The Bjerksund-Stensland model developed in 1993 is an alternative closed-form solution for pricing American style options. The model is computationally very fast and analytically efficient. Numerical data indicates the Bjerksund-Stensland model may be more accurate in pricing long dated options than the Quadratic Approximation model. The Bjerksund-Stensland Model can be used on American options that have a continuous dividend, a constant dividend yield, and discrete dividends.

The approximation is based on an exercise strategy corresponding to a trigger price. If the underlying asset price is greater than or equal to the trigger price it is optimal to exercise, and the value must equal S-X.