Worst Case Scenario Optimization A Review

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Abstract

This talk will introduce the worst case scenario portfolio optimization problem introduced by Korn and Wilmott (2002). Moreover, the worst case approach will be compared with the standard approach of maximizing the expected utility, developed by Merton (1969, 1971). Latest developments such as applying this theory to dynamic pricing of goods or applying the worst case scenario optimization approach to the reinsurance problem of an insurance company will be discussed.

References

[1] Robert C. Merton. Lifetime portfolio selection under uncertainty: The continuous time case. *Rev. Econom. Statist.*, 51(3):247 - 257, 1969.

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