



Article from

## **Stepping Stone**

May 2016

Issue 62

# PERSONAL DEVELOPMENT

## The Zen Actuary

### Installment 8: “Adventures in Headstands”

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*Author’s Note: This is the continuation of a series<sup>1</sup> adapted from the book *Awake at Work* by Michael Carroll, covering the application of Buddhist teachings to situations encountered in a modern corporate workplace setting. This series addresses challenges frequently encountered by practicing actuaries.*

**T**his installment takes a 90-degree turn from the prior seven. Instead of covering a specific chapter from *Awake at Work*, I draw upon my yoga asana practice over the last

five years to show how several Buddhist principles tie into actuarial practice. Learning to stand on my head has been such a core part of my life that I feel compelled to share the experience and the many lessons I have learned from it with anyone who will listen. I hope the following conveys what an amazing ride this has been.

“I’m never gonna get this \*\*\*\*ing \*\*\*\* pose!”

This has been a very familiar refrain—usually (but not always!) said silently as I once again find it impossible to stand on my head, no matter how hard I try or how often I practice. This child-like temper tantrum is then followed by the usual assortment of personal denigrations knocking everything from my lack of core strength to my lack of courage.

Then the rational adult in me takes over the proceedings in my head, explaining why I apparently lack these necessary ingredients and that it’s not all my fault. This includes the identification of a wide assortment of co-conspirators to my pate-balancing failures including:



- My sedentary job and its stresses
- My wife—who won't let me do five hours of yoga instead of one
- My genetics/parents
- Television shows that distract me from practicing the pose
- My yoga instructors—who are clearly withholding some key technique that would magically produce perfect effortless verticality
- Society at large, and
- Last but not least—God

And that's just to name a few.

When I return to something approaching sanity—at least as it manifests in my crazy mind—I contemplate what is going on with this pose and my reaction to it. Why is it so important that I be able to do this pose? Is it because I see others doing it—with calm and ease to boot? Is it because I feel incomplete as a yogi without being able to reach for the sky with the soles of my feet? Do I have aspirations of competing in yoga competitions or appearing on the next cover of *Yoga Journal*? Am I simply trying to impress the female practitioners in the class like some middle-aged adolescent?

As I contemplated this further, I realized that at its core (pun intended, as strong core muscles are mandatory for headstands) my drive and ambition to do this pose were not materially different from my drive and ambition to not only become an actuary, but to take on what at various stages were considered complex and quite challenging roles for my various employers.

I learned early on in my exam-taking days that passing an actuarial exam was no small feat. Achieving fellowship felt like reaching the summit. And then there were career challenges—pricing variable reinsurance guarantees, building increasingly sophisticated economic scenario generators, crafting more refined asset-

liability management models, constructing actuarial disclosures for an initial public offering, designing a process for determining reinsurance accounting, establishing an enterprise risk management model and corresponding framework, and so on.

Headstand was just a manifestation outside of my actuarial career of the pure joy of tackling something challenging and worthwhile that I have found over and over again within my career! I'm sure you can relate to this both in terms of career, and those things outside of being an actuary that you are passionate about.

In addition, I wanted to experience the many benefits of a proper headstand practice. There are clear physical benefits—it's a workout unto itself. I have etched in my brain the encouraging instruction from one of my favorite instructors, "More navel to the spine, Rich! Lock it in!" as I toil to find the pose. However, I have found those benefits are transcended by the mental and spiritual benefits of holding the pose for more than just a few breaths. There are few things that have been more effective at keeping my mind in the present moment than attempting to stand on my head. It's a serious pose and letting one's mind drift is a recipe not only for failure but potentially serious physical harm. That same yoga instructor counseled me early on about the two basic rules of headstand:

1. Don't break your neck, and
2. Don't break your neighbor's neck.

Now, while actuarial practice typically doesn't involve the possibility of physical damage (although sleep deprivation and poor diet are potential hazards that I've experienced), there is one rule that one of my first supervisors pointed out to me that I've carried throughout my career: "Don't blow up the company." Not from a literal standpoint, of course, but don't take actions that significantly heighten the probability of financial ruin.

And actuaries regularly perform work that benefits society at large, exercising creativity and discipline through the design of cost-effective products and risk management systems that protect the financial well-being of the customers and constituencies being served and spreading risk in an efficient way. This provides emotional wellness for both actuaries and their clients.

A central aspect of headstand practice is facing fear. I still remember my first yoga class and watching seemingly everyone else go up into a full headstand as I thought to myself, "There ain't no way I'm ever doing that crazy \*\*\*\*!"

One of the greatest things I've found in yoga practice is that there is almost always a way to modify a pose to accommodate one's physical capabilities. And many of the benefits of the more advanced pose are still retained even with these modifications. Headstand is a classic example, with very preliminary alterna-

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tives that are low risk. Such pose de-risking allows one to gain the feeling of placing weight on one's head without the stress. Over time, I graduated to more advanced modifications, and at each point had to face some fear of failure and somewhat more risk of getting hurt.

This is not unlike what actuaries go through, starting with basic assignments that challenge the understanding of core principles without necessarily exposing the company to undue risk. The work is often well-supervised and may involve something elementary like re-pricing a product with straightforward tweaks to assumptions or product design. As competence is consistently demonstrated, the assignments become more complex and the scope is widened, such as pricing an entire product series or performing valuations for key clients. The shackles are gradually removed and more autonomy and responsibility are provided. With that the consequences of errors on the company's or client's financials are correspondingly heightened.

Associated with all of this is the risk of falling out of the pose. For several years, I worked with a wall. I could not get off the wall for the longest time because of my fear of falling, which is perfectly rational. However, I needed to risk falling if I was to continue progressing in the pose. I had literally hit a wall. That meant I needed to learn how to fall; I had already unwittingly fallen a handful of times and it hurt like heck. So I took a private lesson where all I did was practice falling and tumbling. By the

end of the lesson, I was much less afraid of doing either. I fondly remember it as a turning point in my headstand pursuit.

Building complex risk models is not for the faint of heart either. Today's actuary often constructs models with hundreds and sometimes thousands of parameters. Many of those parameters have interdependencies that may not be obvious during model creation. Some do not have the historical data credibility to support the values being used. The algebra can get seriously convoluted. The need for extensive model management and sensitivity testing is real and appropriate.

But at some point the actuary has to "get off the wall" and put the results of the model at risk. This means taking steps to reduce the impact of the model "falling." Actuaries have a number of means to achieve this, including providing sufficient margins in critical assumptions, providing ranges of results, model back-testing, severe scenario analysis and peer review. Model risk management is on the minds of most actuaries nowadays.

Sometimes even benign falls have indirect adverse consequences—beyond the black and blue marks! I was walking home from yoga class one morning and I ran into my neighbor who lives in the apartment next door to mine. He was very agitated about someone in the building dropping weights unexpectedly between 6:30 and 7:00 a.m. many mornings, and that this was a recent phenomenon that was irritating him and his wife. He

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asked if I heard the same thing and where did I think it was coming from. I was puzzled and told him I didn't know what he was talking about, but that I would ask my wife when I got home.

Well, I followed through on that promise, describing to my wife the disturbance that agitated our neighbor. I got that exasperated look from my betrothed that I have seen many times in our 23+ years of wedded bliss, followed by, "You idiot. That's YOU falling out of your crazy headstand!"

The realization horrified me. I felt so guilty that I was afraid to face my neighbor for days. Finally, my conscience got the better of me and I decided to fess up to him. When I explained that I was the noise-maker falling out of my headstand attempts, his serious look turned to one of complete glee, and cackling hysterically, he said, "That is so funny! I love watching people fall! Please invite me over the next time you are going to do this!"

Sometimes our work product has unintended consequences. Perhaps that new secondary guarantee reduces premium to our product, or the new commission structure generates more sales at the lowest profit cells, or insured value risk limits lead to turning away profitable sales or purchasing expensive reinsurance. Model errors may not bankrupt the company but could lead to financial reporting restatements and incorrect incentive compensation payments, which are not pleasant experiences.

And then there is the feeling of ultimate accomplishment. I will never forget my first headstand off the wall without falling in class. I remember that same instructor, who had been working with me for years, saying "Am I seeing what I think I'm seeing? That's

fantastic!" The rest of the class stopped and gave me a (head) standing ovation. The joy and elation I felt were indescribable.

I've been blessed to have such memorable moments in my career as well. We need these milestones to confirm our efforts and keep us going, whether it's finishing that new valuation system, launching that new product, consummating that company-transforming acquisition, or delivering that well-received risk presentation to the board.

However, as I reflect back on my headstand experience, it truly has been about the journey. It's about what was going through my mind at each stage, through every fear and fall, and how I handled the myriad feelings and emotions.

In the same way, our careers are much more than a laundry list of accomplishments we can catalog on a resume. It's about how we tackle the challenges we face, whether it's a system glitch, unexpected adverse experience, losing a key team member or client, unwanted regulatory actions, higher capital requirements, or unanticipated expense reductions.

Unfortunately, recent injuries have put at least a temporary end to my head-standing exploits. No, thankfully I did not break any headstand rules referred to previously, and the pose was not the root cause. But I've had to shut that down, as well as the bulk of my physical practice, as I honor my body's needs and allow it to heal. I will go into all this in much more detail in the next installment of the series, as dealing with setbacks is a vital part of every aspect of life, not just yoga. ■



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#### ENDNOTE

- <sup>1</sup> The first seven installments in the "Zen Actuary" series, "Balancing the Two Efforts," "Be Authentic," "Don't Just Check the Box," "Embrace the Chaos," "The Sands Are Always Shifting," "Letting Go of Self-Importance," and "Facing Employment Mortality" were published in the November 2013, February 2014, August 2014, November 2014, February 2015, May 2015, and November 2015 issues of *The Stepping Stone*, available online at [www.soa.org/ld](http://www.soa.org/ld).