

Exhibit 1: Hartman's 6/25/09 e-mail to Schobel

-----Original Message-----

From: Dave Hartman [<mailto:dghartman@comcast.net>]

Sent: Thu 6/25/2009 3:02 PM

To: Bruce Schobel

Cc: John P Parks; Bluhm, Bill; Lehmann, Steve; Mary Downs

Subject: Draft Letter to AAA Board

Dear Bruce,

I, and most of my fellow past presidents of the AAA, fear that the public trust that the American Academy of Actuaries has built up over the years since its founding in 1965 is at risk of being damaged. **The source of the risk is the American Arbitration Association Award of Arbitrators (Award) document.** Whether one agrees or disagrees with the finding, it exists. Please view the words in the Award from the perspective of someone in the public.

Please read the attached draft letter addressed to the members of the Board of Directors of the American Academy of Actuaries (AAA). So far, 19 past presidents of the AAA have indicated their willingness to sign this letter. There is still one other past president who has not indicated one way or another if he plans to sign it. Only two have indicated they do not wish to sign it and two more feel they cannot sign it due to ABCD conflicts. That covers all 24 past presidents who are not currently on the AAA Board of Directors who have e-mail addresses.

Our interest in drafting this letter to the Board is to protect the reputation of the AAA - an objective I believe you share.

We wanted to give you a chance to voluntarily step aside before we send it - hence this e-mail. We reiterate - the Award exists. **It is not a sealed document and more and more people will learn of its contents as time goes on** - some in the profession and some outside the profession (the public). As you know, among the things it says are "nothing in the record proved the 'facts' expressed by Schobel were true." and that statements that "Schobel was a convicted felon were substantially true."

Please step back and look at how those statements about your conduct match up to the Academy's Vision Statement and everything else that the Academy stands for. It is hard to imagine that an average Academy member (or any outsider) will understand how the Board of Directors can ignore those statements. Any reasonable observer looking at those statements is likely to conclude that they raise serious questions about the appropriateness of your being in a leadership position in the Academy at this time.

You have a choice. **Hopefully, you will step aside while the disciplinary process moves to its conclusion.** In this way, you can say you cooperated with the process. **You can avoid the public embarrassment for you and the Academy that will result if the Board has to discuss preventing you from becoming President in October. It really is in your interest that you withdraw gracefully and quietly.**

Or you can choose to fight that outcome against significant odds, causing a distraction from the ambitious and very important agenda that the Academy has charted for the coming year. Having you in office at a time when controversy surrounds your conduct could be highly disruptive to the Academy and would not serve the best interests of the members or the Academy as it pursues its very important mission.

I ask for you to sleep on these questions, seek the counsel of others and search your soul deeply. I hope you will see your way clear to step aside for now. If you choose to do so, I assume that you will let John Parks and the whole Board know of your decision. **If you choose not to step aside, please let me know by July 1. Our letter will then be forwarded to the Board.**

Thank you for your careful consideration.

Dave

Exhibit 2: 6/25/09 Draft of Letter to Academy Board

June 25 Draft

Members of the Board of Directors
American Academy of Actuaries
1850 M Street NW, Suite 300
Washington, DC 20036

Dear American Academy of Actuaries Board Members,

We, the undersigned 19 past presidents of the American Academy of Actuaries, are writing to you, the American Academy of Actuaries Board of Directors (AAA Board), **to request that you suspend the privileges of Bruce D. Schobel's acting as President-Elect** and becoming President in October 2009 and Past President in 2010, of the American Academy of Actuaries (AAA) or referencing or utilizing such designations **pending the investigation of the complaint pending against Mr. Schobel** and action by the ABCD, and if required, a subsequent action by the AAA Board.

The Vision Statement of the AAA includes as the first Vision for Core Functional Areas a "Professional Vision -- The profession's publics will acknowledge and respect the exceptionally high level of integrity and competence demonstrated by actuaries." Our request for action is based on the obvious requirement that the top elected officials of the organization should be an exemplar of this vision to preserve the public trust.

A panel of impartial arbitrators of the American Arbitration Association found that Mr. Schobel had defamed the character of Sarah Sanford, formerly the Executive Director of the Society of Actuaries (SOA), resulting in an award of over \$2,000,000. The American Arbitration Association Award of Arbitrators (Award) was not appealed and the award has been paid. **The Award is the document that is attached dated December 3, 2008. This is a public document.** Please pay particular attention to pages 3 through 6, especially the statement at the bottom of page 4 which says "nothing in the record proved that the 'facts' expressed by Schobel were true."

In addition, pages 9 and 10 of the Award contains a section about a counter-claim regarding "Defamation Claims" which concludes that statements "... **that Schobel was a convicted felon were substantially true**, and therefore were not defamatory."

The integrity referenced in the Vision Statement encompasses two kinds of conduct: professional conduct and personal conduct. The questions about professional conduct raised by the Award are sufficient to require temporary suspension of Mr. Schobel's current office as President-Elect and his succession to the offices of President and Past President of the AAA. **Determining whether further action, such as removing Mr. Schobel from office, may be appropriate, but should await the outcome of the ABCD process the profession has had in place since 1992.**

Mr. Schobel's conviction of a crime involving a prison sentence also raises a question of personal conduct. The ABCD may or may not have a reason to pursue that question, but we believe the AAA Board does. The Award language implies that the New Jersey record has been expunged, and that Mr. Schobel claims it should not be considered. Expungement is not exoneration. It does not change historical facts nor does it render them irrelevant. **The Award rejects Mr. Schobel's claim on the basis that the New Jersey law on expungement is not binding outside the state. Again, the Award concludes that statements "... that Schobel was a convicted felon were substantially true...." We question the propriety of a convicted felon serving as an officer of the AAA.**

The duty and authority conferred on the AAA Board by Article III Section 5 of the Bylaws includes: "... the right, power, and authority to exercise all such powers and do all such acts and things as may be appropriate to carry out the purposes of the Academy." The members of the AAA Board elected Mr. Schobel to the office of President-Elect and, therefore, you have the power to suspend him from that and succeeding offices pending the ABCD's investigation and action.

We request a special in-person meeting of the AAA Board be called as soon as possible to give this matter full consideration, unless Mr. Schobel voluntarily suspends himself or resigns prior to such a meeting. **During your deliberations we would urge that you focus on the reputation and operations of the American Academy of Actuaries given the American Arbitration Association's award, and the lack of an appeal of the American Arbitration Association's decision.**

Respectfully submitted,

Robert A. Anker
Thomas P. Bowles, Jr.
Edwin Boynton
Harold J. Brownlee
Charles A. Bryan
A. Norman Crowder, III
David G. Hartman
John H. Harding
M. Stanley Hughey
Allan M. Kaufman
Stephen L. Kern
Barbara J. Lautzenheiser
W. James MacGinnitie
Bartley L. Munson
Mavis A. Walters
Robert E. Wilcox
P. Adger Williams
Robert C. Winters
Larry D. Zimpleman

cc: Mary Downs, Interim Executive Director

Exhibit 3A: SoA's August Announcement



SOCIETY OF ACTUARIES

Statement of Cecil D. Bykerk, President Society of Actuaries August 21, 2009

The Society of Actuaries recently concluded litigation in an employment dispute with its former Executive Director. The matter was resolved in a confidential arbitration process and an award was made in favor of the former employee. The SOA has met all obligations necessary to bring the matter to an end and all appeal periods are closed.

The SOA's Board of Directors attended to all aspects of the case and appropriate insurance coverage and reserves were in place. No member services or programs have been or will be affected. We have put in place policies and procedures intended to ensure that similar issues do not arise in the future.

The SOA has a long and distinguished history of serving, building, and promoting the actuarial profession and of serving the members of that profession through education and research. We are focused on that mission and plan no further comment on this matter.

Exhibit 3B: Second SoA Notice



SOCIETY OF ACTUARIES

475 N. Martingale Road
Suite 600
Schaumburg, IL 60173
847.706.3500 tel
847.706.3599 fax
www.soa.org

September 11, 2009

Dear Members:

In the past few days, you may have read media reports pertaining to actions and events at the American Academy of Actuaries. Some of these reports have referenced the Society of Actuaries (SOA) and our previously resolved litigation with Sarah Sanford, the SOA's former Executive Director.

As President, I issued a [statement](#) in August on the outcome of this litigation. Given the sensitive nature of the issues addressed, the SOA has been careful in its communications on this matter. I hope you understand, then, why we plan no further comment. I'll reiterate that the SOA's Board of Directors attended to all aspects of the case, and appropriate insurance coverage and reserves were in place. No member services or programs have been or will be affected.

I also want to assure you that the SOA Board and staff are focused on achieving our strategic plan. We are committed to serving the profession, our candidates and the public.

During my tenure as your president and in many years before, I have witnessed the tireless dedication of thousands of volunteers. The demonstration of their commitment – and the commitment of the SOA staff – is a hallmark to our work as a premier educational, research and professional organization.

Sincerely,

A handwritten signature in black ink that reads "Cecil D. Bykerk".

Cecil D. Bykerk
President

Exhibit 4: Academy Letter to Former Academy Presidents



AMERICAN ACADEMY of ACTUARIES

July 1, 2009

Dear Past Presidents of the American Academy of Actuaries,

I am writing on behalf of myself and the two immediate Past Presidents of the American Academy of Actuaries. We are writing to you regarding the petition being circulated by David Hartman, seeking to **suspend Bruce Schobel as Academy President-Elect**. We think this effort is fundamentally unfair, both to the Academy and to Bruce. We would like to give you our perspective on this issue, and based on that perspective, we ask you not to support these efforts.

As you may know, David has circulated a document labeled an Award of Arbitration. That document is from an employment dispute between Sarah Sanford, the former Executive Director of the Society of Actuaries, and the SOA. Bruce was also named in that proceeding; he was the President of the SOA at the time. Rather than the conclusions some have drawn from the Arbitration Award, we draw our conclusions both from what we know the Award is *not*, and from what we know Bruce to *be*. There are many others, beyond just the three of us, who believe that in the circumstances that led to the arbitration, Bruce acted courageously, against entrenched interests, to lead the SOA during this past period of turmoil. Many see him as a protector of whistleblowers who restored the SOA to a position of integrity and strength in its internal leadership. Bruce, in our experience, is a passionate, strong, and outspoken questioner of the status quo and is unafraid where his intellectual curiosity will take him or others.

There are several important facts about the materials that have been circulated to you that we want to share with you-- from which we draw much different conclusions than those suggested to you previously.

1. Arbitration Awards have no standing as judicial opinions, decisions, or precedents. They are used when the parties to an agreement (such as in, in this case, an employment contract) agree to be bound to resolve a dispute arising under it through “binding arbitration”. Awards that result from this process are binding **only** on the parties that agreed to be bound by them. Those parties **are** bound, regardless of whether the decision/award: (1) follows any judicial precedent or applicable law, or (2) makes *its own version of the facts or law*. Arbitration panels:

- Are not bound by the rules of evidence or procedure that pertain to court proceedings in state or federal venues.
- Are not bound to decide according to the principles of law applicable in a court of justice. {See generally *4 Am Jur 2d Alternative Dispute Resolution § 184, American Jurisprudence, Second Ed., 2008 West Group.*}
- Have no binding or generally available references for arbitration precedents.

- Decisions are not appealable except in the rarest of circumstances. The Federal Arbitration Act (found at 9 USC § 1 et seq) , enacted in 1925, provides for contractually-based compulsory and binding arbitration, resulting in an "arbitration award" entered by an arbitrator or arbitration panel as opposed to a "judgment" entered by a court of law. In an arbitration the parties give up the right to an appeal on substantive grounds to a court. Under the FAA, grounds for judicial intervention in an arbitration award are limited to where the award was procured by "corruption," "fraud" or "undue means" and where the arbitrators were "guilty of misconduct" or "exceeded their powers." It is extremely rare for an arbitration award to be appealed and even rarer for one to be reversed or returned by a court. Courts simply do not exercise routine jurisdiction over arbitral decisions or processes.

In essence, Bruce (and the SOA) are prohibited, by the nature of binding arbitration, from arguing in a legal setting as to why the arbitration panel's conclusions of fact, law, or reasoning are flawed.

2. Arbitration eliminates the ability to rebut decisions. Arbitration is a "private" dispute resolution system, for which the parties pay, in order to avoid litigation in state or federal courts. An arbitration award *cannot be used to conclude that facts or law (if any) relied on in the decision were true and correct*, as one is entitled to do with a state or federal court decision. (See generally *4 Am Jur 2d Alternative Dispute Resolution § 192, American Jurisprudence, Second Ed., 2008 West Group.*) Given the essential nature of arbitration awards and proceedings, we think it is grossly misleading to characterize this Arbitration Award as a "finding of fact or law" that should be given any deference by anyone other than the parties to the arbitration itself. It is not fair to suggest that a lack of appeal of that decision indicates that the parties "agreed" it was correct. That is not a valid inference or conclusion.

3. Arbitration Awards are not generally publicly available documents. Contractual arbitrations are generally considered to be private, but absent an agreement for confidentiality, either in the contract or mutually agreed later, parties are under no obligation to keep the proceedings private. (See generally, *4 Am Jur 2nd Alternative Dispute Resolution § 44, Jurisprudence, Second Ed., 2008 West Group.*) However, absent circulation by a party, decisions are not generally publicly available, and it would be difficult for a member of the public to obtain copies of such awards. For example, the American Arbitration Association advised that it does post decisions, other than employment decisions, on Lexis/Nexis, but *they do so only after redacting identifying information*. We assume, but we do not know for a fact, that this Arbitration Award being circulated was filed with the Circuit Court of Cook County where Ms. Sanford sued the SOA and Bruce. We believe it was probably filed in that court docket in order to demonstrate resolution of the case initiated there. However, the Academy has done some research to see if this award is generally publicly available, such as in Westlaw, a Google search, and in the on-line Cook County court docket system or from the American Arbitration Association itself, and *it was not available*. Unless a member of the public were exceptionally well versed and prepped with very specific information about the case information, and physically went to the Cook County courthouse to try to obtain a copy of this decision, it is extremely unlikely a member of the public could get it. We believe the current effort is trying to create a crisis in Academy leadership, by arguing that this decision is not only binding legal authority but that it is also generally publicly available. *Neither of these arguments is true*. It is *the* wide circulation as part of this recall effort that is the only source which we can verify as the cause of any "public" knowledge of this award.

4. This Award addressed an employment dispute between Ms. Sanford and the SOA. It is clear that the arbitration award addressed a very contentious employment matter at SOA. The

letter we have does not refer to that part of the Arbitration Award's discussion that deals with the propriety of Ms. Sanford's termination itself. That decision states (p. 8) "What occurred... [after Bruce raised issues questioning her performance] with respect to her employment was determined by the Board, which presumably acted in the manner that the members of the Board deemed best for the organization." The critical element of this dispute is action by the SOA Board, the basis for that action, whether termination was for cause, or not for cause, and what was said about the reasons for termination.

As many of you must have experienced, the nature of employment disputes is inherently sensitive and confidential. Information about such disputes is usually closely held by the employer and the employee, neither of which is usually benefited by airing all alleged disputes and bases for employment actions beyond a small group that has a need to know. Seeking and/or repeating second hand information and gossip about why a termination occurred can create significant legal liability for an organization or an individual, particularly where the recipients do not and did not have the authority to make the decision in the first place. This is not a risk to which the Academy should be exposed. We have no reason to question the SOA's actions or to seek information from them about this matter. It would be improper for us to do so. To rehash these issues before the Academy, either in some informal or formal presentation to **our** Board would be fundamentally unfair to all the parties. The Academy has no right to and no business in second guessing the SOA by reviewing or trying to get the bases for the SOA's decision to terminate its ED. This was and is an SOA matter, and we are confident that they have handled it in the best interests of the SOA. This should be the end of that dispute.

5. Reference to a criminal conviction from 30+ years ago. There are various reasons why we believe this isn't appropriate, fair, or relevant. Whatever did or did not happen at that time thirty years ago has been intentionally deleted, *by court order*, from criminal records in New Jersey, through a process called "expungement." As we have cautioned others as part of this process, *it is a criminal offence, a violation of the New Jersey Code of Criminal Justice (NJ Stat § 2C:52-30), to reveal the existence of an arrest, conviction or related legal proceeding with knowledge that those matters have been expunged.* Expungement is rarely available, and occurs only with good cause in the eyes of the court. It is a recognized judicial tool to provide relief. If we all choose to comply with the law, we think that is all that anyone must know.

The Roles of the SOA, Academy, and Bruce in this Matter

We believe that the matter of the employment dispute between the SOA and Sarah Sanford is an SOA matter. The SOA Board was presented with whatever evidence it needed to make a decision about whether to terminate Ms. Sanford. We respect the integrity of the SOA's decisions and processes, and we have no right or interest in investigating them. Bruce was the president of the SOA when this dispute occurred, and he remains an officer as its immediate past president and current chairman of its Board. He presides at all SOA Board meetings.

To examine the truth of the findings of the arbitration, the Academy would have to substantively relitigate the Sarah Sanford termination. This is because, as a matter of law (we are told by our Counsel), that award *does not establish actionable facts and damages as to any one but a party to the binding arbitration.* There is no proper basis for further action by the Academy without that examination. Action without such an examination would be impetuous and unfair. Given the risk to the Academy of conducting such an investigation, it seems also inappropriate and unfair to ask the Academy to do so, and none of its business.

We do not believe that the Academy has anything to fear from Bruce personally and has much to gain professionally. We believe that pursuit of the proposed actions against Bruce would be fundamentally unfair to him. If there are issues that bear examination under the Code of

Professional Conduct about the way in which he handled this situation, that is a matter than can and should be referred to the profession's Actuarial Board for Counseling and Discipline (ABCD), where due process can be afforded to him in an orderly prescribed way. And, as has made clear, the author of the petition drive has made a complaint to the ABCD on this matter.

In summary, we believe that letters and other efforts alleging facts and opinions assumed by some but not believed by many who were directly involved in the dispute, and not proven as a matter of fact and law, are being used to discredit Bruce in his future leadership position (*while we note he remains an officer and leader of the organization where the matter arose*), by circulating a generally not publicly available document (*which has no binding legal authority*) about an internal SOA employment matter (*that obviously had strong proponents in the profession on both sides of the dispute*), will only serve to damage the integrity and the reputation of the profession, the Academy, and Bruce without any reasonable or fair basis for action by the Academy.

Sincerely,



**John Parks,
President**

**William F. Bluhm
Immediate Past President**

**Steven G. Lehmann
Penultimate Past President**

EXHIBIT 5: TEXT OF 7/9/2009 E-MAIL

From: Robert A. Anker [<mailto:bobanker@earthlink.net>]

Sent: Thu 7/9/2009 10:28 AM

To: John P Parks; Bruce Schobel; Bluhm, Bill; Sweeny, Andrea; Josephson, Gary; Bingham, Al; Campbell, Thomas; Terry, Tom; Riley, Kathleen; Rech, Jim; Bell, Rowen; Bruning, Larry; Emma, Chuck; Herget, Thomas; Knapp, Darrell; Olsen, Cande; Panighetti, Arthur; Rosen, Steve; Shea, David; Steiner, Ken; Lehmann, Steve; Dobrow, Stephen; Thomas Finnegan; Kollar, John; Hayne, Roger; Weiss, Lance; Sher, Larry; OAK cecil OFFICE; Mike McLaughlin (Deloitte)

Cc: Bob Anker; Tom Bowles; Ed Boynton; Joe Brownlee; Chuck Bryan; Norm Crowder; John Harding; Stan Hughey; Allan Kaufman; Steve Kern; Barbara Lautzenheiser; Jim MacGinnitie; Bart Munson; Mavis Walters; Bob Wilcox; P. Adger Williams; Bob Winters; Larry Zimpleman; Dave Hartman; downs@actuary.org

Subject:

Members of the Board of Directors
American Academy of Actuaries
1850 M Street NW, Suite 300
Washington, DC 20036

Dear American Academy of Actuaries Board Members,

We, the undersigned 19 past presidents of the American Academy of Actuaries, are writing to you, the American Academy of Actuaries Board of Directors (AAA Board), to request that you suspend the privileges of Bruce D. Schobel's acting as President-Elect and becoming President in October 2009 and Past President in 2010, of the American Academy of Actuaries (AAA) or referencing or utilizing such designations pending the investigation of the complaint pending against Mr. Schobel and action by the ABCD, and if required, a subsequent action by the AAA Board.

The Vision Statement of the AAA includes as the first Vision for Core Functional Areas a "Professional Vision -- The profession's publics will acknowledge and respect the exceptionally high level of integrity and competence demonstrated by actuaries." Our request for action is based on the obvious requirement that the top elected officials of the organization should be an exemplar of this vision to preserve the public trust.

A panel of impartial arbitrators of the American Arbitration Association found that Mr. Schobel had defamed the character of Sarah Sanford, formerly the Executive Director of the Society of Actuaries (SOA), resulting in an award of over \$2,000,000. The American Arbitration Association Award of Arbitrators (Award) was not appealed and the award has been paid. The Award is the document that is attached dated December 3, 2008. This is a public document. Please pay particular attention to pages 3 through 6, especially the statement at the bottom of page 4 which says "nothing in the record proved that the 'facts' expressed by Schobel were true."

In addition, pages 9 and 10 of the Award contains a section about a counter-claim regarding "Defamation Claims" which concludes that statements "... that Schobel was a convicted felon were substantially true, and therefore were not defamatory."

The integrity referenced in the Vision Statement encompasses two kinds of conduct: professional conduct and personal conduct. The questions about professional conduct raised by the Award are sufficient to require temporary suspension of Mr. Schobel's current office as President-Elect and his succession to the offices of President and Past President of the AAA. Determining whether further action, such as removing Mr. Schobel from office, may be appropriate, but should await the outcome of the ABCD process the profession has had in place since 1992.

Mr. Schobel's conviction of a crime involving a prison sentence also raises a question of personal conduct. The ABCD may or may not have a reason to pursue that question, but we believe the AAA Board does. The Award language implies that the New Jersey record has been expunged, and that Mr. Schobel claims it should not be considered. Expungement is not exoneration. It does not change historical facts nor does it render them irrelevant. The Award rejects Mr. Schobel's claim on the basis that the New Jersey law on expungement is not binding outside the state. Again, the Award concludes that statements "... that Schobel was a convicted felon were substantially true...." We question the propriety of a convicted felon serving as an officer of the AAA.

The duty and authority conferred on the AAA Board by Article III Section 5 of the Bylaws includes: "... the right, power, and authority to exercise all such powers and do all such acts and things as may be appropriate to carry out the purposes of the Academy." The members of the AAA Board elected Mr. Schobel to the office of President-Elect and, therefore, you have the power to suspend him from that and succeeding offices pending the ABCD's investigation and action.

We request a special in-person meeting of the AAA Board be called as soon as possible to give this matter full consideration, unless Mr. Schobel voluntarily suspends himself or resigns prior to such a meeting. During your deliberations we would urge that you focus on the reputation and operations of the American Academy of Actuaries given the American Arbitration Association's award, and the lack of an appeal of the American Arbitration Association's decision.

Respectfully submitted,

Robert A. Anker
Thomas P. Bowles, Jr.
Edwin Boynton
Harold J. Brownlee
Charles A. Bryan
A. Norman Crowder, III
David G. Hartman
John H. Harding
M. Stanley Hughey
Allan M. Kaufman
Stephen L. Kern
Barbara J. Lautzenheiser
W. James MacGinnitie
Bartley L. Munson
Mavis A. Walters
Robert E. Wilcox
P. Adger Williams
Robert C. Winters
Larry D. Zimpleman

cc: Mary Downs, Interim Executive Director

EXHIBIT 6A: 7/14/09 ACADEMY BOARD NOTICE FOR 8/5/09 SPECIAL MEETING

-----Original Message-----

From: John P Parks <johnpparks@gmail.com>
To: Academy Board of Directors <board@lists.actuary.org>
Sent: Tue, Jul 14, 2009 4:44 pm
Subject: [board] Special Meeting of the Board of Directors

Dear Members of the Board:

Pursuant to Article III, Section 3. (Meetings) of the Academy's bylaws, I am calling a special meeting of the Academy Board of Directors to be held in person from 1 to 3 pm, CDT in Minneapolis, MN. The purpose of the meeting is to discuss with the Board the letter sent to it by Bob Anker on behalf of 19 past presidents of the Academy. As you may know, the Academy's Executive Committee has an already scheduled meeting that will occur on that date in Minneapolis, and terminating the EC meeting early in order to add a Board meeting to that date will allow us to take up this important matter as expeditiously as possible while leveraging the presence of the many Board members who will already be in Minneapolis for the EC meeting. As is our practice, we will not have a call-in number or proxies. Attendance in person is necessary to participate in this meeting.

The EC meeting will take place in the Milliman offices at 8500 Normandale Lake Blvd in Minneapolis. We may have to arrange a different room outside of that facility depending on the number of Board members who can attend, so I ask you to respond to this email as soon as possible but please, in any event no later than **this Friday, July 17**.

I have asked Andrea Sweeny to work with Mary Downs and outside counsel, Betsy Lewis, a partner at Cooley Godward Kronish LLP to develop a fair and proper meeting process and procedures for deciding what available information about this matter can and cannot be properly presented to the Board for its discussion on August 5th without subjecting the Academy to any undue liability. More information about that process will be given to you as it is developed prior to the meeting.

I hope that all of you can attend this special and critically important meeting in Minneapolis.

John P Parks
President
American Academy of Actuaries
1850 M Street NW
Washington, DC 20036-5805
or
1642 King James Dr
Pittsburgh, PA 15237
johnpparks@gmail.com
Mobile Phone (412) 760-6533
Home Phone (412) 369-9461
Fax (815) 301-3842

Exhibit 6B: 7/16/09 Correspondence relative to 8/5/09 Special Board meeting

-----Original Message-----

From: John P Parks <johnpparks@gmail.com>

To: Academy Board of Directors <board@lists.actuary.org>

Sent: Thu, Jul 16, 2009 11:48 am

Subject: [board] Special Board Meeting

The incredible challenge that faces us is grounded in multiple and quite often conflicting considerations. We are challenged by the fact that the Academy has no historical precedence to give us guidance. We have numerous entities that we need to give consideration to – they include: The members of the Academy, the Special Directors of the Board of Directors of the Academy, the Regular Directors of the Board of Directors of the Academy, the Executive Committee of the Academy, the Presidents Advisory Committee, the staff of the Academy, 19 past presidents and last but not certainly least Bruce Schobel. We are working to develop a fair and balanced process taking into consideration the needs of these different constituencies.

I truly appreciate the numerous comments, observations and suggestions that I have received via email, voice mail and individual conversations. It is overwhelming apparent that this is a passionate and vital concern of each and every one of our 29 board members.

I remain concerned about allowing phone-in attendance at the August 5th meeting. That concern is founded in the simple question 'Would you want a number of contemporaries considering a critical decision about your future to be a distant voice over the phone or present and attentive in the room where the discussion is being held?'

I ask you all to respond to the following questions by noon tomorrow:

1. Can you attend the special board meeting on August 5th in person?
2. Should we consider an alternate date – such as sometime in September?
3. Should we defer this issue until our previously scheduled meeting on October 20th?

Again, because of the critical timing here please respond by noon tomorrow.

Thank you.

John P Parks

1642 King James Dr

Pittsburgh, PA 15237

johnpparks@gmail.com

Mobile Phone (412) 760-6533

Home Phone (412) 369-9461

Fax (815) 301-3842

Exhibit 6C: 7/31/09 email Rules & Procedures for Special Academy Board meeting

-----Original Message-----

From: John P Parks <johnpparks@gmail.com>
To: Academy Board of Directors <board@lists.actuary.org>
Cc: 'Larson, Philip C.' <PCLarson@HHLAW.com>
Sent: Fri, Jul 31, 2009 8:54 am
Subject: [board] CONFIDENTIAL

Dear Members of the Board,

I am writing to provide advance notice of the policies and procedures we will follow during our special Board meeting on August 5. In developing these policies and procedures, I have received useful and thoughtful input from the special committee (Andrea Sweeny, Mary Downs, and outside counsel Betsy Lewis) I designated for this purpose, as well as the advice of special outside counsel (Phil Larson) we have retained to advise in this particular matter. After considering all that input, I have concluded that we will proceed as follows on August 5:

1. The purpose of our meeting will be to determine what action, if any, the Board should take at this time in response to the July 9, 2009 communication from a group of past Academy Presidents to the Board requesting that the current President-Elect be suspended from continuing to serve in that capacity and from assuming the position of President pending the outcome of ABCD proceedings relating to him.
2. This meeting will not consider whether any disciplinary action as to the President-Elect is appropriate at this time. Under the Academy's bylaws, all disciplinary matters are considered in the first instance by the ABCD. The Academy takes disciplinary action, if at all, only in response to a recommendation from the ABCD.
3. In considering what action, if any, the Board should take at this time, we will not discuss whether the arbitration decision which was included with the communication from the group of past Presidents to you is correct or incorrect, nor will we discuss the merits (or lack thereof) of the various claims and matters referenced in that arbitration. We will simply recognize that the arbitration occurred, that the arbitrators resolved all claims between the parties, and that their decision is now final. The Board's task will be to determine what, if any, non-disciplinary action to take at this time in light of this information.
4. Only Board Members and the Academy's management (Mary Downs) and counsel will be permitted to attend and participate in the Board's discussion. All such Members who wish to be heard will be given an opportunity to do so, subject to these policies and procedures and any other necessary reasonable limits on the length of individual remarks.
5. Board members who choose to participate by telephone must do so from a private location, on a secure line that cannot be overheard by others, and outside the presence of anyone else

(other than another Board member). If you intend to participate by telephone, please contact Claire Mickelson with the phone number where you can be reached on August 5. We are arranging an operator assisted call. The operator will call those who have provided their numbers to us in advance, beginning at approximately 12:45 CDT. In order to be assured of access, you must provide the telephone number where you can be reached by COB, Monday, August 3.

6. If the Board takes any votes, they will be open (not secret).

7. Outside counsel retained to represent the Academy in this matter will provide guidance at the outset of our meeting on the appropriate parameters for the discussion, of the reasons for those parameters, and of the potential legal ramifications of the matters the Board is considering. The Board Member (the President-Elect) who is the subject of our discussions will absent himself while counsel is advising the Board.

8. The matters before the Board and its internal discussions should be treated as strictly confidential.

We are confident that these policies and procedures will permit us to protect the legitimate interests of the Academy and of all concerned in a manner consistent with applicable law and with the Academy's bylaws and other governing documents. If you have any questions about these policies and procedures, we will address them during the Board meeting. We appreciate and expect your support in adhering to them.

John P Parks
1642 King James Dr
Pittsburgh, PA 15237
johnpparks@gmail.com
Mobile Phone (412) 760-6533
Home Phone (412) 369-9461
Fax (815) 301-3842

Exhibit 7: Hartman 8/3/09 email to Academy Board

From: Dave Hartman <dghartman@comcast.net>
To: John P Parks <johnpparks@gmail.com>; Schobel, Bruce <bdschobel@aol.com>; Bluhm, Bill <bill.bluhm@milliman.com>; Sweeny, Andrea <asweenycaa@cox.net>; Josephson, Gary <gary.josephson@milliman.com>; Bingham, Al <alfred.a.bingham@kp.org>; Campbell, Thomas <tcampbell@hartfordlife.com>; Terry, Tom <thomas.s.terry@jpmorgan.com>; Riley, Kathleen <kriley@segalco.com>; Rech, Jim <jrech@cox.net>; Bell, Rowen <rowen_bell@bcbsil.com>; Bruning, Larry <lbruning@ksinsurance.org>; Emma, Chuck <chuck.emma@navigantconsulting.com>; Herget, Thomas <herg411@aol.com>; Knapp, Darrell <darrell.knapp@ey.com>; Olsen, Cande <cande.olsen@arcga.com>; Panighetti, Arthur <arthurpanighetti@northwesternmutual.com>; Rosen, Steve <steve@shrosen.com>; Shea, David <david.shea@wellpoint.com>; Steiner, Ken <ken.steiner@watsonwyatt.com>; Lehmann, Steve <slehmann@pinnacleactuaries.com>; Dobrow, Stephen <sdobrow@primarkbenefits.com>; Finnegan, Thomas <thomasfinnegan@savitz.com>; Kollar, John <jkollar@iso.com>; Hayne, Roger <roger.hayne@milliman.com>; Weiss, Lance <lweiss@deloitte.com>; Sher, Larry <larry.sher@hewitt.com>; Bykerk, Cecil <oakoffice1@cox.net>; McLaughlin, Mike <mikemclaughlin@deloitte.com>

Cc: Downs, Mary <Downs@actuary.org>; Larson, Philip C. <PCLarson@HHLAW.com>

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 officer of 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

NOTE – Hartman got the years of his service as Academy President wrong. Per the Academy History in the 2008 Leadership Manual, Hartman was President of the Academy from 1993-94, not 1987-88.

Hartman was President of the CAS in 1987.

John Fibiger was President of the Academy from 1987-88.

Tom Bakos – 9/23/2009

Exhibit 8: 3rd Declaration of Bruce Schobel

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA**

BRUCE D. SCHOBEL

Plaintiff,

v.

AMERICAN ACADEMY OF ACTUARIES

Defendant.

Civil Action No.: 1:09-cv-01664-EGS

THIRD DECLARATION OF BRUCE D. SCHOBEL

I, Bruce D. Schobel, hereby declare, pursuant to 28 U.S.C. § 1746, as follows:

1. I offer this Declaration in further support of my Motion for a Temporary Restraining Order and Motion for a Preliminary Injunction, and, in particular, to provide additional details regarding the August 5, 2009 special Board Meeting as well as the irreparable harm that I will experience if the Academy's illegal and invalid action is not enjoined. Unless otherwise indicated, the information contained in this declaration is based upon my personal knowledge.

2. Prior to the August 5 Meeting, I had no idea that the Board would consider removing me from my position as President-Elect/Director.

3. I had every reason to believe otherwise. The meeting notice of July 14, 2009 said that "[t]he purpose of the meeting is to discuss with the Board the letter sent to it by Bob Anker on behalf of 19 past presidents of the Academy."

4. That letter requested that the Board "*suspend* the privileges of Bruce D. Schobel's acting as President-Elect ... pending the investigation of the complaint pending against Mr.

Exhibit 8: 3rd Declaration of Bruce Schobel

Schobel and action by the ABCD, and if required, a *subsequent action* by the Board.” (Emphasis added.)

5. Indeed, that letter specifically ruled out removal. It stated, “Determining whether further action, such as removing Mr. Schobel from office, may be appropriate, *but should await the outcome of the ABCD process* the profession has had in place since 1992.” The letter also asserted the view of the writers that the Board has “the power to *suspend*.” (Emphasis added.)

6. While the July 14 notice indicated that it would be a “special and critically important meeting,” I certainly considered the possible suspension of the President-Elect/Director to be in keeping with the notion of having a special and critically important meeting—particularly since it was unprecedented.

7. In a subsequent email on July 31, 2009, President John P. Parks reiterated that “[t]he purpose of our meeting will be to determine what action, if any, the Board should take at this time in response to the July 9, 2009 communication from a group of past Academy Presidents to the Board requesting that the current President-Elect be *suspended* from continuing to serve in that capacity and from assuming the position of President *pending the outcome of ABCD proceedings relating to him*.” (Emphasis added.)

8. President Parks’s July 31 email further indicated that “[t]his meeting *will not consider whether any disciplinary action* as to the President-Elect is appropriate at this time.” (Emphasis added.)

9. In addition to no mention of the possibility of removal from office appearing in any written notice, it was not discussed orally with President Parks, Academy Executive Director and General Counsel Mary Downs, or anyone else in a leadership position at the Academy.

Exhibit 8: 3rd Declaration of Bruce Schobel

10. Thus, my expectation going into the meeting was that there would be a discussion about the letter from the past presidents and, potentially, whether the Board should take any action, possibly including *suspending* me from my position pending the outcome of the ABCD proceeding. I had no expectation that the subject of removal would even be discussed. In the over 40-year history of the Academy, no Officer or Director has ever been removed from office. Indeed, the Academy's Bylaws do not even provide for the removal of a Director and/or Officer.

11. At the August 5 meeting, the subject of *suspension* was never actually considered.

12. Instead, at the outset of the second half of the meeting, which I was permitted to attend (I was excluded from the first half of the meeting), Special Director John Kollar made a motion to *request* my resignation, and the motion was seconded. There was some discussion about this motion.

13. Thereafter, a new motion was made by Special Director Cecil Bykerk to remove me from my position as President-Elect/Director. That motion was seconded by Special Director Michael McLaughlin. In support of their motion, Bykerk and McLaughlin raised a host of new issues beyond those referenced in the letter from the 19 past presidents. Bykerk cited my opposition to a controversial proposal under consideration at the Society of Actuaries, of which he is the President, raising an apparent conflict of interest. McLaughlin raised a long list of issues, ranging from an allegedly offensive email that I sent in 2007, to a more recent issue involving McLaughlin personally, creating a clear conflict of interest with him as well. Special Director Larry Sher weighed in, also by telephone, with his very personal complaint that, in October 2008, I had for a time opposed his becoming President-Elect of the Conference of Consulting Actuaries, creating yet another conflict of interest.

Exhibit 8: 3rd Declaration of Bruce Schobel

14. When it was my turn to speak, Special Director Stephen Dobrow, by telephone, said that I should hurry because they needed time to vote.

15. I strongly objected to the procedural irregularities that were occurring. I stated that I had received no prior notice that removal was a subject for discussion or that these new subjects raised by Bykerk, McLaughlin and others would be discussed, and was not adequately prepared to speak about any of those new issues. I said that my understanding had been that the discussion was to be limited to the subjects raised in the letter from the 19 past presidents and that I was prepared to address them, though I was constrained as to what I could say due to concerns over confidentiality.

16. I noted that the July 31 email said explicitly that the meeting would not consider whether any disciplinary action was appropriate, and that I considered removal to be the ultimate form of discipline.

17. I said that the process being imposed on me was fundamentally unfair and amounted to a “witch hunt,” a term that had been used previously in the discussion by Director Tom Herget. I noted that I had no warning that this would occur and no opportunity to adequately prepare. I used the word “ambush.”

18. As a result, I stated that I could not participate in this manner, and was outraged by the Board’s divergence from its previously stated limited agenda for the meeting. I said that if the Board wanted to consider these issues that had been raised along with the possibility of removal, then the Board, in the interests of fundamental fairness and due process, should adjourn the meeting and schedule a new meeting, for which I would have sufficient time and opportunity to prepare and to respond to the scurrilous charges that were being thrown at me without

Exhibit 8: 3rd Declaration of Bruce Schobel

warning. I said that I would be happy to discuss any issues at such second meeting, but that I could not possibly do so in only 10 minutes, especially without having had any time to prepare.

19. Unfortunately, my time was limited, and when I was done objecting to the procedural defects that were occurring, I had to limit my comments to the issues raised in the letter from the 19 past presidents, of which, as I stated, I felt constrained about what I could say.

20. A majority of the Directors present in person voted against removal. Thus, had the Board followed the process laid out in the July 14 meeting notice, which said that telephone participation would not be permitted, the vote for removal would have failed. Only by counting the votes of those participating by telephone can it be said that a majority (but not two-thirds) of Directors voted in favor of removal. Indeed, if the July 14 meeting notice had been followed, the subject of removal may have never arisen since Director Bykerk, who made the motion for removal, did so by telephone.

21. Aside from the illegality of the Board's action in purporting to remove me from my position as Director and President-Elect, I believe the process was fundamentally unfair and denied me due process because: I was never informed that the Board was to consider removing me from office; the original notice and two subsequent ones said that all participants would have to be present in person; many subjects that were raised and considered by the Board were different than those identified in the notice and of which I had prior warning; and I was not given a reasonable amount of time to respond to all of the attacks that were lodged against me, most of which were false and/or extremely misleading.

22. Thus, I believe the Board's action was invalid for the reasons stated above and previously, and as a matter of Illinois law. Accordingly, I believe that I am still the President-Elect/Director of the Academy.

Exhibit 8: 3rd Declaration of Bruce Schobel

23. Unless the Court acts now to enjoin the Academy's continued interference with my ability to serve in that capacity and fulfill the responsibilities of my office, and ascend to the position of President/Director at the October 26, 2009 membership meeting, I will be irreparably harmed for which no adequate monetary remedy exists.

24. Being President-Elect/Director and then President/Director of the Academy is a unique opportunity to lead a prominent actuarial organization in the area of public policy and professionalism—the Academy's core focus, which is different from that of other actuarial organizations in which I have served. It provides a unique opportunity to have a real impact on the profession and the organization as its leader, both with members and other important constituencies, such as the United States Congress.

25. There is also the prestige associated with being the President-Elect/Director and then President/Director of the Academy that cannot be duplicated and that has a positive impact on my career and current employment.

26. Likewise, bearing the stigma of having been removed from the position as President-Elect/Director would have a devastating effect on my career and could affect my current employment. I have already seen the impact of this on the Actuarial Outpost where fellow actuaries have discussed the fact of my purported removal and what they believe it must mean.

27. In addition, if the Academy's illegal and invalid action is allowed to persist, it will likely have an impact on my other leadership positions in the other actuarial organizations, and possibly on my ability to practice as an actuary at all.

28. Already, the Academy's illegal and invalid action is interfering with my ability to give speeches and make appearances as the Academy's President-Elect/Director at upcoming

Exhibit 8: 3rd Declaration of Bruce Schobel

events, and with each passing day is depriving me of the ability to effectively carry out my full term of service. The Academy's illegal and invalid action has already stolen more than a month of my one-year term as President-Elect/Director, steals one more day with each day that passes, and threatens to steal much more.

29. In addition, the Board's purported action at the August 5 meeting based on a meeting notice and follow-up correspondence that were deceitful, inaccurate and/or untruthful deprived me of a full and fair opportunity to defend myself in the face of an effort to unseat me from the position of President-Elect/Director and from automatically ascending to the position of President/Director at the October 26, 2009 annual meeting. This lack of due process and fundamental fairness, from an organization that fancies itself as a leader in the actuarial world in the areas of professionalism and ethics, if left standing will further result in irreparable harm that cannot be undone. The harm would be both to me and the Academy's membership, which will be arbitrarily, capriciously and illegitimately denied the continued leadership of someone who was duly elected—unanimously—and who the membership reasonably expected would complete his term as President-Elect/Director this year, become President/Director next year, and serve as Past President/Director for the following two years. It will wreak further havoc as the legitimacy of the Academy's governing structure and future leadership is called into serious question by the Academy Board's illegal and invalid action. Academy members are already expressing their outrage and disillusionment, and questioning the value of continued membership in the Academy, on the Actuarial Outpost and elsewhere.

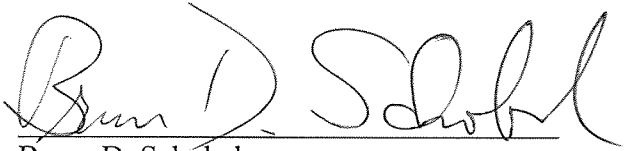
30. At age 57, I am at the peak of my professional career, and the outcome in this matter will have a serious impact on the future of my career.

Exhibit 8: 3rd Declaration of Bruce Schobel

31. In addition, my 23-year-old son, a recent college graduate, just entered the actuarial profession on July 20 of this year. I am greatly concerned about the lasting impact this whole episode will have on him and his career. Our shared name, Schobel, is not a common one.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on September 10, 2009


Bruce D. Schobel

Vote at August 5, 2009 Academy Board meeting

Per best recollections of members present (as of 9/20/09) as reported to me¹

Members of the 2008—2009 Board (Year term expires shown)

Executive Committee - 10

- John Parks, President (2011)
- Bruce Schobel, President-Elect (2012)
- Bill Bluhm, Immediate Past President (2010)
- Andrea Sweeny, Secretary-Treasurer (2010)
- Gary Josephson, Vice President, Casualty (2010)
- Al Bingham, Vice President, Health (2010)
- Thomas Campbell, Vice President, Life (2009)
- Thomas Terry, Vice President, Pension (2009)
- Kathleen Riley, Vice President, Professionalism (2010)
- James Rech, Vice President, Risk Management and Financial Reporting (2009)

Regular directors and past president - 11

- Rowen Bell (2009)
- Larry Bruning (2010)
- Charles Emma (2009)
- Thomas Herget (2009)
- Darrell Knapp (2011)
- Cande Olsen (2011)
- Arthur Panighetti (2010)
- Stephen Rosen (2011)
- David Shea (2010)
- Ken Steiner (2009)
- Steve Lehmann, Past President (2009)

Special directors - 8

- ASPPA President: Stephen Dobrow (2009)
- ASPPA Senior Vice President: Tom Finnegan (2010)
- CAS President: John Kollar (2009)
- CAS President-Elect: Roger Hayne (2010)
- CCA President: Lance Weiss (2009)
- CCA President-Elect: Lawrence Sher (2010)
- SOA President: Cecil Bykerk (2009)
- SOA President-Elect: Michael McLaughlin (2010)

Voted FOR Removal – 17 (Terms for 9 of these end October 2009)
Voted AGAINST Removal – 9 (Terms of 2 end in October 2009)
ABSTAINED – 1

NOT PRESENT – 2
Present by PHONE – 8 (19 present in person)
Of those voting in person the vote was 9-9-1 (not a majority)

¹ Please let me know if corrections should be made.

I would be happy to indicate if an Academy board member would change their vote if offered the opportunity to vote again on this issue. Contact me at – tbakos@BakosEnterprises.com

Crisis Communications

Introduction

The Academy's crisis communications plan was approved by the Board of Directors on May 8, 2003, and subsequently adopted (with appropriate modifications) by the Council of Presidents of the North American actuarial organizations (now the North American Actuarial Council) on Oct. 17, 2003.

Purpose

This plan was written to provide a decision framework for Academy leaders and staff to use in the event of a public relations crisis. For the purposes of this plan, crises are limited to circumstances in which the Academy and the profession can expect negative publicity and scrutiny from the media, members, government, and other key audiences.

The plan recognizes that there are numerous factors to consider in managing a crisis. These include the public image of the profession, the impact on the membership, legal and financial regulations and liabilities, political positioning, etc. No crisis will be confined to just one of these areas; every response must consider all facets. While the steps outlined below are helpful in guiding the decision-making process, it is ultimately the experience, training, and professional judgment of the crisis communications response team that will determine success or failure.

Crisis Communications Response Team

It is important that a crisis communications response team be in place to implement the plan. Per the Academy's previously established decision-making structure, the key members of the crisis communications response team are:

- 1 The Presidential Advisory Committee (PAC), consisting of the president, president-elect and the immediate past president.
- 2 The relevant vice-president(s).
- 3 The executive director, communication director, public policy director, and general counsel.

Additional members and staff will be added to the team depending on the need for expertise and support.

There are two types of communications crises discussed in this plan: eruptions and potential crises.

PART I: ERUPTIONS

An unforeseen event that abruptly thrusts the Academy/profession before a key audience or the public in a negative light.

An eruption may begin with a phone call from a member or a reporter, a letter from a lawyer, or a headline in the morning newspaper. Regardless of how it begins, the common characteristics of an eruption are: 1) it was unanticipated; 2) it negatively portrays the Academy/profession; 3) it is credible (even if it is not true).

By definition, an eruption does not allow for pre-planning. Therefore, the keys to successfully managing the crisis in the early stages are:

- ▶ Speed, because decisions may have to be made in minutes or hours.
- ▶ Focus, because bad information and distractions can drain resources from responding to the crisis.
- ▶ Internal communication, so that decision-makers have the information they will need to act.
- ▶ Patience, to guard against the danger of an over-reaction.

There are four phases of crisis management in responding to an eruption:

A. Damage Assessment

A crisis, like beauty, is often in the eye of the beholder. The first parts of managing a communications crisis are damage assessment (which includes identifying the source of the crisis), evaluating its relevance, and assessing the level of the threat.

1 Action Steps: Identify the Problem

- A. Verify the source/source material. Collect corroborating information (for example, if a member calls in, collect news clips, correspondence, etc., that confirm that the original call was essentially accurate.)
- B. Staff will notify the PAC and other appropriate decision-makers that there may be a crisis.

Exhibit 10: Academy Crisis Communications

- C. Immediately establish a schedule when decision-makers will confer.

2 Action Steps: Evaluate the Problem

Decision-makers need to determine if the crisis is relevant to the Academy/profession (versus an industry or group related to actuaries). If it is not relevant, prepare an answer to direct inquiries to the appropriate source. If it is relevant, then:

- A. Button down the flow of information from the Academy's official sources. This includes notifying staff, leaders, and relevant members that an issue has been raised and that the Academy will make an appropriate response soon. Ask that all inquiries be referred to the Academy contact.
- B. Assess the level of the threat and the likely impact (public relations, legal, financial, political, etc.), and decide if action is appropriate. If the threat level is minimal, no action is likely needed. If the threat level is serious, then action will be required.

B. Seize the Debate

When it has been decided that action is needed, it is crucial to quickly seize control of the debate. Silence equals agreement when an issue erupts in a public forum, and may even be characterized by some as stonewalling. The time frame of a response will be a function of the relationship between the news cycle and the seriousness of the crisis. If an unanswered accusation is repeated in the media, it gains strength and resonance with audiences. Wire services and the Internet allow thousands of media outlets and millions of people almost instantaneous access to information. Therefore, it is crucial that a proactive public statement be made as quickly as possible in order to seize control of the debate.

The keys to seizing the debate are:

- ▶ Assume that if a credible accusation is made, then members, the media, the public policy community, et al, will consider the accusation to be true.
- ▶ A rapid and candid inventory of the Academy's and the profession's public relations, membership, legal, financial, and political vulnerabilities needs to be made. Assume those vulnerabilities will be exposed. Be sensitive to the fact that many actuaries are part of the corporate, consulting, government, and regulatory worlds, which could result in guilt by association depending on the nature of the crisis. The Academy's position vis a vis

these other players must be clearly evaluated before any statement is made.

- ▶ There will not be time for education, only information. If a point needs considerable explanation, then the debate is lost. Clarity and speed are more important than precision.
- ▶ The Academy does not have to answer every question, respond to every accusation, or reveal every possible bit of information. It does have an obligation to be truthful; beyond that, it has the right, and obligation, to act in its and its members' best interests.

1 Action Steps: Develop a Position

- A. Develop from one to three key message points to explain the Academy's position. The message points must be direct and concise, and anticipate the response from key groups and critics.
- B. In the message points, identify the proactive steps the Academy is taking or will take. Define the time frame for those actions to gain some control over the news cycle.
- C. Clear the position through the necessary decision-makers. Do not allow the process to be slowed by casting too wide a net. Emphasize speed.
- D. Notify relevant parties (such as the leaders of other organizations) of the Academy's decision to make a public statement, if necessary. Keep negotiation at a minimum; time is an enemy.

2 Action Steps: Go Public

- A. Issue a statement through the appropriate means (news release, news conference, through counsel, etc.) Depending on the seriousness of the crisis, a response will be needed within hours. Never more than 2 to 3 days (weekends can alter this timing.)
- B. Identify authorized spokespersons; keep all others buttoned down as much as possible.
- C. Monitor reaction and prepare to follow up depending on circumstances.
- D. Orchestrate third parties to validate the Academy's position, as appropriate.

C. Damage Control

Once the debate has been seized, then damage control steps must be taken with key constituencies. The membership will likely be the most important group, followed by employers, and then government and public policy contacts.

The keys to damage control:

Exhibit 10: Academy Crisis Communications

- ▶ Once a crisis has been declared, be proactive in providing members information, and control the flow of that information.
- ▶ Release the public statement to the membership concurrently with its public release. Whether members agree or disagree with the statement, it will at least demonstrate that the Academy is responding to the situation and is proactively keeping the membership informed.
- ▶ Develop a schedule of follow-up membership announcements using routine and ad hoc communications tools and channels (from Actuarial Update and the website to presentations at actuarial conferences and Academy business meetings).

1 Action Steps: Damage Control

- A.** Assign staff to respond to inquiries from members and external contacts. This should be a communications function with support from the relevant public policy or professionalism members or staff.
- B.** Develop a written response that can be delivered multiple ways (e-mail, fax, scripted, etc.), and stick with the message. Consistency is crucial.
- C.** If the crisis results in the need for the re-evaluation of a public policy or professionalism position, form a group to study the issue as quickly as possible and establish a firm and early deadline for a work product.
- D.** Establish a “lessons learned” work group to report to the relevant decision-making bodies on changes in internal policies and procedures that may be needed to avert such a crisis in the future. Ensure that such a group draws upon a broad range of expertise, not just actuaries.
- E.** Develop a schedule of follow-up information targeted to members and key external contacts.

D. Rehabilitation

If the crisis has been properly managed, at some point there may be the opportunity to begin the rehabilitation process. Rehabilitation would entail proactive measures that would address the issues raised in the crisis. These projects could range from new outreach efforts or image enhancement programs (such as advertising) to launching new programs that provide services to key constituencies.

PART II. POTENTIAL CRISIS

A foreseen event that will likely put the Academy/profession before a key audience or the public in a negative light.

A potential crisis is much like watching a train wreck from a distance. Such a crisis can be foreseen, and therefore managed and mitigated, but may be unavoidable. Managing a potential crisis follows the same principles as an eruption, with one distinct advantage: the ability to control the timing of the eruption.

The keys for successfully managing a potential crisis are:

- ▶ Apprising decision-makers of the public relations, legal, financial, and membership consequences of the upcoming event.
- ▶ Coordinating the timing, substance, and delivery of the message. Announce first; do not let the media break the story.
- ▶ Identifying and preparing spokespersons.

1 Action Steps

Simply put, complete the steps in A, B, and C for an eruption, before the train wreck is scheduled to happen. Impress upon decision-makers that it is important to be proactive in preparing for a likely public relations problem.

EXHIBIT 11: ACADEMY 9/17/09 STATEMENT

Statement from the American Academy of Actuaries to its members regarding recent litigation

September 17, 2009

As you may have read, on September 1, 2009, Bruce D. Schobel filed a lawsuit against the Academy in the United States District Court for the District of Columbia seeking, in part, to overturn the August 5 decision of the Academy's board of directors to remove him from a leadership position. The Academy contested his claims. On Tuesday, September 15, Judge Emmet Sullivan denied Mr. Schobel's motion for a temporary restraining order which sought to reinstate him to his former position. Judge Sullivan's ruling included a finding that Mr. Schobel had not shown a substantial likelihood of success on the merits of his claim that he had been improperly removed from his position as president-elect. The court has not yet set a schedule for further proceedings in the case.

In addressing this matter, the Academy has made every effort to protect the long-term best interest of the organization and the profession, and to be sensitive to the interests of the individuals involved. In doing so, it has chosen to remain largely silent on the matter. Our leadership regrets that this has resulted in confusion and frustration for some of our members.

The Academy is now in a position to share certain facts that have become a matter of public record. In July, 19 past presidents of the Academy expressed concerns to the Academy's board of directors about the suitability of having Mr. Schobel continue to serve as president-elect. The Academy board is responsible for decisions affecting appointment and removal of officers. Accordingly, on August 5, the Academy's board of directors met to consider the matter. During the course of the discussion, various board members shared additional views relating to Mr. Schobel's suitability to lead the Academy. The board of directors carefully evaluated the situation and voted for a change in future leadership--creating a vacancy in the office of president-elect. Mr. Schobel participated in the board's discussion and vote. The board's vote was 17 in favor of removal, nine against, and one abstention. The vacancy was not immediately announced in hopes that the parties could reach an amicable resolution.

On August 27, Academy President John Parks announced that he had asked the Academy's Nominating Committee to select a candidate to fill the vacancy in the office of the President-Elect. The members of the Nominating Committee are Steve Lehmann, Chairperson, Bill Bluhm, Vice Chairperson, John Parks, Tom Finnegan, Roger Hayne, Mike McLaughlin, Larry Sher, and Cande Olsen, a regular member of the Academy's Board selected by Mr. Parks.

The Academy then and now believes the board's decision to be both valid and in the best interest of the organization. It has detailed its explanation in pleadings submitted to the court. Additional details will be forthcoming when appropriate. In the meantime, day-to-day operations at the Academy continue to focus on its mission and goal to serve the public on behalf of the U.S. actuarial profession.