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DEPARTMENT OF STATISTICS AND ACTUARIAL SCIENCE
THE UNIVERSITY OF HONG KONG

STAT6003 Research Postgraduate Seminar
cum
Seminar for Confirmation of Candidature

Mr. ZHU Wei

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will give a talk

entitled

**TWO PROBLEMS IN FINANCIAL/INSURANCE RISK
MANAGEMENT**

Abstract

The first part of the talk is about a novel extension of the concept of Parisian ruin. Ruin is said to occur when the time that the surplus process cumulatively stays under zero exceeds a certain threshold d (the delay). Four ultimate and finite-time ruin probabilities are derived: (1) ultimate cumulative Parisian ruin with (a) deterministic delay or (b) Erlang delay; (2) cumulative Parisian ruin within an Erlang time horizon with (a) deterministic delay or (b) Erlang delay. Then numerical examples are presented to investigate the effect of Erlangization.

The second part extends Huang, Zhang and Zhu (2016) to further investigate the implications of correlation ambiguity (or Knightian uncertainty) for portfolio choice and asset prices. In our model, individuals' decision making incorporates both risk and ambiguity of correlation. The unique equilibrium prevailing in the economy has two alternative types, namely correlation-ambiguity-free or correlation-ambiguity-present. Comparative analysis suggests that changes in the fraction of naive investors and the ambiguity amount can alter equilibrium types under certain conditions. Naive investors always hold a portfolio which is less diversified and worse performed than sophisticated investors'. CAPM analysis reveals that the asset with relatively low quality generates positive excess returns. And we show that a conglomerate trades at a diversification discount under ambiguity of correlation.

on

Wednesday, January 18, 2017

10:30 a.m. – 11:30 a.m.

at

Room 301, Run Run Shaw Building

All interested are welcome