



**SDI Review Form 1.6**

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| Journal Name:            | <a href="#">British Journal of Economics, Management &amp; Trade</a>                                                   |
| Manuscript Number:       | <b>Ms_BJEMT_26775</b>                                                                                                  |
| Title of the Manuscript: | <b>The Complementary Compound Truncated Poisson-Weibull Distribution for Pricing Cat Bonds for Extreme Earthquakes</b> |
| Type of the Article      | <b>Original Research Article</b>                                                                                       |

**General guideline for Peer Review process:**

This journal's peer review policy states that **NO** manuscript should be rejected only on the basis of '**lack of Novelty**', provided the manuscript is scientifically robust and technically sound.

To know the complete guideline for Peer Review process, reviewers are requested to visit this link:

(<http://www.sciencedomain.org/page.php?id=sdi-general-editorial-policy#Peer-Review-Guideline>)



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**PART 1: Review Comments**

|                                            | Reviewer's comment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Author's comment (if agreed with reviewer, correct the manuscript and highlight that part in the manuscript. It is mandatory that authors should write his/her feedback here)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|--------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b><u>Compulsory</u></b> REVISION comments | <p>While the general topic is of interest, the manuscript is poorly structured and written and cannot be published. This paper reads like a classroom exercise that needs to be developed far beyond its current state in order to contribute to the research literature. The Literature Review is disorganized and does not provide motivation for the current work. It's not clear exactly what the authors seek to add to the state of the art, nor is it stated what the market would be for a product that would pay based on earthquake damages anywhere in the globe. The data seem to be of maximum losses per year since 1906. This is not a stationary time series and no effort is made to normalize it for population and economic growth and changes. Hence, it cannot effectively price earthquake bonds.</p> | <p>The author is thankful to the reviewer for his kind remarks. The manuscript contributes to risk management of extreme natural disasters, which cannot cover its losses by traditional insurer. This has been highlighted by adding sections on research problem and research hypothesis, in lines 59 to 69. The approach in analysing data is using probability distributions and this approach doesn't require stationary data and all previous studies used probability distributions for pricing any risks and don't transfer the data to stationary nor conducted test for stationary data. Further, this paper helps governments in risk management of extreme natural disasters by proposing a model to calculate the present value of CAT bonds to manage the gap or overall losses between economic losses and insured losses.</p> |



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|                                         |  | <p>It differs from most previous studies with regard to: (i) the application - the paper is concerned with analyzing the losses related to extreme earthquakes, in the sense that if more than one earthquake occurs during a year, it will choose the largest losses within the data; (ii) the method of pricing of CAT bonds - compound probability distributions are used under the condition of at least one occurrence of an earthquake during the year; (iii) flexible model - expected losses caused by extreme earthquake that exceed any certain value can be calculated. This is indicated in lines 147 to 155.</p> |
| <b><u>Minor</u></b> REVISION comments   |  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b><u>Optional/General</u></b> comments |  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |