



SOCIETY OF ACTUARIES

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# The Actuary

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## THE COMPLETE ACTUARY

# Here's looking at...change

by Angelica Michail

**C**hange happens everytime, everywhere, and to everyone, and yet we continue to fear it, rather than embrace it.

Perhaps a better understanding of change management can lessen our apprehension. A recent MBA course I took on this subject made me realize that if I knew then what I know now, change would have caused me less stress and pain. I might even have been able to enjoy the experience.

Today, companies are reengineering, reorganizing, and innovating at a frantic pace. These activities cause changes that affect people, processes, and products.

How can we succeed as change agents? How can organizations make change a more positive experience?

This article outlines some change management principles that may help make the changes more palatable. Mary Poppins advised, "Just a spoonful of sugar helps the medicine go down," and I agree.

### Basic change concepts

*There are two kinds of changes — incremental and revolutionary.* People often feel threatened by change. Incremental change, made one step at a time, allows the individual or the organization more time to adjust to the change, making it more manageable. Too many changes in close succession can lead to change "indigestion," leading to reversals to lessen the discomfort. Every change involves cutting roots: beliefs, habits, relationships. Getting rid of too many anchor points can destabilize any person or organization. People need stability in some areas of their lives to cope with the instability in other areas. Revolutionary changes should be reserved for emergencies (e.g., when death is the alternative or a disaster is forthcoming).

*People will not change just because they are told it will make things better.* Think of all those who are still smokers even after decades of research and publicity show smoking to be unhealthy. People have to see the need for change and understand the consequences of changing and of not changing. They need to know, "What's in it for me?" They need to see that something of value — financial satisfaction, a worthwhile cause, excitement — will replace fear, discomfort, and threat. The leader who can paint a clear picture of the changed organization and can make that picture desirable, achievable, and valuable will go further in effecting the change than in dictating a long list of directives and implementation procedures.

*The people who are most affected by the change and are instrumental in bringing about the change should be involved at the beginning of the process, not after all strategic decisions are made.* This enables people to feel they are a valuable part of the solution, instead of part of the problem. They become facilitators, instead of resisters. If they are informed only at the implementation stage, their fears will increase. By then, the reasons and objectives of the change become difficult to grasp because of fear and stress.

Today, guaranteed lifetime employment is becoming extinct. The security of organizations and its people lies in the excellence and relevance of the goods and services they provide customers. It is time to treat employees as intelligent human beings who are aware of the new economy. If given the opportunity, employees often surprise senior management with innovative ideas for changes and how to make them.

### Steps in changing an organization's culture

It usually takes leaders about five to ten

years to change a company culture by implementing a few basic steps:

- Understand the culture: what employees know, do, feel, and want.
- Create an awareness of the need to change. Unless employees accept the need for change, there will be enormous resistance. Be aware of the factors that facilitate and resist change.
- Provide training in change management concepts and procedures.
- Set up pilot ad hoc teams to experiment with the change. It is easier to analyze potential problems and develop strategies to deal with them on a smaller scale. This gives the change on a larger scale a better chance for success.
- Involve all employees in the change process.

### How to be an effective change agent

Often, actuaries are in leadership positions that require or enable them to be change agents. Here are a few tips:

- Communicate, communicate, communicate — clearly, simply, and persuasively — through numbers, writing, and speaking.
- Be confident and persevering. There will always be obstacles, failures, and criticisms associated with changes — learn to deal with them confidently and wisely. Believe in yourself and in the change.
- Work through many groups — teams, coalitions, informal groups, and formal groups. When the groups accept and adopt the change, then it will happen.
- Use and provide the three power tools of change: information, support, and resources.
- Reward successful change activity. A reward gives a strong message; it demonstrates that a high value is placed on the change.

*(continued on page 13)*



## on the lighter side

### Pets R Us?

By Linda Heacox  
SOA Public Relations Specialist

**W**e love them. We baby them. We insure them? Yup, in increasing numbers. Pet health and accident insurance has arrived.

After pet cemeteries, pet therapists, and pet designer drinking water, could insurance firms for Fido and Fluffy be far behind? No, comes the answer from areas as diverse as southern California, Sweden, France, South Africa and, of course, the traditionally animal-mad England. The time may not be right yet for a real pet insurance boom, but many believe this dog will have its day, and soon. In the past two years, the major U.S. pet insurer has doubled the number of policies in force to 75,000, while many thousands of other cats and dogs are insured by regional HMOs formed by veterinarians.

#### Avoiding doggie downers

Advances in the technology used to treat animal maladies, longer pet life spans, and growing veterinary costs will make pet insurance attractive in coming years, according to proponents. "We are seeing much more interest and acceptance of pet insurance in the United States," said Dr. Jack L. Stephens, president of VPI (Veterinary Pet Insurance), Anaheim, Calif. Owners with policies can avoid unnecessary euthanasia or continued suffering for their pets.

Procedures such as laser cataract surgery, joint replacements, chemotherapy, and yes, pet orthodontia (that's animal braces, folks), make your cat or dog just like one of the

family. And, that is precisely how most pet owners feel about their quadruped friends. According to American Animal Hospital Association spokesperson Andrea Ashby, the organization's 1995 survey of American pet owners showed 70% thought of their pets as children.

"We've humanized our pets," she said. But, Ashby admitted that, for now at least, most pet owners surveyed said they wouldn't consider pet insurance. "Basically, they believe a pet's illness wouldn't cause financial ruin the way a human illness might. But, I think you'll see the trend turning toward more pet insurance in the next five years as veterinarian costs increase."

#### Getting that paw print on the dotted line

So far, VPI is the only national U.S. firm selling pet medical and accident insurance. The company, which is licensed by the insurance departments in each state where it operates, reported growth of 30% in 1994 and 27.19% in the first eight months of 1995. The largest of the pet insurance HMOs, Medical Management International, Portland, Ore., intends to branch into seven other states in the near future, according to a *Wall Street Journal* report. Neither firm employs actuaries.

#### Love for pets knows no borders

The success of U.S. insurers, though, doesn't match the popularity of pet insurance in other countries. In Sweden, nearly 20% of all pets are insured. In England, 14 different plans insure at least 700,000 pets and produce a premium volume of \$96 million annually.

Eight countries sent representatives to the Worldwide Conference of Pet Health Insurers in November in London. VPI was there, as well as England's Dog Breeders Insurance Company, founded in 1947, and Sweden's Agria, founded in 1955.

The attendees presented status reports, shared financial information and demographics, and participated in discussion groups on the problems facing their fledgling industry.

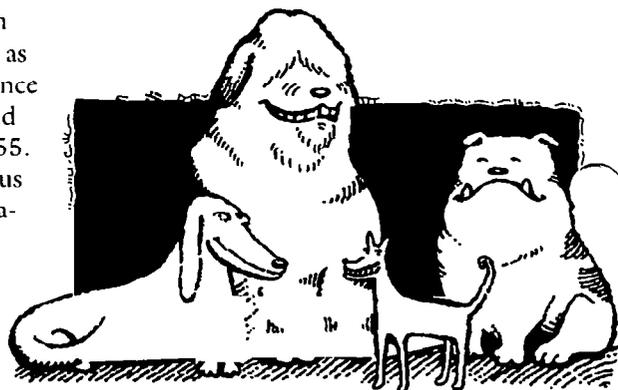
#### Animal actuary has to deal with nine lives

Only one actual pet actuary is known to exist, Sally Schreiber, FSA, of England's Pet Plan Group, Ltd. No morbidity tables for cats and dogs (or other members of the animal kingdom) exist, so firms offering this type of coverage rely on information from veterinary groups and organizations such as the American Kennel Club. As Schreiber recently told the *Wall Street Journal*, however, she is busy accumulating data on trends as she observes them.

#### Insuring mad cows and other catastrophes

Several U.S. firms sell insurance to farmers and breeders. Usually, if values are small, say between \$10,000 and \$20,000, farm owner's insurance covers catastrophes such as lightning striking a standing cow. For levels higher than that, farmers and breeders get their insurance from firms like American Livestock, Geneva, Ill. The firm writes policies for individual animals, such as thoroughbred horses and champion show dogs, including infertility coverage. Feed lot livestock — cattle in huge herds being fattened for slaughter — can also be covered. No actuaries are employed by livestock firms, so the data on life spans of breeds and other vital statistics have been accumulated over many decades and is simply applied by underwriters.

Meanwhile, animal owners who don't fall into the farmer or breeder categories will have to shop hard for the best deals for their individual pets, keeping in mind that deductibles and premiums can be high for insureds who chase cars and chew mail men.



## MEETING NEWS

## Richard Lamm to speak at spring meeting

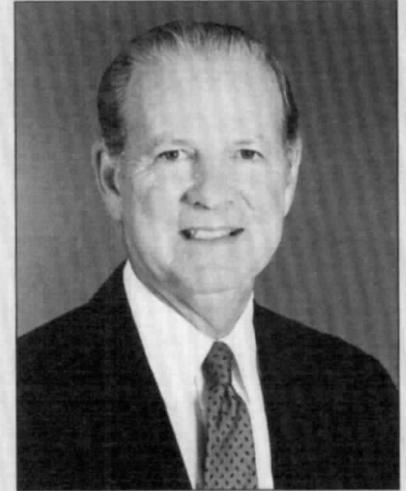


Richard D.  
Lamm

**R**ichard D. Lamm, the former three-term governor of Colorado (1975-87), will be the opening day speaker at the June 26-28 spring meeting in Colorado Springs. Lamm has been the director of the Center for Public Policy and Contemporary Issues at the University of Denver since 1987. His focus has been on health policy, with a special emphasis on health care systems reform and health care resources.

The Broadmoor Resort in Colorado Springs is the beautiful setting for this spring meeting focusing on health and pension issues. There, members will take advantage of unique learning and networking opportunities. A session-free afternoon is planned for Thursday, June 27, when members are encouraged to participate in a golf or tennis tournament, a hike, spa fair, a Pikes Peak railway tour, or a Cripple Creek gambling tour. End the day with a Rocky Mountain barbecue supper.

It's not too late to register. Call 847/706-3545 for information.



## Former secretary of state to speak at annual meeting

**J**ames A. Baker, III, will open this year's SOA annual meeting in Orlando, Fla., as keynote speaker on October 27. Baker served in senior governmental positions for three presidents, beginning in 1975 as President Ford's under secretary of commerce. Baker was White House chief of staff for President Reagan from 1981-85 and for President Bush from 1992-93. He also served the Bush Administration as the secretary of state from 1989-1992 and the Reagan Administration as secretary of the treasury from 1985-88.

Baker reflects on his experiences as Bush's secretary of state in his 1995 book, *The Politics of Diplomacy*, covering a time of unprecedented challenges and opportunities in the post-Cold War era. He currently is a senior partner in the law firm of Baker & Botts, Houston.

Start planning your trip to one of the nation's most popular family vacation spots. The Walt Disney World Swan and Dolphin Hotel is the site for three full days of professional sessions and networking October 27-30. Watch for more information in future issues of *The Actuary*.

### Society of Actuaries 1996 Summer Schedule

May 29-31	Spring Meeting (Financial Reporting/Product Development)	Island Resort, Marco Island Resort, Marco Island, Florida
June 6-7	Life Illustrations Seminar	Sheraton Hotel New York & Towers, New York
June 10-11	Product Development Bootcamp	JW Marriott, Washington, D.C.
	Social Security Seminar: Myth vs. Reality	Sheraton Washington Hotel, Washington, D.C.
June 26-28	Spring Meeting (Health & Pension)	The Broadmoor, Colorado Springs
July 14-17	Asset Liability Management	Wharton School, Philadelphia
August 15-17	31st Actuarial Research Conference	Ball State University, Muncie, Indiana

### May Board meeting open to all members

The May 31, 1996, Board of Governors meeting in Marco Island, Fla., is open to interested Society members. For more information or to request a copy of the minutes, call the Society office, 847/706-3500.

# What's new in actuarial education and research: Use interactive CD-ROM to find out

By Arnold F. Shapiro, Edward B. Kleinman, and Tiancheng Li

The first in a series of interactive CD-ROM modules titled, "What's New in Actuarial Education and Research," is being distributed to the subscribers of *ARCH*. Distribution is sponsored by *ARCH*, the Education and Research Section, the Committee on Knowledge Extension Research, and ACTEX Publications. The project was supported in part by the William Elliott Chair of Insurance.

The module focuses on the highlights of the 30th Actuarial Research Conference (ARC), at Penn State University, August 1995. Its theme was, "Communicating Educational Topics and Research Results."

This module will be demonstrated at both SOA spring meetings: Session 18 at Marco Island on May 29 and Session 21 at Colorado Springs on June 26.

## Purpose of module

ARCs can be an important source of new ideas for practicing actuaries, especially since they involve a free and unfettered exchange. Priorities being what they are, however, few practicing actuaries attend ARCs. This is unfortunate, because practitioners, even those who profess to get lost in actuarial theory, can come away with a good sense of what's new and who is doing it. Of course for some, it is sufficient that many of the papers presented at ARCs are contained in its proceedings. Many practitioners, however, particularly those who lack the relevant background, find it difficult to keep up with research papers.

The CD-ROM module was developed to fill the need for a summary of ARCs' highlights, with an emphasis on the focus of the presentation, communication, and easy access.

## Module format

All 37 presentations of the 30th ARC were videotaped, and the highlights of

each talk were digitized and recorded on CD-ROM. This CD-ROM was then used to develop a computer-based, user-friendly multimedia summary of conference highlights.

There are two ways to easily access the highlights of each presentation. The first, which is shown in Figure 1, gives access by clicking the computer mouse on the image of the presenter. Passing the mouse over the image displays the name of the presenter and the title of the presentation.

The second way is through one of the indexes shown in Figure 2. At the top of the screen, the presentations are indexed by research papers, education papers, presenters, and topics. The educators addressed such topics as on-line communication, current educational issues, and instructional design.

The general topics covered by the researchers include credibility, finance and investments, retirement issues, and statistical methods.

Figure 3 shows a typical presentation screen. In this instance, the presenter is discussing the output (left center) of an interactive computer game that simulates the management of an insurance company. When you enter the screen for each of the presentations, the presenter (right center) gives a short statement of the "bottom line" of the talk, and the abstract of the presentation



Figure 1



Figure 2

is shown. One can quickly peruse all the talks by staying on a presentation screen just long enough for the speaker to present his or her bottom line.

After being presented with the bottom line, the user can choose other highlights of the talk to review. In this case, there are two other options, "Objective" and "Annual Results."

## Equipment requirements

If your desktop or notepad computer is of recent vintage and IBM-compatible, with a CD-ROM player and speakers, you can probably run the module.

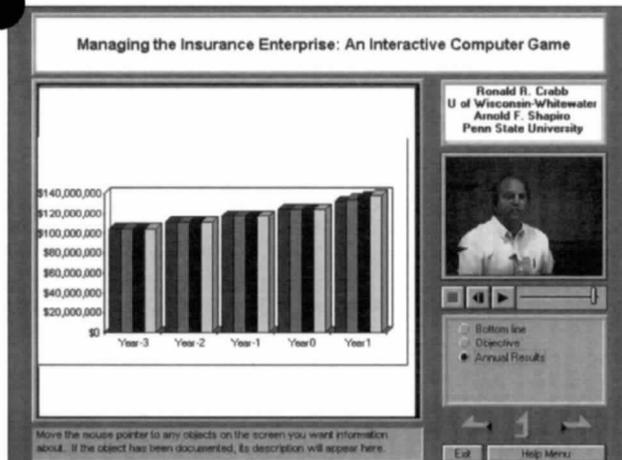


Figure 3

The equipment needed to run the software is readily available: Windows (3.1 or better), an IBM PC or compatible (486 DX2 66 MHZ or better), a CD-ROM player (2X or better), a super VGA monitor, and a sound card (Sound-Blaster Pro or compatible).

The underlying technology has been significantly improved since our first continuing education module in 1991, and ease of use

should make it more accessible. Of course, one test of the usefulness of the module will be the extent to which it helps improve communication between our researchers and our practitioners.

Arnold Shapiro, Edward Kleinman, and Tiancheng Li are with the Smeal College of Business at The Pennsylvania State University. Shapiro is professor of Actuarial Science and Insurance, Robert G. Schwartz Faculty Fellow, and director of the Risk Management Research Center. He also is a member of the SOA Board of Governors. Kleinman and Li are specialists in instructional design, using interactive multimedia.

## SOA Foundation solicits grants for math education

The Society of Actuaries Foundation has committed up to \$100,000 to fund the development of tutoring programs that involve actuaries as volunteers.

"Mathematics is a core topic critical to a student's future success," said Harry Panjer, Foundation director of research and education. "We should invest in ensuring the literacy and numeracy of our children, who are valued human capital in the future economy. By helping improve students' ability to learn mathematics, the Foundation can contribute to the overall quality of society. Actuaries are great volunteers and value the importance of the role of basic mathematics in shaping their lives."

The Foundation is soliciting grant applications from local groups to develop a network of math tutors in U.S. and Canadian public elementary schools. Grant applications and information will be sent to all actuarial club presidents and to charter investors of the Foundation. Collaboration and co-funding between school systems, actuarial clubs, businesses, and other

stakeholders in education are encouraged.

The grant proposals should outline network development, tutors' training, support from schools and key organizations, budget, and a reporting and evaluation plan. "We encourage applicants to be creative in designing and organizing their programs to suit local needs and resources," Panjer said.

Up to five projects will be funded for a two-year trial period. These pilot projects will involve actuaries and others in the local community who provide academic support, primarily through individual tutoring for students of all ability levels. The pilot projects will test the effectiveness of tutoring programs and, if successful, become organizational models for long-term programs in other locations.

The application deadline is August 1, 1996. For a brochure describing the objectives and application procedures, contact the SOA Foundation, 475 N. Martingale Road, Suite 800, Schaumburg, IL 60173. Telephone: 847/706-3600; fax: 847/706-3599, or e-mail: 102577.765@compuserve.com

The SOA Foundation fulfills its

mission to "contribute to the understanding and resolution of present and future social and economic problems by investing in innovative research, education, and communication initiatives," primarily through personal financial contributions from the actuarial profession.

### The Complete Actuary (continued from page 9)

Without change, there is no creativity, growth, progress, nor excitement. Without commitment to change, an organization lacks vision and a real mission. So, here's looking at change, with less fear and more creativity. **Angelica Michail is a consultant with National Actuarial Network. She is a member of the SOA Committee on Management and Personal Development and recently earned her Executive MBA from the Peter Drucker Management Center, Claremont Graduate School in Claremont, California.**