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2017 Redington Prize Awarded at 2017 SOA Annual Meeting & Exhibit

By Jim Kosinski

Among the highlights of the Investment Section’s Breakfast at the 2017 SOA Annual Meeting & Exhibit was the presentation of the 2017 Redington Prize, awarded by the Investment Section in honor of the best research paper published by an actuary on an investment-related topic in 2015–2016. The Redington Prize carries a \$10,000 award and is named after F. M. Redington, the British actuary who coined the term “immunization” in a 1952 paper.

The Redington Prize-winning paper is “Lapse-and-Reentry in Variable Annuities,” by Thorsten Moenig and Nan Zhu, FSA. Dr. Moenig is an Assistant Professor of Actuarial Science at Temple University and Dr. Zhu is an Assistant Professor of Risk Management at Penn State University. Their paper addresses the impacts of optimal policyholder lapse behavior on the pricing and design of variable annuities. Using the example of a return-of-premium guaranteed minimum death benefit (GMDB), they quantify the costs—first to insurance companies, but ultimately to policyholders through increased fees—of allowing “free” lapse behavior. The paper goes on to discuss and quantify a number of mitigating factors—from the traditional surrender charge, to roll-up and ratchet designs, additional earnings benefits, and a state-dependent guarantee fee—and discusses their impact on product pricing and ultimately policyholder utility. The paper concludes with a discussion of optimal behavior under taxes, and addresses the question of when the beneficial tax



(From Left) Thorsten Moenig, Jim Kosinski, Nan Zhu

treatment of variable annuities justifies the additional fees they incur.

The Redington prize jury considered 16 nominees from prestigious journals, including; *Insurance: Mathematics & Economics*, *Journal of Risk and Insurance*, *Journal of Mathematical Economics*, *Journal of Portfolio Management*, and *Financial Analysts Journal*. One of the benefits of SOA Investment Section membership is the ability to access these and many other journals through the section’s EBSCO subscription. See the following link for more information: <https://www.soa.org/sections/investment/investment-ebSCO/>

As chair of the Redington Prize committee, I would like to thank the Redington jurors for their diligent work and the hours they spent this summer reading through the many distinguished papers and choosing a winner. I would also like to thank all the researchers for submitting their papers for consideration, and for their contributions to our knowledge of investments. ■



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