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Partial hedging for defaultable securities and its connection with equity-linked life insurance

The talk is devoted to partial hedging for defaultable markets with multiple default times. Our attention is focused on efficient hedging problem. We give its solution for a "defaultable" Black-Scholes model using the fundamental Neumann-Pearson lemma and non-smooth convex duality. In case of zero recovery rates we find a closed form solution. It is shown how to exploit these results in pricing of equity-linked life insurance contracts.