Errata and Editorial Changes
- Financial Economics: with applications to investments, insurance and pensions
Updated: Nov 14, 2000

1. Page 44, line 19: Replace “forward contract costs” with “zero-coupon bond costs”.
2. Page 52 (last 8 lines) and 53 (line 2): The five appearances of “September” should be “October”.
3. Page 53, 4th line above Table 2.6: Replace $S_t$ with $F(t, T)$ in the equation.
4. Page 54, after displayed equation on 8th line: Insert “where $S_t$ is the current MMI value”.
5. Page 62, second last equation: The parameters $p$ and $p_t$ should be reversed.
6. Page 67, 4th line following (2.5.1): $r_a$ should be in the exponent as in two lines below.
7. Page 75, 6th line from bottom (excluding footnote), in the second displayed equation: “360” should be “324”.
8. Page 105, line 7: In the equations following (3.5.24), on the right-hand side, the exponent inside the expectation operator should be negative; so, insert a negative sign before the “epsilon times X” in the exponent.
9. Page 105, line 9: The exponent should have a negative sign before the “epsilon times X”.
11. Page 110, equation (3.7.7): Insert a negative sign in front of the whole expression. For an explanation, compare with equation (3.5.5).
12. Page 110, equation (3.7.8): Replace the 0.02 in the denominator with (0.005)$^2$.
13. Page 112, last equation: The + in the left-hand side should be deleted.
14. Page 114, equation (3.8.19): The first appearance of the Greek letter $\xi$ should be replaced by “c”.
15. Page 127, exercise 3.4: Add the sentence “Assume that the valuation interest rate is the same as the fixed mortgage contract rate of interest.”
16. Page 130, last line: The second minus sign should be a plus sign.
17. Page 151, equation (4.3.9): “ei” should be “$e_{i(\omega)}$”.
18. Page 151, equation (4.3.9): Add a prime symbol to “$u_{i0}$” and “$u_i$” as in (4.3.8).
19. Page 152, first equation: change minus sign to plus sign.
20. Page 152, first equation: delete the superscript “n” on “X” and replace subscript “i” by subscript “n”.
21. Page 155, line 3: “one” should be “zero”.
22. Page 155, line 13: “.5637” should be “.5657”.
23. Page 157, second last equation: insert a minus sign in the exponent before “p”.
24. Page 157, last equation: remove the minus sign in the exponent before the “i” and insert a minus sign in the exponent before “p”.
25. Page 157, last equation: insert “$q(\omega)$” after “$q(\omega)$”.
26. Page 168: second last line: After the word “distribution”, insert “under the $Q$ measure”.
27. Page 172: fourth line: After the word “utility”, insert “at time $t$”.
28. Page 172: In each of the five displayed equations, add a subscript $t$ to the expectation operator “E”.
29. Page 172: lines 12-13: Replace “expectation on the right hand side is” with “expectations in the above expressions are”.
30. Page 176, third line: remove the minus sign before “(expected rate of return on aggregate wealth)”.
31. Page 176, equations (4.8.7): Add a subscript “r” to the sigma-squared.
32. Page 191, 7th line from bottom: Replace “$X(1)$” and “$X(2)$” by “$X(\omega_1)$” and “$X(\omega_2)$” respectively.
33. Page 221, equation (5.3.20): On the second right-hand side, the first summation sign should occur before the first term.
34. Page 227, Exercise 5.9: Replace 0.3 with 3.0 in the vector $S(0)$.
35. Page 228: Exercise 5.11, text after diagram: Replace the almost 4 lines “The chief actuary …. big price changes in asset 2” with the single word “Consider”.
36. Page 228: Exercise 5.11, part e.: Replace just over 4 lines “Portfolios with very ….want you to adjust our” with “Adjust the”.
37. Page 229, second line: remove quotation mark.
38. Page 247, second displayed equation: Replace “$S(j)$” with “$S(n)$”.
39. Page 259, last equation: Remove negative sign in the exponent.
40. Page 260, first equation: Remove negative sign in the exponent.
41. Page 284, Figure 6.11: At the upper right node, replace “$S(2,1)$” with “$S(2,2)$”.

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43. Page 333, middle: In the equation in the middle of the page, replace the upper end of the summation “m-1” with “m”.
44. Page 335, 1st line of second last paragraph: “set” should be “sets”.
45. Page 364, displayed equation: replace “s(t)” by “s(t+1)”.
46. Page 365, Table 7.7: Replace last number 14,374 by 13,920.
47. Page 366, line 5: Change 0.9433 to 0.9432; insert “× 0.94” between “11,610” and equal sign; replace 307 by 308.
48. Page 366, line 6: Change 0.8883 to 0.8880; change 11,918 to 11,914.
49. Page 366, line 10: Change 9,769 by 9,774.
50. Page 366, Tables 7.8 and 7.9 have some small calculation errors.
   In Table 7.8:
   Replace the four occurrences of 0.9433 by 0.9432
   Replace the two occurrences of 0.9156 by 0.9154
   Replace each of 0.8885, 0.8883 and 0.8881 by 0.8880
   Replace 0.8872 by 0.8876
   In Table 7.9:
   Replace the four occurrences of 307 by 308
   Replace the two occurrences of 335 by 337
   Replace each of 11,921 and 11,918 by 11,914
   Replace 11,970 by 11,969
   Replace 12,135 by 12,134
   Replace 12,752 by 12,355
   Replace 10,065 by 10,062
   Replace 9,889 by 9,888
   Replace 9,668 by 9,714
51. Page 367, line 1: Replace first full sentence by ”The difference 10,000 - 9774 = 226 is equal to the value of surrender charges offset by the value of payments the company makes in providing the guarantee.”
52. Page 375: In footnote 1, [46] should be [47].
53. Page 387: In the box near the bottom of the page, the summation should start from i=0, not i=1.
54. Page 389, 4th line of text in section 8.2.4: Remove left and right braces around “i = 0”.
55. Page 394: In (8.3.1), the “x” should be boldface “x”.
56. Page 398: In (8.4.2) the boldface “x” should not be boldface.
57. Page 400, last line: The superscript “MIN” should be “MIN,L”.
58. Page 402, last line: The boldface “x”’s should not be boldface.
59. Page 404, equation (8.5.4): The three “x” which are not boldface should be boldface.
60. Page 418, Figure 8.11: The small omega in each entry of the last column should be the upper case letter “W”.
61. Page 418, Figure 8.11” The uppercase psi at the top of the third column should be lower case, as (for example) in the first equation on page 425.
62. Page 421, line 2: The “???” should be “8.10.1”.
63. Page 424, line 4: “initial wealth W” should be “initial wealth W0”.
64. Page 426 (8.11.1): Add a space after the words “to” and “and”.
65. Page 427, lines 8,9,10,11: The four occurrences (one per line) of “x” should be boldface.
66. Page 427, lines 12 and 15: In the two occurrences of “m1”, the 1 should be a subscript of “m” as in line 11.
67. Page 428, line 7: Replace “use a Cholesky” with “use Cholesky”.
68. Page 429, first line in box: the μ, Σ and x (three times) should be boldface: μ, Σ and x.
69. Page 463, line 18: The two occurrences of “[?]” should be replaced “[25]” and “[4]” respectively.
70. Page 477, line 12: In the formula in the second line before equation (10.5.3), there is a superscript * missing from the second lambda in the formula.
71. Page 506, Exercise 10.1: Replace “the model” with “the stock price model in section 10.3”.
72. Page 525, line 5: Replace “44 and 49” with “44 to 49”.
73. Page 525, line 6 and 7: move page references to before Theorem reference in each of 3 square brackets.
74. Page 602: Third line from bottom: X should be Y.
75. Page 624, middle: The “(2)” in the upper right entry of the first matrix should be a superscript as in the other entries.
76. Page 641: Correct exercise 2.7 to “a. 829.73”, “b. 16.59”, “c. sigma = 0.270” and “d. 180.60”.
77. Page 642, ninth line from bottom: Solution for exercise 5.7 should be 0.50.
78. Page 642, second line from bottom should read “c. 150%, -100%, 150%”
79. Page 644, Exercise 10.28: The symbol pi (four times) should be smaller as on page 494, line 3.

Please forward all suspected errors and comments to Harry Panjer at hpanjer@uwaterloo.ca