



HIGHER DEGREE STOP-LOSS ORDERS AND RIGHT-TAIL RISK

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Abstract

Among the known distortion risk measures, the right-tail deviation measure of Wang and a lookback measure from the author are found to be the most plausible right-tail risk measures that preserve the higher degree stop-loss orders. This statement is supported by numerical evidence, at least for many of the common two-parameter continuous distributions used to model insurance claims data. Also, several counterexamples to the property “higher tail thickness implies higher right-tail index”, suggested by Wang, are constructed.

Keywords and phrases: right-tail risk measure, tail thickness, higher degree stop-loss order, heavy-tailed distributions.

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