

**Using Life Settlements to Hedge the Mortality Risk of the Life Insurers: An
Asset-Liability Management Approach**

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This paper investigates the hedge effects of the life settlements for life insurance companies from the asset-liability management perspective. We propose an hedging approach to evaluate hedging effects of life settlement for hedging the mortality risks of life insurance companies. Our numerical results show that the proposed hedging strategy can help life insurers to better utilize life settlements in hedging the mortality risk. Therefore, life settlements can be regarded as an effective hedging vehicle to reduce the aggregate risk of the life insurers.