Kreps:

A paradigm to derive risk loads

Two criteria: a. sufficient assets to cover liability at any time (PH’s concern) b. Investment return at least as favorable return/risk as it would when same capital invested in risky investment

Reinsurance premiums consist of two things only: Risk load and Discounted losses

Different from Robbin/other papers, where premiums are equal to losses+ expenses + provisions

Constraints come from 1. Invested funds yield at least dollar safety level (s-miuL)/(1+y); 2. Volatility of investment smaller than yield volatility sigmaL/sigmay