



The Chinese University of Hong Kong  
Department of Statistics

Seminar

Optimal insurance with counterparty default risk

By

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**Abstract**

We study the design of optimal insurance contracts when the insurer can default on its obligations. We model default as arising endogenously from the interaction of the insurance premium, the indemnity schedule, and the evolution of the insurer's net assets. We allow for different forms and degrees of dependence between the insured's wealth and the default event, to understand the joint effect of insolvency risk and background risk on efficient contracts. The results may shed light on the aggregate risk retention schedules observed in catastrophe reinsurance markets. They can also assist in the design of (re)insurance programs and guarantee funds.

Current version and future updates will be available at <http://ssrn.com/abstract=1634883>

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Time: 2:00 p.m. - 3:00 p.m.

Place: Lady Shaw Building, Room C3

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