2, p.115, in the Exercise: $25,000 **maximum covered loss**

3, sol. 6.122: (100 + 200 + 400)/3 = 2**3**3.3.

3, sol. 24.51: 1/16 = 0.**0**625.

5, sol. 12.35: StdDev[Y_i] = **E[**Y_i**]**

6, pages 187 and 343: such that $\frac{1}{n}\sum_{i=1}^{n} {z_{i1}}^2$ is **maximized**,

8, sol. 6.8: The probability that an individual component is still working for t > 80 is: (**80/t**)^4.
The probability that the system is still working for t > 80 is: {(**80/t**)^4}^{3} = (**80/t**)^{12}.
The final solution is correct.

9, p.172 and p.316:

Variance = $\sigma_W^2 \ (1 + \beta^2)$.

$\gamma_1 = \sigma_W^2 \ \beta$.

9, p. 207, Sol. 11.2:

Var[x_t] = σ_W^2 {1 + $(\alpha+\beta)^2$ / $(1-\alpha^2)$**}** = (11) {1 + $(0.4 - 0.7)^2$ / $(1 - 0.4^2)$**}** = 12.179.

Prob[x_t < 1] = $\Phi[(1 - 4) / \sqrt{12.179}\ ] = \Phi[-0.8596]$ = **19.5%**.
Also, note that the characteristic equation is: 1 - 0.4B = 0. The root is: B = 2.5 > 1.
Thus this time series is stationary. ⇒ E[x_t] = E[x_{t-1}].

10, page 141, second line from the bottom:

then apply the **maximum covered loss** of 10,000.

10, page 141, Q. 11.4: a **maximum covered loss** of 50