2, p.115, in the Exercise: $25,000 **maximum covered loss**

2, p.148, 7 lines from the bottom: $E[(X - d)_+]$ **-** $E[(X - u)_+] =$

2, solution 38.9 (the solution shown is for instead Q.38.2):
E. The contribution in each case is the distribution at 1500 of a Normal Distribution with $\sigma = 1000$ and mean equal to the given data point.

The first contribution is: $\Phi[\frac{1500 - 100}{2000}] = \Phi[0.7] = 0.7580$.

The second contribution is: $\Phi[\frac{1500 - 500}{2000}] = \Phi[0.5] = 0.6914$.

The third contribution is: $\Phi[\frac{1500 - 1000}{2000}] = \Phi[0.25] = 0.5987$.

The fourth contribution is: $\Phi[\frac{1500 - 2000}{2000}] = \Phi[-0.25] = 0.4013$.

The fifth contribution is: $\Phi[\frac{1500 - 5000}{2000}] = \Phi[-1.75] = 0.0401$.

Thus the kernel smoothed distribution at 1500 is:
(0.7580 + 0.6914 + 0.5987 + 0.4013 + 0.0401) / 5 = **0.4979**.

3, sol. 6.122: (100 + 200 + 400)/3 = 2**3**3.3.

3, Q. 15.50: Use the original four group; do not regroup the data.

3, sol. 24.51: 1/16 = 0.**0**625.

4, sol. 3.20: $\{\sum X_i Y_i/N - \sum X_i/N \sum Y_i /N \} / \{\sum X_i^2 \mathbf{/N} - (\sum X_i/N)^2\}$ The final solution is okay.

5, sol. 2.6a: $U = \frac{\partial \text{ loglikelihood}}{\partial \tau} = \sum_i \{1/\tau - \ln[x_i]\, x_i^{\tau} + \ln[x_i]\}$.

5, sol. 12.35: $\text{StdDev}[Y_i] = \mathbf{E[}Y_i\mathbf{]}$

6, pages 187 and 343: such that $\frac{1}{n} \sum_{i=1}^{n} z_{i1}^2$ is **maximized**,

8, sol. 6.8: The probability that an individual component is still working for t > 80 is: $(\mathbf{80/t})^4$.
The probability that the system is still working for t > 80 is: $\{(\mathbf{80/t})^4\}^3 = (\mathbf{80/t})^{12}$.
The final solution is correct.

9, p.172 and p.318:

Variance = $\sigma_W^2 (1 + \beta^2)$.

$\gamma_1 = \sigma_W^2 \beta$.

9, p. 207, Sol. 11.2:

$Var[x_t] = \sigma_W^2 \{1 + (\alpha+\beta)^2 / (1-\alpha^2)\} = (11) \{1 + (0.4 - 0.7)^2 / (1 - 0.4^2)\} = 12.179$.

$Prob[x_t < 1] = \Phi[(1 - 4) / \sqrt{12.179}] = \Phi[-0.8596] =$ **19.5%.**
Also, note that the characteristic equation is: 1 - 0.4B = 0. The root is: B = 2.5 > 1.
Thus this time series is stationary. $\Rightarrow E[x_t] = E[x_{t-1}]$.

10, page 141, second line from the bottom:

then apply the **maximum covered loss** of 10,000.

10, Q. 11.4: a **maximum covered loss** of 50