An approximate approach to the exponential utility indifference valuation

Takuji Arai

Faculty of Economics

Keio University

Abstract

We propose, in this talk, a new valuation method for a contingent claim, which approximates to the exponential utility indifference valuation. When we define the exponential utility indifference valuation, we require a strong condition related to the underlying contingent claim. In order to reduce this strong condition, we use a kind of power functions instead of the exponential function. Furthermore, we shall investigate some basic properties and an asymptotic behavior of our new valuation.