

Extreme Mortality Bonds

Romain Bridet

International Actuarial Association – Life Section Colloquium – Munich 2009

Scientific Theme: Biometric risks and their securitization

Keywords: Extreme Mortality Bonds, ILS, Pandemic, Mortality Index, Spread

Presenter:

Romain Bridet, Actuaire IA,

Partner Reinsurance Europe Limited, Succursale Française
153 rue de Courcelles, 75817 Paris Cedex 17, France
Phone +33 1 44 01 37 49, email: romain.bridet@partnerre.com

Paper submission

Extreme Mortality Bonds (EMB) represents a new alternative of risk transfer for Life (re)insurance. The presentation is intended to give an overview of this new class of assets. The following items will be dealt with:

Transaction Objectives

Life (re)insurers are exposed to extreme events that can hit their mortality portfolio. Extreme Mortality Bonds are specific ILS which enable the issuer to protect himself against a large deviation in mortality. The main focus of Mortality Bonds is a pandemic disease.

Financial Structure

The Extreme Mortality Bonds issued recently have all been structured in a similar way. This common frame will be explained in details.

Mechanism Overview

The cover provided by EMB is closed to stop loss reinsurance but the protection is on a parametric basis. The way the cover provided by the EMB can be triggered will be explained.

Underlying Risk and Modelling

The risk profile of Extreme Mortality is characterized by a low frequency and a high severity. The valuation of EMB requires a model which takes into account this risk profile. A model will be presented.

EMB Market Overview

A few EMB have been issued over the last years. Most of the time, these assets have been well received by the financial markets. The spreads reached by this class of bonds will be showed.