

Contents

Part I Collective Risk Models

1	The Basic Model	3
2	Models for the Claim Number Process	7
2.1	The Poisson Process	7
2.1.1	The Homogeneous Poisson Process, the Intensity Function, the Cramér-Lundberg Model	9
2.1.2	The Markov Property	12
2.1.3	Relations Between the Homogeneous and the Inhomogeneous Poisson Process	14
2.1.4	The Homogeneous Poisson Process as a Renewal Process	16
2.1.5	The Distribution of the Inter-Arrival Times	20
2.1.6	The Order Statistics Property	22
2.1.7	A Discussion of the Arrival Times of the Danish Fire Insurance Data 1980-1990	32
2.1.8	An Informal Discussion of Transformed and Generalized Poisson Processes	35
	Exercises	46
2.2	The Renewal Process	53
2.2.1	Basic Properties	53
2.2.2	An Informal Discussion of Renewal Theory	60
	Exercises	65
2.3	The Mixed Poisson Process	66
	Exercises	69

3	The Total Claim Amount	71
3.1	The Order of Magnitude of the Total Claim Amount	72
3.1.1	The Mean and the Variance in the Renewal Model	73
3.1.2	The Asymptotic Behavior in the Renewal Model	74
3.1.3	Classical Premium Calculation Principles	78
	Exercises	80
3.2	Claim Size Distributions	82
3.2.1	An Exploratory Statistical Analysis: QQ-Plots	82
3.2.2	A Preliminary Discussion of Heavy- and Light-Tailed Distributions	86
3.2.3	An Exploratory Statistical Analysis: Mean Excess Plots	88
3.2.4	Standard Claim Size Distributions and Their Properties	94
3.2.5	Regularly Varying Claim Sizes and Their Aggregation	99
3.2.6	Subexponential Distributions	103
	Exercises	106
3.3	The Distribution of the Total Claim Amount	109
3.3.1	Mixture Distributions	110
3.3.2	Space-Time Decomposition of a Compound Poisson Process	115
3.3.3	An Exact Numerical Procedure for Calculating the Total Claim Amount Distribution	120
3.3.4	Approximation to the Distribution of the Total Claim Amount Using the Central Limit Theorem	125
3.3.5	Approximation to the Distribution of the Total Claim Amount by Monte Carlo Techniques	130
	Exercises	138
3.4	Reinsurance Treaties	142
	Exercises	149
4	Ruin Theory	151
4.1	Risk Process, Ruin Probability and Net Profit Condition	151
	Exercises	156
4.2	Bounds for the Ruin Probability	157
4.2.1	Lundberg's Inequality	157
4.2.2	Exact Asymptotics for the Ruin Probability: the Small Claim Case	162
4.2.3	The Representation of the Ruin Probability as a Compound Geometric Probability	172
4.2.4	Exact Asymptotics for the Ruin Probability: the Large Claim Case	174
	Exercises	177

Part II Experience Rating

5	Bayes Estimation	187
5.1	The Heterogeneity Model	187
5.2	Bayes Estimation in the Heterogeneity Model	189
	Exercises	195
6	Linear Bayes Estimation	199
6.1	An Excursion to Minimum Linear Risk Estimation	200
6.2	The Bühlmann Model	204
6.3	Linear Bayes Estimation in the Bühlmann Model	206
6.4	The Bühlmann-Straub Model	209
	Exercises	211

Part III A Point Process Approach to Collective Risk Theory

7	The General Poisson Process	215
7.1	The Notion of a Point Process	215
7.1.1	Definition and First Examples	215
7.1.2	Distribution and Laplace Functional	222
	Exercises	224
7.2	Poisson Random Measures	226
7.2.1	Definition and First Examples	227
7.2.2	Laplace Functional and Non-Negative Poisson Integrals	232
7.2.3	Properties of General Poisson Integrals	236
	Exercises	242
7.3	Construction of New Poisson Random Measures from Given Poisson Random Measures	244
7.3.1	Transformation of the Points of a Poisson Random Measure	244
7.3.2	Marked Poisson Random Measures	246
7.3.3	The Cramér-Lundberg and Related Models as Marked Poisson Random Measures	249
7.3.4	Aggregating Poisson Random Measures	254
	Exercises	256
8	Poisson Random Measures in Collective Risk Theory	259
8.1	Decomposition of the Time-Claim Size Space	259
8.1.1	Decomposition by Claim Size	259
8.1.2	Decomposition by Year of Occurrence	261
8.1.3	Decomposition by Year of Reporting	263
8.1.4	Effects of Dependence Between Delay in Reporting Time and Claim Size	264

8.1.5	Effects of Inflation and Interest	266
	Exercises	267
8.2	A General Model with Delay in Reporting and Settlement of Claim Payments	268
8.2.1	The Basic Model and the Basic Decomposition of Time-Claim Size Space	268
8.2.2	The Basic Decomposition of the Claim Number Process	271
8.2.3	The Basic Decomposition of the Total Claim Amount	273
8.2.4	An Excursion to Teletraffic and Long Memory: The Stationary IBNR Claim Number Process	278
8.2.5	A Critique of the Basic Model	284
	Exercises	286
9	Weak Convergence of Point Processes	291
9.1	Definition and Basic Examples	292
9.1.1	Convergence of the Finite-Dimensional Distributions	292
9.1.2	Convergence of Laplace Functionals	294
	Exercises	299
9.2	Point Processes of Exceedances and Extremes	300
9.2.1	Convergence of the Point Processes of Exceedances	300
9.2.2	Convergence in Distribution of Maxima and Order Statistics Under Affine Transformations	305
9.2.3	Maximum Domains of Attraction	309
9.2.4	The Point Process of Exceedances at the Times of a Renewal Process	316
	Exercises	321
9.3	Asymptotic Theory for the Reinsurance Treaties of Extreme Value Type	324
	Exercises	331
 Part IV Special Topics		
10	An Excursion to Lévy Processes	335
10.1	Definition and First Examples of Lévy Processes	335
	Exercises	338
10.2	Some Basic Properties of Lévy Processes	338
	Exercises	340
10.3	Infinite Divisibility: The Lévy-Khintchine Formula	341
	Exercises	347
10.4	The Lévy-Itô Representation of a Lévy Process	348
	Exercises	355
10.5	Some Special Lévy Processes	355
	Exercises	361

11 Cluster Point Processes	363
11.1 The General Cluster Process	363
11.2 The Chain Ladder Method	365
11.2.1 The Chain Ladder Model.....	365
11.2.2 Mack's Model	366
11.2.3 Some Asymptotic Results in the Chain Ladder Model ..	369
11.2.4 Moments of the Chain Ladder Estimators	372
11.2.5 Prediction in Mack's Model.....	376
Exercises	381
11.3 An Informal Discussion of a Cluster Model with Poisson Arrivals	386
11.3.1 Specification of the Model	386
11.3.2 An Analysis of the First and Second Moments	389
11.3.3 A Model when Clusters are Poisson Processes	394
Exercises	402
References	405
Index	413
List of Abbreviations and Symbols	429