



SOCIETY OF ACTUARIES

Article from:

# The Actuary

January 1988 – Volume 22, No. 1

Dear Editor Cont'd.

### Health Reserve Standards

I read with great interest the article in the November 1987 *Actuary* by Robert Shapland concerning the "Proposed Health Reserve Standards." This is but the latest in a long series of dissenting viewpoints from Bob.

Bob suggests "that the current proposal be amended to focus on prospective valuation with recognition of the impact of the wide range of rating principles and practices in use on this valuation."

As I try to focus on what actual wording an amendment embodying Bob's suggestion might conceivably contain, I conclude that the amendment would have to discard the entire document as now drafted and revised and in its place substitute a single sentence: "Each insurer shall maintain claim and policy reserves that value its liabilities in a manner appropriate to and consistent with its rating principles and practices, whatever those may be."

Early in his article, Bob says, "A wide diversity of rating principles and practices are used by health insurers today. Numerous approaches exist." Wording equivalent to the one-sentence "standard" stated above would therefore seem to be about as much as could practically be said, in order to resolve the conflict to which Bob refers.

There is indeed a wide spectrum of views on the subject. Bob Shapland and those who share his ideas represent the "radical left." For them, the valuation of health liabilities is a highly subjective and relative undertaking, wholly dependent on whatever rating principles and practices an insurer may follow from time to time. Other health actuaries occupy the "extreme right." To them, health valuation must be a wholly objective process, totally immune to changing realities and safe from any contamination by actuarial judgment.

The American Academy of Actuaries Subcommittee on Liaison with the NAIC Accident and Health (B) Committee, along with a good many other health actuaries, occupies the middle ground. We have long since realized that there is no resolution to be found that will combine or compromise the ideas of the radical left and the extreme right. To

ideologues, there can be, of course, no compromise.

We believe that our middle ground proposal—retaining much that is traditional while also introducing into the Standards substantial room for actuarial judgment and flexibility—represents the only practical and reasonable resolution to the controversy, even though it obviously has no chance of satisfying either polar extreme.

E. Paul Barnhart

### Something in the Water...Cont'd.

In his note to the Editor in the October 1987 *Actuary*, Mr. J. B. Germain has seriously underestimated the number of Fellows who were also members of the Class of '58 at Harvard. By adding my name to the list there would be at least five who share his coincidence.

Perhaps a more exciting thought is that there are 1,100 classmates who have succeeded without Fellowship.

David A. Daniels

## Thank You to Supervisors

A special "Thank You" to all those members who, during 1987, very generously contributed so many hours to the continuing good health of the profession by supervising the examinations. We have seen increasing numbers of candidates writing the exams, and we are aware of the extra burden placed on the supervisor. Occasionally we hear from supervisors that they can no longer continue supervising. Although we miss those who have performed well in the past, we are fully confident that as we approach companies and persons who have not recently assisted us, we will find another generous group of members to support us in the task now vital to the selection of the next generation of actuaries.

Bernard A. Bartels and Martha M. Quattrocchi  
Examinations Department

### An Actuary and Picasso

Recently I became aware of a connection between a French actuary, Maurice Princet, and the noted artist, Pablo Picasso. The following are excerpts from correspondence between Professor Robert Rosenblum of the Department of Fine Arts at New York University and me.

Dear Professor Rosenblum:

While viewing the exhibit of "Je Suis Le Cahier: The Sketchbooks of Picasso" this weekend in the Phoenix Art Museum, I was curious about a business card which was part of the 1904 Sketchbook.

The business card was for Maurice Princet, who listed his occupation as Membre l'Institut des Actuairees francais. Since I am a member of the International Congress of Actuaries, I recognized Monsieur Princet as a French actuary who was a member of the French actuarial society, which is similar to those to which I belong in the U.S. and the U.K.

This naturally peaked my curiosity as to why Mr. Picasso would have contact with an actuary. Actuaries normally deal with the application of mathematics to business situations. Is it possible that the geometry of cubism was influenced by a mathematician such as Monsieur Princet?

Since there are very few actuaries in France and throughout the world, and actuaries are not normally associated with art, the presence of an actuary's business card seems unusual....

(Signed) Charles G. Bentzin

Dear Mr. Bentzin:

Fascinating that your path and Princet's cross. Princet, in fact, was very close to Picasso, c. 1904-12, and they even lived in the same slum building, as well as [smoked] hashish together. Picasso biographies have many references to him in the Paris pre-war years. There have been thoughts as well about the possible influence of his mathematics on the look of Cubism, but this is probably just a question of affinity rather than of actual influence. But this topic has often come up for speculation. Anyway, you can read more about him in the standard Picasso biographies.

(Signed) Robert Rosenblum

Charles G. Bentzin