



SDI FINAL EVALUATION FORM 1.1

PART 1:

Journal Name:	British Journal of Economics, Management & Trade
Manuscript Number:	Ms_BJEMT_26775
Title of the Manuscript:	The Complementary Compound Truncated Poisson-Weibull Distribution for Pricing Cat Bonds for Extreme Earthquakes
New Title :	The Complementary Compound Truncated Poisson-Weibull Distribution for Pricing Catastrophic Bonds for Extreme Earthquakes
Type of Article:	Original Research Article

PART 2:

FINAL EVALUATOR'S comments on revised paper (if any)	Authors' response to final evaluator's comments
The authors have improved the formatting and presentation some what, My two main objections, which have not been satisfactorily addressed, are 1) Historical data from the last 100 years is not suitable for pricing bonds for future damages in light of the well-known non stationary of economic damages from earthquakes and other disaster categories over time, see e.g. http://elpub.wdcb.ru/journals/rjes/v10/2007ES000267/2007ES000267.pdf and the books "Heavy-tailed distributions in disaster analysis" and "Statistical Analysis of Natural Disasters and Related Losses" by the same authors, and references therein. 2) A bond which makes payments for a catastrophic quake anywhere in the world is not suited for helping any given country or entity pay for recovery.	Thanks again to the reviewer for his comments. 1- I have read the article on the link and also went through the two books. Data analysis in the article is based on the time-series analysis. It requires testing stationary to achieve the aim of the research, which is to predict. Similarly, the first book "Heavy-tailed distributions in disaster analysis", kindly review chapter 2 in this book. Analysis of data in the second book "Statistical Analysis of Natural Disasters and Related Losses" depends on probability theory under non-stationary data, kindly review pages 14 to 20. Analysis of data in the manuscript is based on probability theory and not on time-series analysis. Using the probability theory, pricing any risk depends on two variables, which are: number of events which follows discrete probability distribution and losses follow continuous probability distribution. The probability distributions have different shapes and different tests for goodness of fit for number of events and losses. Thus it is not necessary to test the stationary data. Kindly review lines 230 to 233 and lines 264 to 265. The compound truncated Poisson-Weibull distribution was found to be the best fit for total losses of extreme earthquakes, where the shape of maximum losses fit with the shape of Compound Truncated Poisson-Weibull Distribution, thus it is not necessary to test the stationary data. For using probability theory to price risk or to calculate the net premium, kindly see e.g. http://search.proquest.com/abiglobal/docview/1556109874/fulltextPDF/E3C50195C67A474EPQ/1?accountid=44936 http://www.actuaries.org/LIBRARY/ASTIN/vol31no1/1.pdf 2-The author proposed CAT bonds as complement tool to bridging the gap or managing the gap or overall losses between economic losses and insured losses that are usually caused by extreme earthquakes. CAT bonds for gap or overall losses and any country issue CAT bonds in addition to insurance coverage. This means that the CAT bonds are not the only tool to cover extreme earthquakes losses, but complementary insurance coverage.