Valuations of Mortality-Linked Structured Notes

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Abstract

This paper studies variations of mortality-linked structured notes that insurance companies could use to transfer the mortality/longevity risk efficiently to those who are willing to undertake them. We examine how different types of mortality-linked structured notes might be constructed through the purchase or sale of mortality options. We further propose three mortality-linked structured notes to demonstrate how their flexible structures can enable investors with different views of future mortality trends to monetize their expectations regarding mortality rates.

Keywords: mortality option, mortality/longevity risk, principal-guaranteed structured notes, high-yield structured notes, securitization

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