The use/abuse of copulas in actuarial science and finance

Abstract

This is an assignment for the actuarial models course in my masterprogram. The assignment is to summarize and discuss using [**dempster˙correlation˙2002**], [**donnelly˙devil˙nodate**] and [**frees˙understanding˙1998**] as a source:

- The purpose is to understand the impact of the assumption regarding the dependence structure between risk factors.
- This is done by means of the concept of copulas.
- In particular, we study the impact of misused copulas and correlation in the valuation of collateralized debt obligations (CDO's).