel was still an officer²⁰of the AAA?

The primary responsibility of a member of the AAA Board is to the public, not to Mr. Schobel. Please carefully re-read the Award document as a reader of the New York Times would read it as you make your determination of how best to mitigate the risk it presents. When others read it they will not act to determine its purpose, its validity or its detailed accuracy. They will simply react. It is that reaction the past presidents who wrote you on July 9 wish to preempt by your action to immediately suspend the privileges of Bruce Schobel's acting as President-Elect and becoming President in October 2009 and Past President in 2010, of the American Academy of Actuaries or referencing or utilizing such designations pending the investigation of the complaints pending against Mr. Schobel and recommendation by the ABCD, and if required, subsequent action by the Academy Board. I, for one, feel it would be appropriate for the AAA Board to go a step further and immediately ban Mr. Schobel from serving in any leadership or representative capacity of the Academy permanently, especially if he does not voluntarily resign.

I hope you will continue to give this matter thoughtful consideration and act according to what you would be comfortable reading about yourself on the front page of the New York Times.

Thank you again for your service to the Academy and to the U.S. actuarial profession.

Dave Hartman
AAA Past President 1987-88