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Original Articles

Contingent claim pricing using probability distortion operators: methods from insurance risk pricing and their relationship to financial theory

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Abstra...

This pap ... veloped and used ... use of the increa ... nsurance-related ... new contract ... nctions as the dual ... is the same as the B ... et price is log-norm ... h with that based o ... and limitations on the use of the insurance-based approach are illustrated. The probability

distortion approach is extended to the pricing of contingent claims for more general assumptions than those used for Black-Scholes option pricing.

Keywords:

Contingent Claim Pricing | Probability Distortion Functions | Non-expected Utility | Insurance Pricing | Black And Sholes

Related Research Data

Optimal consumption and portfolio policies when asset prices follow a diffusion process
Source: Journal of Economic Theory

A Class of Distortion Operators for Pricing Financial and Insurance Risks
Source: Journal of Risk & Insurance

The Dual Theory of Choice under Risk
Source: Econometrica

A class of non-expected utility risk measures and implications for asset allocations
Source: Insurance Mathematics and Economics

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