Valuing Surrender Options in Korean Interest Indexed Annuities

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We present surrender rate models with explanatory variables such as the difference between reference rates and crediting rates, policy age since issue, unemployment rates, and economy growth rates using the logit model.

We calculate the values of the surrender options in Korean interest indexed annuities. It is interesting to note that the values of the surrender options with surrender charges are negative numbers even though the surrender options are the rights given to the policy holders.

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