Confidence intervals for exceedance probabilities with application to extreme ship motions

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Abstract

Statistical inference of a probability of exceeding a large critical value is studied in the peaks-over-threshold (POT) approach. The focus is on assessing the performance of the various confidence intervals for the exceedance probability, both for the generalized Pareto distribution used above a selected threshold and in the POT setting for general distributions. The developed confidence intervals perform well in an application to extreme ship motion data. Finally, several approaches to uncertainty reduction are also considered.

1 Introduction

We describe first the real-life application which sets the directions and frames the questions pursued in this work (Section 1.1). We then outline the contributions and the structure of this work (Section 1.2).

1.1 Motivation

This work is motivated by applications to ship motions and, more specifically, their stability in irregular seas. This is an interesting research area at the intersection of hydrodynamics and nonlinear dynamics where the ship motion can be modeled (and simulated) by integro-differential equations of varying sophistication; probability and statistics to account, for example, for the system excitation due to random wave pressure field; naval architecture where understanding of the stability is built into ship design; and the centuries of maritime records containing accounts of stability-related accidents. See, for example, Lewis (1990), Benford (1991), Belenky and Sevastianov (2007), Neves et al. (2011) for more information.

†Keywords: exceedance probability, quantiles, confidence intervals, peaks over threshold, generalized Pareto distribution, threshold selection, uncertainty reduction.


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When it comes to ship stability, the focus is on several variables characterizing the ship motion including roll and pitch angles, which are, respectively, the rotational movements around longitudinal (stern-to-bow) and lateral (starboard-to-port side or right-to-left side) axes; vertical and lateral accelerations in various locations on the ship. See Figure 1. The ship stability failures are related directly to the exceedance of certain values by these variables. For example, the exceedance of a certain roll angle can lead to a cargo shift (which then can lead to capsizing), loss or damage of cargo in containers on deck, down-flooding internal volumes of a ship. A large enough acceleration can lead to serious injuries or even death of a crew and passengers, as well as cargo damage. Such occurrences are well known not only among the researchers working in the area but also often make it to the popular media.\footnote{Recent examples of accidents related to intact stability failures include: Ro/Ro Ferry Aratere on 3rd March 2006 (Maritime New Zealand, 2007), Cruise ship Pacific Sun on 30 July 2008 (Marine Accident Investigation Branch, 2009), Ferry Ariake on 13 November, 2009 (Transportation Safety Board, 2011), to name but a few.}

The measured variables of interest to stability are understandably affected by the geometry and loading of the ship, the operational parameters and the surrounding sea. The operational side includes the heading (the angle between the vector of ship speed and predominant direction of wave propagation) and the value of speed of the ship. The state of the sea is usually described by a spectrum of wave elevations. Commonly used approximations of spectra of fully developed waves in open sea are parameterized by the significant wave height (average of one-third highest waves), modal (frequency of maximum of the spectrum) or mean zero-crossing frequency. Note that a wide range of conditions (the values of the above descriptors) are possible. What can be expected under a particular condition is often suggested from the understanding of the dynamics governing the ship motion.

An appealing but also critical feature of the research area is the availability of computer programs simulating ship motions, see the recent state-of-the-art review by Reed et al. (2014). In this work, we use a fast volume-based ship motion simulation algorithm developed in Weems and Wundrow (2013). The developed code does not incorporate finer hydrodynamics features of ship motions such as the influence of a ship motion on wave pressure field (i.e. wave diffraction and radiation; cf. Large Amplitude Motion Program or LAMP, see Lin and Yue (1991)). But it is considered qualitatively representative of ship motions and their extremes. Moreover, the code is fast enough (in fact, the only such realistic method available) to be used in validation, where very long time histories of ship motions are necessary (see below).
Figure 2 depicts the time series of roll and pitch angles obtained by the above referenced code for 10 minute time interval at 0.5 second measurement intervals. The ship geometry is that of the ONR tumblehome top (Bishop et al. (2005)). For example, the heading is at 45 degrees, the speed is 6 knots, the waves are characterized by significant height of 9m and mean zero-crossing period of 10.65s which corresponds to 15s of the modal period, using Bretschneider spectrum in open ocean (Lewis (1990)). Note possibly larger values of the roll and pitch angles. This is the result of the dynamics governing the ship motion, especially for larger roll and pitch values, as well as stronger (wave) excitation.

A basic problem is to estimate the probability of roll, pitch or other variable of interest exceeding a critical value, as well as to provide a confidence interval. For example, in the condition of Figure 2, one could be interested in the roll angle exceeding 60 degrees (in either positive or negative direction). Inference would have to be made from the roll series of, for example, 100 hours, which would typically not contain such extreme occurrences. Again, the critical angle is often suggested from real-life considerations.

A method suggested for the problem above (and, more specifically, the associated confidence intervals) can and should be assessed through a validation procedure. The computer code mentioned above can be used to generate millions of hours of ship motion data which would contain exceedances of the target of interest. The “true” exceedance probability can then be estimated directly from this long history of the ship motion. In the validation procedure, the performance of the suggested method could be checked against the “true” exceedance probability at hand. See Section 3 for further details and a solution to the estimation problem.

1.2 Description of work and contributions

A natural mathematical framework to address the problem of estimating exceedance probabilities described above is the peaks-over-threshold (POT) approach (see, for example, Embrechts et al. (1997), Coles (2001), Beirlant et al. (2004)). According to this approach, the probability of exceeding a given target of interest is computed as the product of the probability of exceeding a smaller threshold and the (conditional) probability of exceeding the target above the threshold. The former probability is estimated simply as the proportion of data above the chosen threshold. The peaks
over the threshold are modeled using the *generalized Pareto distribution* (GPD, in short), whose complementary distribution function has the form

\[
F_{\mu, \xi, \sigma}(x) = \begin{cases} 
(1 + \frac{\xi(x-\mu)}{\sigma})^{-1/\xi}, & \mu < x, \quad \text{if } \xi > 0, \\
e^{-\frac{\xi}{\sigma}}, & \mu < x, \quad \text{if } \xi = 0, \\
(1 + \frac{\xi(x-\mu)}{\sigma})^{-1/\xi}, & \mu < x < \mu - \frac{\sigma}{\xi}, \quad \text{if } \xi < 0,
\end{cases}
\] (1.1)

where \(\xi\) is the *shape* parameter, \(\sigma\) is the *scale* parameter and \(\mu\) is a *threshold*. Note that the GPD has an upper bound \((-\sigma/\xi)\) (above the threshold) for a negative shape parameter \(\xi < 0\). When \(\xi = 0\), the GPD is the usual exponential distribution. For notational simplicity, we will write the GPD as

\[
F_{\mu, \xi, \sigma}(x) = \left(1 + \frac{\xi(x-\mu)}{\sigma}\right)^{-1/\xi}
\]

to mean (1.1) depending on the (positive, zero or negative) value of \(\xi\).

A key component of estimating an exceedance probability is the probability of the GPD exceeding a fixed target \(c\) (above the threshold):

\[
p_c = p_c(\xi, \sigma) = \left(1 + \frac{\xi c}{\sigma}\right)^{-1/\xi}.
\] (1.2)

This can be estimated by

\[
\hat{p}_c = p_c(\hat{\xi}, \hat{\sigma}) = \left(1 + \frac{\hat{\xi} c}{\hat{\sigma}}\right)^{-1/\hat{\xi}},
\] (1.3)

where \(\hat{\xi}\) and \(\hat{\sigma}\) are some estimators of the shape and scale parameters, respectively.

As described in the motivation above, we are interested here in what confidence intervals should be used for an exceedance probability. The confidence interval involves that for the exceedance probability \(p_c\) in the GPD framework. The question then is what confidence intervals should be used for the exceedance probability \(p_c\) in the GPD framework.

Somewhat surprisingly perhaps, the question of confidence intervals for the exceedance probability has apparently not been considered in much depth in the literature on extreme values. The paper by Smith (1987), which laid the mathematical foundations for the ML estimators of the GPD, considers the problem of estimating the exceedance probability and provides the asymptotic normality result for the probability estimator (Section 8 of Smith (1987)). This can in turn be used for confidence intervals but the normality assumption is not particularly appropriate (see Section 2 below).

Estimation of exceedance probabilities has also been considered by others but with different goals in mind (than confidence intervals). For example, Smith and Shively (1995) are interested in trends for exceedance probabilities. Exceedance probabilities in the spatial context appear in Draghicescu and Ignaccolo (2009). Considerable interest in exceedance (also sometimes referred to as failure) probabilities is when working with multivariate extremes. See, for example, de Haan and Sinha (1999), de Haan and de Ronde (1998), Heffernan and Tawn (2004), Drees and de Haan (2014). In reliability, exceedance probabilities are known as a reliability function and its estimation with confidence intervals has been studied by several authors, especially in the Weibull context (Lawless (1978), Section 6; Zhao et al. (2006)). In survival analysis, the exceedance probabilities are referred to as a survival function. But its estimation and confidence intervals are commonly established in the nonparametric (and possibly censored) context (e.g. Klein and Moeschberger (2003)).
Much of the focus in the extreme value analysis, on the other hand, has been on the related inverse problem of quantile estimation (see, for example, Embrechts et al. (1997), Coles (2001), Beirlant et al. (2004)). The quantiles have been of greater practical interest in many applications driving the extreme value analysis, including finance (VaR calculations), insurance and hydrology (1-in-$T$ years event). A closer look at the confidence intervals for quantiles can be found in Hosking and Wallis (1987), Tajvidi (2003) and also Section 4.3.3 of Coles (2001), Section 5.5 of Beirlant et al. (2004).

In applications to ship motions, on the other hand, as indicated in Section 1.1, it is common to look at the probabilities of exceeding a particular target rather than quantiles. Though perhaps not surprisingly, the two perspectives are also complementary. In fact, one of our findings is that the confidence intervals for exceedance probabilities perform well if constructed from those for quantiles. Another reason to focus on probabilities rather than quantiles is that probabilities can be aggregated naturally into “lifetime” probabilities, when integrated over a set of conditions of interest (as discussed, for example, in Section 1 of Belenky and Sevastianov (2007)).

We study a number of ways to construct confidence intervals for the exceedance probability of the GPD and, more generally, in the POT framework in Section 2. We consider both direct methods, which are based on the functional form of exceedance probability (1.2)–(1.3) and the sampling distribution of the underlying estimators $\hat{\xi}, \hat{\sigma}$, and indirect (inverse) methods, which construct confidence intervals from those for quantiles. Motivated by the application to ship stability, both positive and negative shape parameters are of interest.

The application of the considered confidence intervals to ship motions can be found in Section 3. In the validation procedure, the performance of the confidence intervals is analogous to that found under the idealized GPD framework. In particular, the methods recommended under the GPD framework also perform well and best in the application to ship motions. It should also be noted that the proposed solution is the first to address satisfactorily the estimation problem of the exceedance probabilities in ship stability. Some history of addressing the problem is mentioned in Section 3.

Finally, in Section 4, we discuss the issue of uncertainty (the size of confidence intervals) and its reduction. Conclusions can be found in Section 5.

## 2 Confidence intervals for exceedance probabilities

### 2.1 Methods for GPD

We study and assess here several ways to construct confidence intervals for the exceedance probability $p_c$ of the GPD given in (1.2). The probability is estimated through (1.3) where we use the ML estimators $\hat{\xi}$ and $\hat{\sigma}$ computed from the sample $y_1, \ldots, y_n$ of size $n$. The large sample asymptotics of the ML estimators (Smith (1987)) is the bivariate normal,

$$
\left( \begin{array}{c}
\hat{\xi} \\
\hat{\sigma}
\end{array} \right) \approx N\left( \left( \begin{array}{c}
\xi_0 \\
\sigma_0
\end{array} \right), \frac{1}{n} W^{-1} \right),
$$

where $\xi_0$, $\sigma_0$ denote the true values and

$$
W^{-1} = \begin{pmatrix}
1 + \xi_0 & -\sigma_0 \\
-\sigma_0 & 2\sigma_0^2
\end{pmatrix}.
$$

In practice, the limiting covariance matrix can be estimated by replacing $\xi_0$ and $\sigma_0$ with their respective estimators $\hat{\xi}$ and $\hat{\sigma}$. Another common choice is to approximate $nW$ through the observed
information matrix
\[ nW \approx \begin{pmatrix} -\frac{\partial^2}{\partial \xi^2}l(\xi, \sigma) & -\frac{\partial^2}{\partial \xi \partial \sigma}l(\xi, \sigma) \\ -\frac{\partial^2}{\partial \xi \partial \sigma}l(\xi, \sigma) & -\frac{\partial^2}{\partial \sigma^2}l(\xi, \sigma) \end{pmatrix}_{(\xi, \sigma) = (\hat{\xi}, \hat{\sigma})}, \]

where \( l(\xi, \sigma) = \sum_{i=1}^{n} \ln f_{\xi, \sigma}(y_i) \) is the log-likelihood and \( f_{\xi, \sigma}(y) \) denotes the density of the GPD. Strictly speaking, the asymptotic result (2.1) holds for \( \xi > -1/2 \) only (Smith (1987)). It should also be noted that other estimation methods than the MLE are possible for \( \xi_0 \) and \( \sigma_0 \). See, for example, a review paper by de Zea Bermudez and Kotz (2010a, 2010b) and references therein. Some of these estimators outperform the ML estimators for small samples. For the sample sizes relevant to our problem of interest, the ML estimators seem to perform quite well and, in particular, to be approximately normal as stated in (2.1), and will be used throughout this work.

We consider the following ways to construct confidence intervals for the exceedance probabilities: the delta method, the normal and lognormal methods, the boundary method, the bootstrap method, the profile likelihood method and the quantile method. They will be referred to as delta, normal, lognormal, boundary, bootstrap, profile and quantile, respectively, and as in the tables below, abbreviated as delta, norm, logn, bound, boot, prof and quantile, respectively. The terminology behind the normal, lognormal, boundary and quantile methods are ours.

The \textit{delta method} is based on a common approach of linearizing the function \( p_c(\xi, \sigma) \) and using (2.1) to conclude that
\[ \hat{p}_c \approx \mathcal{N}(p_{c,0}, \frac{1}{n} \nabla p_c W^{-1} \nabla p_c), \]

where \( \nabla p_c = (\frac{\partial p_c}{\partial \xi}, \frac{\partial p_c}{\partial \sigma}) \), evaluated at \( \xi_0, \sigma_0 \). Using (2.4) for confidence intervals, however, assumes implicitly that the sampling distribution of \( \hat{p}_c \) is approximately normal. This is the approach seemingly advocated by Smith (1987), Section 8.

The idea behind the \textit{normal method} is still to use (2.1), which as mentioned earlier provides a good approximation in practice, but not to linearize the function \( p_c(\xi, \sigma) \). Observe that the distribution function of \( \hat{p}_c \) is: for \( 0 \leq z \leq 1 \),
\[ F_{\hat{p}_c}(z) = P\left(1 + \frac{\hat{\xi}c}{\hat{\sigma}}\right)^{-1/\hat{\xi}} \leq z = P\left(1 + \frac{\hat{\xi}c}{\hat{\sigma}}\right)^{-1/\hat{\xi}} \leq z, 1 + \frac{\hat{\xi}c}{\hat{\sigma}} > 0 + P\left(1 + \frac{\hat{\xi}c}{\hat{\sigma}} \leq 0 \right), \]

where we use the fact that \( \hat{p}_c = 0 \) if \( 1 + \hat{\xi}c/\hat{\sigma} \leq 0 \). This can further be expressed as
\[ F_{\hat{p}_c}(z) = P\left(\hat{\sigma} \leq \frac{\hat{\xi}c}{z^{-\hat{\xi}} - 1}, \hat{\sigma} > -\hat{\xi}c \right) + P(\hat{\sigma} \leq -\hat{\xi}c), \]

if we assume that \( \hat{\sigma} \) takes only positive values. (Note also that \( \hat{\xi}/(z^{-\hat{\xi}} - 1) > 0 \) for both \( \hat{\xi} < 0 \) and \( \hat{\xi} > 0 \).) Note, however, that it is not possible to have \( \hat{\sigma} > \hat{\xi}c/(z^{-\hat{\xi}} - 1) \) and \( \hat{\sigma} \leq -\hat{\xi}c \). Indeed, this is certainly not possible if \( \hat{\xi} > 0 \), since then \( -\hat{\xi}c < 0 \) and \( \hat{\xi}c/(z^{-\hat{\xi}} - 1) > 0 \). If \( \hat{\xi} < 0 \), on other hand, this is not possible since \( -\hat{\xi}c \leq \hat{\xi}c/(z^{-\hat{\xi}} - 1) \) or, equivalently, \( z^{-\hat{\xi}} < 1 \). Hence, we also have
\[ F_{\hat{p}_c}(z) = P\left(\hat{\sigma} \leq \frac{\hat{\xi}c}{z^{-\hat{\xi}} - 1} \right) = \int_{\sigma \leq \xi c/(z^{-\hat{\xi}} - 1)} g_{\hat{\xi}, \hat{\sigma}}(\xi, \sigma) d\xi d\sigma, \]

where \( g_{\hat{\xi}, \hat{\sigma}}(\xi, \sigma) \) denotes the bivariate normal density of the limit law (2.1) (replacing \( \xi_0 \) and \( \sigma_0 \) by \( \hat{\xi} \) and \( \hat{\sigma} \)). In practice, the distribution function \( F_{\hat{p}_c}(z) \) is computed numerically and the 100(1 - \( \alpha \))% confidence interval is set as \( (z_1, z_2) \) where \( z_j = \inf\{z : F_{\hat{p}_c}(z) \geq \alpha_j, j = 1, 2, \text{ where } \alpha_1 = \alpha/2 \text{ and } \alpha_2 = 1 - \alpha/2 \}. \)
\(\alpha_2 = 1 - \alpha/2\). We use the generalized inverse in the last expression since \(F_{\hat{p}_c}(z)\) can have a jump at \(z = 0\).

In the normal method above, we assumed that \(\bar{\sigma}\) does not take negative values or that, from a practical perspective, the probability of \(\bar{\sigma}\) being negative according to (2.1) is negligible. This may not be the case for smaller values of \(\sigma\) and sample sizes \(n\). A natural way to address this is by parameterizing the GPD through \(\xi\) and \(\ln \sigma\), instead of \(\sigma\). The difference is that \(\ln \sigma\) now takes possibly negative values. The asymptotic normality result then becomes

\[
\left( \frac{\hat{\xi}}{\ln \sigma} \right) \approx \mathcal{N} \left( \left( \frac{\xi_0}{\ln \sigma_0}, \frac{1}{n} \right), W_1^{-1} \right),
\]

(2.6)

where

\[
W_1^{-1} = \text{diag}\{1, \sigma_0^{-1}\} W^{-1} \text{diag}\{1, \sigma_0^{-1}\}.
\]

(2.7)

Arguing as in the normal method above, we have

\[
F_{\hat{p}_c}(z) = P \left( \ln \sigma \leq \ln \frac{\hat{\xi} \sigma}{z^{-\xi} - 1} \right) = \int_{\ln \sigma \leq \ln(\xi_c/(z^{-\xi} - 1))} g_{\hat{\xi}, \ln \sigma}(\xi, \ln \sigma) d\xi d\ln \sigma,
\]

(2.8)

where \(g_{\hat{\xi}, \ln \sigma}(\xi, \ln \sigma)\) denotes the bivariate normal density of the limit law (2.6). The confidence interval can then be computed as in the normal method above. We shall refer to this as the lognormal method. A nice feature of the normal and lognormal methods is that they provide confidence intervals even in the case when \(\hat{\xi} < 0\) and the target is beyond the estimated support bound \((-\bar{\sigma}/\hat{\xi})\).

In the boundary method, we take the confidence interval as

\[
\left( \min_{j,k=1,2} p_c(\xi_j, \sigma_k), \max_{j,k=1,2} p_c(\xi_j, \sigma_k) \right),
\]

(2.9)

where \(\xi_1, \xi_2\) and \(\sigma_1, \sigma_2\) are suitable critical values of the distributions of \(\hat{\xi}\) and \(\bar{\sigma}\), respectively. If \(\hat{\xi}\) and \(\bar{\sigma}\) were asymptotically uncorrelated, it would be natural to consider \(\xi_j = \hat{\xi} \pm C_{\sqrt{n}\text{se}_{\hat{\xi}}}\) and \(\sigma_k = \bar{\sigma} \pm C_{\sqrt{n}\text{se}_{\bar{\sigma}}}\), where \(\text{se}\) stands for standard error, \(C_{\beta}\) denotes the 100(\(\beta/2\))% quantile of the standard normal distribution and (1 - \(\alpha\))% is the confidence level sought. To account for the correlation between \(\hat{\xi}\) and \(\bar{\sigma}\), we take

\[
\left( \frac{\xi_j}{\sigma_k} \right) = V \left( \frac{\xi_{0,j} - \hat{\xi}}{\sigma_{0,k} - \bar{\sigma}} \right) + \left( \frac{\hat{\xi}}{\bar{\sigma}} \right),
\]

(2.10)

where \(n^{-1}W^{-1} = VDV'\) with a diagonal \(D = \text{diag}\{d_1, d_2\}\) and \(\xi_{0,j} = \hat{\xi} \pm C_{\sqrt{n}\text{se}_{\hat{\xi}}}\sqrt{d_1}\) and \(\sigma_{0,k} = \bar{\sigma} \pm C_{\sqrt{n}\text{se}_{\bar{\sigma}}}\sqrt{d_2}\). Note that the confidence intervals obtained by the boundary method are expected to be conservative. Indeed, the region determined by the points \((\xi_j, \sigma_k)\) can be thought as the 100(1 - \(\alpha\))% confidence region for the parameters \(\xi_0\) and \(\sigma_0\). But since \(p_c(\xi, \sigma)\) is not a one-to-one function, there are points \((\xi, \sigma)\) outside the confidence region for which the value \(p_c(\xi, \sigma)\) falls inside the confidence interval (2.9). On the other hand, the advantage of the method is its simplicity and the ease of implementation.

The bootstrap method is somewhat standard with the confidence interval determined by the 100(\(\alpha/2\))% and 100(1 - \(\alpha/2\))% quantiles of the bootstrap distribution of the exceedance probability. The profile method refers to another standard method to construct confidence intervals based on
the profile likelihood. This is achieved by first expressing $\sigma$ as a function of $\xi$ and the exceedance probability $p_c$,

$$\sigma = \frac{\xi c}{p_c^\xi - 1},$$

then parameterizing the likelihood in terms of $\xi$ and $p_c$ (instead of $\sigma$), and finally constructing the confidence interval based on the profile likelihood in a standard way. (See Coles (2001) for the same approach when estimating a return level, instead of an exceedance probability.) Since the exceedance probability is constrained to be nonnegative, the use of the profile likelihood may be questionable.

Finally, the quantile method actually refers to a set of methods. The basic idea is the following. Exceedance probabilities $p$ ($p_c$ above) are associated with respective return levels (quantiles) $x_p$ ($c$ above) of the GPD distribution. A return level $x_p$ can be estimated with a confidence interval $\hat{x}_p \pm m_p$. Any of the methods discussed above (delta, normal, lognormal, boundary, bootstrap and profile) can be adapted to construct a confidence interval for $x_p$ – the difference being that the function (1.2) is now the return level

$$x_p = x_p(\xi, \sigma) = \frac{\sigma}{\xi} \left( p - \xi - 1 \right).$$

(2.11)

Moreover, the plot of $(-\ln p, \hat{x}_p)$ with added confidence intervals is known as a return level plot (e.g. Coles (2001)). To indicate the underlying method used to set confidence intervals for return levels, we will refer to the quantile method as quantile-boundary, quantile-lognormal, etc. A natural way to set a confidence interval for the exceedance probability $p_c$ of the level $c$ is then

$$(p_1, p_2),$$

(2.12)

where $p_1 = \inf\{p : \hat{x}_p + m_p \geq c\}$ and $p_2 = \inf\{p : \hat{x}_p - m_p \geq c\}$ (with $\inf\{\emptyset\} = 0$). See Figure 3. For the parameter values considered below, the functions $\hat{x}_p + m_p$ and $\hat{x}_p - m_p$ are increasing and continuous in the argument $(-\ln p)$. The quantile approach is appealing in that it makes estimation of exceedance probabilities and return levels consistent.

In the reliability context and for a location-scale family of distributions, the quantile approach was studied in Hong et al. (2008) (see also Section I-C therein for earlier uses of connections between confidence intervals for quantiles and exceedance probabilities).

### 2.2 Simulation study for GPD

We examine here the confidence intervals proposed in Section 2.1 through a simulation study. The empirical coverage frequencies of the confidence intervals (based on 500 Monte Carlo replications) are reported in Tables 1 and 2 for the sample sizes $n = 100$ and $n = 50$, respectively. The sample size of approximately $n = 100$ is a typical value that we encounter in the application to ship motions described in Section 3 below. The results are also presented for the smaller sample size $n = 50$, since in practice, one does not expect many peaks over a threshold for which the GPD is used as a model.

The first four columns in the tables present the true values of the parameters $\xi_0$, $\sigma_0$, and also the target $c$ and the corresponding exceedance probability $p_c$. The values of $\xi_0 = \pm .1$ are some of the typical values encountered in our application of interest. When $\xi_0 = .6$, the GPD has infinite variance but finite mean. $\sigma_0$ is just a scale parameter, which we fix at 1. For the other two true parameters, we fix the exceedance probability $p_c$ and compute the respective target $c$. 

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The other columns of the tables correspond to the methods considered. The delta, normal, lognormal and boundary methods use the limiting covariance matrix $W^{-1}/n$ in (2.1). It is approximated by the inverse of the observed information matrix (2.3), which we found to yield better results than using, for example, the expression (2.2) (with $\xi_0, \sigma_0$ replaced by $\hat{\xi}, \hat{\sigma}$). The bootstrap method is based on 500 bootstrap replications. Finally, for the quantile methods, we consider three ways to construct confidence intervals for the return levels: lognormal, boundary and profile.

A number of observations can be drawn from Tables 1 and 2. As perhaps expected, the delta method performs poorly and should not be used. The normal and lognormal methods are slightly anti-conservative, with the lognormal method preferred. The reason for the methods being anti-conservative is the estimation of the limiting covariance matrix $W^{-1}/n$ in (2.1). The intervals have the expected coverage probability if the true covariance matrix (2.2) is taken (the exact coverage probabilities not reported here). As claimed in Section 2.1, the boundary method yields slightly conservative confidence intervals. The bootstrap and profile methods do not work well, especially for the value of $\xi_0$ close to zero or negative. Again, we suspect that this is due to the fact that the probability cannot be negative. Issues with bootstrap for the GPD were also reported and studied in Tajvidi (2003).

Turning to the quantile methods, the quantile-lognormal method is slightly anti-conservative, as is the direct lognormal method. The quantile-boundary method is, on the other hand, slightly conservative. The quantile-profile method seems to perform best, with the coverage probabilities consistently close to the nominal level. Note that the profile-likelihood method for return levels does not have such pronounced limitation of the same method for exceedance probabilities – although it is true that a return level cannot be negative, the confidence interval would rarely reach zero. Note also that the results for $n = 100$ and $n = 50$ are comparable. One notable difference is that the quantile methods become slightly more anti-conservative when the sample size is reduced from $n = 100$ to $n = 50$.

In conclusion, the quantile method based on profile likelihood seems to perform best among the methods considered. The (log)normal and boundary methods, for both direct and indirect (quantile) approaches, can also be recommended but keeping in mind their (anti)conservative nature. Another and better possibility would be to average the endpoints of the confidence intervals obtained by the (log)normal and boundary methods. Finally, we also note that the direct (log)normal
and boundary methods are computationally less intensive compared to the indirect (quantile) methods.

### 2.3 The POT framework

Suppose now that \(x_1, \ldots, x_N\) are i.i.d. observations of a general (i.e. non-GPD) random variable \(X\), and that we are interested in estimating the probability \(P(X > x_{cr})\) of the variable \(X\) exceeding a critical value \(x_{cr}\). Again, in the peaks-over-threshold (POT) approach, the probability is written as

\[
P(X > x_{cr}) = P(X > u)P(X > x_{cr}|X > u) = P(X > u)P(X - u > x_{cr} - u|X > u) =: P_{nr} \cdot P_r,
\]

where \(u\) stands for an intermediate threshold, and the subscripts \(nr\) and \(r\) refer to the non-rare and rare problems, respectively. The non-rare probability is estimated directly from the data as the proportion of data above the threshold \(u\),

\[
\hat{P}_{nr} = \frac{1}{N} \sum_{j=1}^{N} 1\{x_j > u\},
\]

with the respective confidence interval based on standard binomial calculations. The rare probability is estimated supposing that the peaks over threshold \(Y = X - u\) follow a GPD, and setting

\[
\hat{P}_{r} = \hat{P}_{x_{cr} - u},
\]

where \(\hat{P}_{c}\) is the exceedance probability (1.3) in the GPD framework, estimated from the data \(y_i = x_i - u\) of the peaks exceeding the threshold. The confidence intervals for \(P_r = p_{x_{cr} - u}\) are constructed by one of the methods of Section 2.1. The confidence interval for the original exceedance probability \(P(X > x_{cr})\) is obtained by multiplying the respective endpoints of the confidence intervals of \(P_{nr}\) and \(P_r\).
Threshold selection has been discussed and studied by many authors (for example, a review is given in Scarrott and MacDonald (2012)) and is not the focus here. A special feature of the application to ship motions discussed in Section 3 is that the threshold selection should be automated, but with the possibility of closer examination if needed. The automatic selection is naturally sought in the ship motion application because multiple records need to be analyzed for the accuracy that is meaningful for practical applications.

In the automatic selection that we use, the threshold \( u \) is selected as the maximum of the thresholds \( u_{sh}, u_{ms}, u_{me} \) and \( u_{rt} \) chosen by the following four automatic procedures. The thresholds \( u_{sh}, u_{ms} \) and \( u_{me} \) are selected automatically from the commonly used shape parameter, modified scale parameter and mean excess plots, respectively. For example, the plot of the estimated shape parameters with confidence intervals (against thresholds) should be about constant over the range where GPD fit is appropriate. The threshold \( u_{sh} \) is chosen as the smallest threshold for which the horizontal line drawn from the corresponding estimate passes through the confidence intervals of
Table 3: Empirical coverage frequencies in the non-GPD context using the POT approach.

<table>
<thead>
<tr>
<th>model</th>
<th>parameters</th>
<th>$N$</th>
<th>$n$</th>
<th>$c$</th>
<th>$p_c$</th>
<th>logn</th>
<th>bound</th>
<th>logn</th>
<th>bound</th>
<th>profl</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weibull $(\lambda, \tau) = (1, 1/2)$</td>
<td>2000</td>
<td>126</td>
<td>132.5</td>
<td>$10^{-5}$</td>
<td>90.0</td>
<td>99.2</td>
<td>97.0</td>
<td>99.6</td>
<td>95.0</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>123</td>
<td>190.9</td>
<td>$10^{-6}$</td>
<td>92.2</td>
<td>99.4</td>
<td>94.8</td>
<td>98.8</td>
<td>93.4</td>
<td></td>
</tr>
<tr>
<td>$(\lambda, \tau) = (1, 2)$</td>
<td>2000</td>
<td>194</td>
<td>3.4</td>
<td>$10^{-5}$</td>
<td>94.6</td>
<td>96.4</td>
<td>90.0</td>
<td>96.4</td>
<td>94.4</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>195</td>
<td>3.7</td>
<td>$10^{-6}$</td>
<td>94.4</td>
<td>97.2</td>
<td>86.8</td>
<td>94.2</td>
<td>93.2</td>
<td></td>
</tr>
<tr>
<td>Burr $(\beta, \tau, \lambda) = (1, 2, 2)$</td>
<td>2000</td>
<td>221</td>
<td>17.8</td>
<td>$10^{-5}$</td>
<td>95.6</td>
<td>99.2</td>
<td>90.4</td>
<td>97.2</td>
<td>92.8</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>210</td>
<td>31.6</td>
<td>$10^{-6}$</td>
<td>96.4</td>
<td>99.6</td>
<td>87.4</td>
<td>94.8</td>
<td>92.4</td>
<td></td>
</tr>
<tr>
<td>Reverse $(\beta, x+) = (0.1, 10)$</td>
<td>2000</td>
<td>156.5</td>
<td>9.8</td>
<td>$10^{-5}$</td>
<td>96.8</td>
<td>93</td>
<td>83.4</td>
<td>92.4</td>
<td>90.8</td>
<td></td>
</tr>
<tr>
<td>Burr $(\tau, \lambda) = (2, 2)$</td>
<td>2000</td>
<td>150</td>
<td>9.9</td>
<td>$10^{-6}$</td>
<td>98.2</td>
<td>92.2</td>
<td>80.4</td>
<td>90.2</td>
<td>89.0</td>
<td></td>
</tr>
</tbody>
</table>

The shape parameter for all the larger thresholds. The thresholds $u_{ms}$ and $u_{me}$ are chosen similarly except that the line in the mean excess plot does not need to be horizontal. The choice of the three thresholds is illustrated in Figure 4, for one of the data sets considered in Section 3 below.

The threshold $u_{rt}$, on the other hand, is selected following the Reiss and Thomas (2007), p. 137, automatic procedure (see also Neves and Fraga Alves (2004)). Let $\xi_{k,n}$ be the estimates of the shape parameter $\xi$ based on the $k$ largest values of $y_i$ (by using the moment estimation for computational efficiency). Choose $k^*$ as the value that minimizes

$$\frac{1}{k} \sum_{i \leq k} i^\beta |\xi_{k,n} - \text{med}(\xi_{1,n}, \ldots, \xi_{k,n})|,$$

where $\beta = 1/2$ (though other values of $\beta < 1/2$ can be considered as well) and med denotes the median. In practice, after the suggestion of Reiss and Thomas, the function above is slightly smoothed. The threshold $u_{rt}$ is then chosen as the $k^*$ largest value of $y_i$. It is depicted as a vertical solid line in Figure 4 and probably better corresponds to a visually desired choice of a threshold. In our experience, the Reiss and Thomas choice provides the largest (most conservative) value among the methods considered. In this sense, the other threshold choices can be discarded in principle (and, in fact, do not work well by themselves). But we include them in the discussion as the corresponding plots are quite informative, especially when the Reiss and Thomas selection is added.

Table 3 presents the empirical coverage frequencies of the confidence intervals constructed through the above POT approach for several non-GPDs. The distributions considered are: the Weibull distribution with the CDF

$$F(x) = 1 - e^{-\lambda x^{-\tau}}, \quad x > 0,$$

with parameters $\lambda > 0$, $\tau > 0$; the Burr distribution with the CDF

$$F(x) = 1 - \left(\frac{\beta}{\beta + x^{\tau}}\right)^{\lambda}, \quad x > 0,$$

with parameters $\lambda > 0$, $\tau > 0$, $\beta > 0$; and the reverse Burr distribution with the CDF

$$F(x) = 1 - \left(\frac{\beta}{\beta + (x_+ - x)^{-\tau}}\right)^{\lambda}, \quad x < x_+,$$
Figure 5: The roll angle series with envelope for 5 minutes. Left: original roll series. Right: roll series in absolute value.

with parameters $\lambda > 0$, $\tau > 0$, $\beta > 0$. Two choices of the parameter $\tau$ are considered for the Weibull distribution, with $\tau = 1/2$ ($\tau = 2$, resp.) providing heavier (lighter, resp.) tails than exponential (but both associated with the shape parameter $\xi = 0$ in the POT framework). The Burr distribution has a power-law tail, corresponding to the shape parameter $\xi = 1/(\tau \lambda)$ in the POT framework. Similarly, the reverse Burr distribution has a finite upper bound $x_+$, and corresponds to the negative shape parameter $\xi = -1/(\tau \lambda)$ in the POT framework.

Under the direct approach in Table 3, the coverage probabilities are reported only for the lognormal and boundary methods. The quantile methods use the proportion of data above the threshold to estimate $P_{nr}$ but do not take the estimation uncertainty of $P_{nr}$ into account. Two of the columns also give the sample size $N$ and the average number of peaks over threshold $n$. As before, $p_c$ is the exceedance probability and $c$ is the corresponding critical target.

Our goal with Table 3 is not to provide an exhaustive study of the POT approach in the non-GPD framework, but rather make a few general comments. First, note from the table that the approach works quite well. Second, note also that the performance of the considered methods is not as uniformly good as in the GPD context. Thus, the performance of the methods for non-GPDs depends not only on the way to produce confidence intervals above a threshold but also on the non-GPD itself, as well as the (automatic) choice of the threshold.

3 Application to extreme ship motions

We shall use the POT approach outlined in Section 2.3 to estimate the probability of roll and pitch angle exceeding a critical value. Several issues need to be addressed before we can apply the methods for constructing confidence intervals discussed in Section 2.3. An important and pressing issue is the presence of temporal dependence as clearly seen from Figure 2. (Note that an assumption throughout Section 2.3 is that the observations are independent.) A related issue is also what is meant by an exceedance probability and how it relates to time.

The issue of temporal dependence is addressed through the following envelope approach. Motivated by the periodic nature of a ship motion, the maxima and minima are first found between consecutive zero crossings of the series. These are the positive and negative peaks in the series.
of interest. The absolute values of the peaks are then connected by a piecewise linear function producing an envelope of the series. This is depicted in Figure 5. The left plot includes the original roll series for 5 minutes, with the positive and negative envelope in red. The right plot depicts the absolute values of the roll and the positive envelope connecting linearly the absolute values of the peaks.

After the envelope is found for the whole roll time series (not just the 5 minutes shown), its average value is computed. Next, the maxima and minima are found in the envelope between consecutive crossings of the average envelope value. These are the envelope peaks above/below the envelope average. This is illustrated in Figure 6, where the envelope average is plotted as a horizontal line and the envelope peaks above/below the envelope average are indicated by small black marks.

Note from Figure 6 that focusing on the envelope peaks (above the average) deals, at least qualitatively, with temporal dependence. That is, the larger values close in time are “clustered” and only the largest values in “clusters” are recorded as envelope peaks. (A closer look at the decorrelation properties of the envelope peak series can be found in a report by Belenky and Campbell (2011).) In what follows, we shall work only with the envelope peaks. It is also important to note that the envelope approach is automated. This is particularly convenient when dealing with multiple conditions and many records.

Focusing on the envelope peaks also simplifies the notion of exceedance and the associated exceedance probabilities. Note that the series of interest will exceed a large target when an envelope peak will exceed the target. It is then natural to think of an exceedance probability as that for the envelope peaks. This is the perspective adopted throughout the paper.

We should also clarify what we mean by probabilities, which are now related to the envelope peaks. Suppose a series contains 1,000 envelope peaks of which 45 exceed a given threshold. Then, the estimated probability is 45/1000 = .045 of exceeding the threshold. This probability is not informative without a reference to time. Suppose the series is actually recorded over 15 minutes or 15 * 60 = 900 seconds. It is then more informative to consider the (probability) rate of 45/900 = .05 envelope peaks (over the threshold) per second. Though we will continue referring to probabilities below, the results will be reported in terms of (probability) rates, rather than probabilities themselves.
If \( x_1, \ldots, x_N \) are the envelope peaks of the series at hand, the exceedance probability is then estimated with a confidence interval as explained in Section 2.3. The performance of the confidence intervals can be assessed through a validation procedure as follows. The computer code (discussed in Section 1) can be used to generate significantly more series of ship motions, which contain rare events of interest and from which exceedance probabilities can be estimated by direct counting. More specifically, for the same condition used in Figures 2–6, the code was used to generate 115,000 hours of the ship motion. With the target roll angle of \( x_{cr} = 60 \) degrees, the probability rate of exceedance obtained by direct counting based on rare events from the available records is \( 7.25 \times 10^{-8} \) envelope peaks per second (that is, 30 envelope peaks above 60 degrees in 115,000 hours). This “true” rate estimate can be supplemented by the confidence interval obtained by a standard binomial argument.

A typical given series (record) to make inference from covers only 100 hours and would not contain rare events of interest. For each record, confidence intervals for exceedance probabilities can be computed as in Section 2.3. The confidence intervals can then be assessed by their coverage.
frequencies of the “true” exceedance probability. This could be examined graphically as in Figure 7 where the lognormal, boundary, quantile-lognormal and quantile-profile confidence intervals are presented for 100 records of the total length of 100 hours. The critical value of interest is the roll of 60 degrees as above. Note that the vertical axis for the probability rate is in the log scale, and that we truncated the confidence intervals and the probability (rate) estimates at a practically negligible probability rate of $10^{-15}$. The horizontal dashed lines indicate the confidence bounds for the “true” probability. The small circles are the probability rate estimates.

For the roll and pitch motion at 45 and 30-degree headings, we also report the coverage frequencies for the methods of Section 2 in Table 4, based on the results in 100 records. The columns under $\hat{\xi}$ and $n$ provide the average estimates of the shape parameter and the number of peaks over threshold. The standard errors are given in parentheses. In the parenthesis under the coverage probabilities, we provide the average of the sizes of the suggested confidence intervals above the true value (supposing it is contained), which will be discussed further in Section 4 below.

Note from Table 4 that the performance of the confidence intervals is similar to those in Sections 2.2 and 2.3. Target values are chosen based on available rare events in the large set of records. The performance seems also satisfactory, validating the approach from a practical perspective. The point of using such validation is to show that the approach works on the ship motion data generated by a qualitatively correct computer code, before applying the methods to real or experimental data (where a large number of records are naturally not available). Or, put differently, had the methods not passed the validation, no applied researcher would be confident in using them.

Several other points should be made regarding the previous observations. First, there have been several attempts to estimate extreme exceedance probabilities from ship motion data. For example, Belenky and Campbell (2011) used the Weibull distribution (instead of the GPD) to fit peaks over threshold. Some earlier attempts were made by McTaggart (2000).

Second, the approach to estimate the exceedance probabilities certainly works in part because of the mathematical justification as outlined in Section 2.3. But this is not the whole story! Another important component to success is related to the length of the record and the physics of the ship motion. The 100–hour records are typical for Naval Architecture purposes. Our results show that these records have sufficiently enough physics to allow one to extrapolate into the tail using the POT framework. This important issue will be discussed in greater detail elsewhere.
4 Uncertainty reduction

The suggested estimators of exceedance probabilities have intrinsic uncertainty (variability), as depicted for example by the small red circles in the plots of Figure 7. This uncertainty translates directly into the size of confidence intervals. From a practical perspective, one might be interested particularly in the sizes of the suggested confidence intervals above the true value (supposing it is contained), as the right (top) endpoint of the confidence interval might be used in setting regulations. The average values of these sizes are given in the parentheses in Table 4, for the records considered.

An interesting but also practically important question is whether the uncertainty of the estimators or, equivalently, the size of the confidence intervals can be reduced. For example, in Figure 7, the right (top) endpoints of the confidence intervals are about one order of magnitude above the true value. One order seems acceptable from a practical perspective. But we also encounter conditions where the uncertainty could be as high as two or three orders of magnitude.

What does the uncertainty depend on? It surely depends on the approach and model used (that is, the POT approach with the two parameter GPD above threshold), the sample size (that is, the number of exceedances above threshold), and the efficiency of the estimation method used. Since we are using the ML estimators of the GPD parameters, nothing could be done in respect to the last point. But several directions could be explored when it comes to the first two points.

More specifically, in Section 4.1, we study the situation where it may be meaningful to fix a right upper bound when a negative shape parameter is expected. Section 4.2 contains a short and, in our view, informative account of several other possibilities that we tried but which did not lead to much of the uncertainty reduction.

4.1 Fixing upper bound

When the shape parameter of a GP distribution is negative, the distribution has a finite upper bound. One direction for uncertainty reduction is to fix this upper bound before estimation based on some physical considerations, e.g. limiting angle for roll after which ship capsizes. Fixing the bound reduces the number of parameters from 2 to 1, whence the reduction of uncertainty is expected.

In applications to ship stability, the pitch motion typically yields a negative shape parameter, as can already be seen from Table 4 (3rd column). There are physical reasons for this phenomenon which, in technical term, have to do with the form of the stiffness of the pitch motion. Moreover, again for physical reasons, an upper bound for the pitch motion may be expected at about $15^\circ$–$20^\circ$, as roll stiffness of ONR Tumblehome becomes flat and does not support any resonance excitation. Details of the physics of the pitch motion goes beyond the scope of this paper. We will therefore take the aforementioned facts for granted, and use them in developing an estimation procedure for a fixed upper bound.

From a statistical standpoint, deriving the GPD framework with a fixed upper bound is straightforward. Suppose for notational simplicity that the threshold $\mu$ is 0, and denote a fixed upper bound by $y_{\text{max}}$. When the shape parameter $\xi$ of the GPD (1.1) is negative, the upper bound is given by $(-\sigma/\xi)$. Setting $y_{\text{max}} = -\sigma/\xi$, solving for $\xi = -\sigma/y_{\text{max}}$ and substituting this into (1.1) when $\xi < 0$, we obtain the complementary GPD function with the upper bound $y_{\text{max}}$,

$$
F_{\sigma,y}(y) = \left(1 - \frac{y}{y_{\text{max}}}ight)^{y_{\text{max}}/\sigma}, \quad 0 < y < y_{\text{max}}.
$$

(4.1)
Note that the function (4.1) depends only on the scale parameter $\sigma$ (with the shape parameter of the GPD being $\xi = -\sigma/y_{\text{max}}$).

The parameter $\sigma$ in (4.1) can be estimated using ML. Given observations $y_1, \ldots, y_n$ (all smaller than $y_{\text{max}}$), optimizing the log-likelihood

$$\ell(\sigma) = \sum_{i=1}^{n} \log \left( \frac{1}{\sigma} \left( 1 - \frac{y_i}{y_{\text{max}}} \right)^{y_{\text{max}}/\sigma - 1} \right)$$

leads to the ML estimator

$$\hat{\sigma} = -\frac{y_{\text{max}}}{n} \sum_{i=1}^{n} \log \left( 1 - \frac{y_i}{y_{\text{max}}} \right). \quad (4.2)$$

The inverse of the observed information matrix can easily be checked to be

$$\left( -\frac{\partial^2 \ell}{\partial \sigma^2} \right)^{-1} \bigg|_{\sigma = \hat{\sigma}} = \frac{\sigma^2}{n}. \quad (4.3)$$

A confidence interval for an exceedance probability $p_c = F_{\sigma_0}(c)$ can then be given by the boundary method as $(\bar{F}_{\sigma_1}(c), \bar{F}_{\sigma_2}(c))$, where $\sigma_1 = \hat{\sigma} - C_\alpha \hat{\sigma}/\sqrt{n}$ and $\sigma_2 = \hat{\sigma} + C_\alpha \hat{\sigma}/\sqrt{n}$ are two critical values for the distribution of $\hat{\sigma}$ based on (4.3) (with as before, $C_\alpha$ denoting the $100(\alpha/2)\%$ quantile of the standard normal distribution).

Figure 8 compares the confidence intervals for the exceedance probability of the pitch motion at the 30$^\circ$ heading (under the same condition as earlier) obtained through the lognormal method as in Section 3, and the boundary method with the upper bound fixed at 15$^\circ$ as explained above. The left plot in Figure 8 corresponds to the entry of Table 4 under “pitch”, “30$^\circ$” degree heading and “logn” method, with the uncertainty measure of 0.43 in the parentheses. The same measure for the right-plot of Figure 8 is 0.34. The reduction of uncertainty is also evident from Figure 8 itself, with smaller variability of the estimators (red circles) and the sizes of confidence intervals in the right plot.

It should also be noted that the results with the fixed upper bound are not sensitive to the choice of the bound (suggested by physical considerations). For example, fixing the bound at 17$^\circ$ and 20$^\circ$ leads to the same coverage frequency of 99%, with the exception that the uncertainty measure above becomes slightly larger, 0.36 and 0.38, respectively. The conclusions are the same for the pitch motion at the 30$^\circ$ heading (not reported here).

Remark 4.1 Whether a similar approach can be developed for a positive shape parameter, remains an open question. One idea we entertained was to experiment with truncated GPD models in the spirit of, for example, Aban et al. (2006). (Truncation seems natural because, for example, the roll and pitch angles are bounded by 180 degrees.) But the truncated GPD models did not appear to fit the data well.

4.2 Other possibilities

We explored or thought about several other possibilities for uncertainty reduction. One natural possibility would be to view the variables describing different conditions as covariates and then pool the data across different conditions by modeling covariates to reduce uncertainty. This idea is particularly relevant in the application of interest here since naval engineers have to take measurements regularly across a range of conditions. The idea also has a sound statistical footing, as developed in Davison and Smith (1990) and described, for example, in Chapter 6 of Coles (2001).
Following this approach, we have modeled records across a number of headings (e.g. 15°, 22.5°, 30°, 37.5°, 45° degrees). But we generally found the reduction in uncertainty small if any. Some of this is due to a small reduction of uncertainty even under ideal situations (when the model incorporating the covariates is known). The uncertainty in the underlying model for the covariates (entering the POT framework) also plays a role.

Finally, another possibility might seem to use some of the more advanced approaches in modeling dependent peaks over threshold, as in e.g. Smith et al. (1997). The idea here is that this would seemingly allow for a larger sample size to be considered. Even if the dependence structure is captured correctly by these approaches, we also expect them to lead to little uncertainty reduction. As with the covariates above, we view these approaches as serving different purposes and used to answer different questions.

5 Conclusions

In this work, we studied the various methods to construct confidence intervals for exceedance probabilities in the peaks-over-threshold approach. The performance of the confidence intervals was assessed through several simulation studies, pointing to the superior performance of some of the considered methods. The developed methods were applied to build confidence intervals for the probabilities of extreme ship motions, leading to satisfactory results overall. Finally, several uncertainty reduction approaches were considered, with a promising solution when a negative shape parameter is expected. Whether uncertainty reduction can be achieved in the case of a positive shape parameter remains an open question.

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