North American Actuarial Journal > Volume 12, 2008 - Issue 4

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# Securitization of Longevity Risk in Reverse Mortgages

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Pages 345-371 | Published online: 28 Dec 2012

**66** Cite this article ⚠ https://doi.org/10.1080/10920277.2008.10597529

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# Abstract

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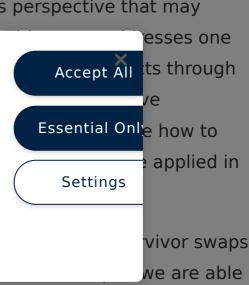
The reverse mortgage market has been expanding rapidly in developed economies in recent years. The onset of demographic transition places a rapidly rising number of households in an age window in which reverse mortgages have potential appeal. Increasing prices for residential real estate over the last decade have further stimulated interest.

Reverse mortgages involve various risks from the provider-s perspective that may

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to compute premiums, both analytically and numerically through simulations, and to examine how the longevity risk may be transferred to the financial investors. Our numerical calculations provide an indication of the economic benefits derived from developing survivor bonds to securitize the "longevity risk component" of reverse mortgage products. Moreover, some sensitivity analysis of these economic benefits indicates that these survivor bonds provide for a promising tool for investment diversification.





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