

Mortality Improvement Select Birth Cohorts and Their Effect on Pricing of Survivor Bonds

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Abstract

This work investigates the effect of select birth cohorts on pricing of mortality-based securities, such as survivor bonds, life annuities in general or portfolios of life annuities. Existence of select birth cohorts in the United Kingdom has been indicated by works of Willets, and also shown in other countries in the recent work of the present authors. In this paper we compare and contrast the cohort effect to the influence of interest rates, and discuss their relative importance in pricing of mortality-based securities.