

Contents

Preface	xiii
Acknowledgements	xv
1 Introduction and Overview	1
1.1 Preamble: What do ‘Reliability’, ‘Risk’ and ‘Robustness’ Mean?	1
1.2 Objectives and Prospective Readership	3
1.3 Reliability, Risk and Survival: State-of-the-Art	3
1.4 Risk Management: A Motivation for Risk Analysis	4
1.5 Books on Reliability, Risk and Survival Analysis	6
1.6 Overview of the Book	7
2 The Quantification of Uncertainty	9
2.1 Uncertain Quantities and Uncertain Events: Their Definition and Codification	9
2.2 Probability: A Satisfactory Way to Quantify Uncertainty	10
2.2.1 The Rules of Probability	11
2.2.2 Justifying the Rules of Probability	12
2.3 Overview of the Different Interpretations of Probability	13
2.3.1 A Brief History of Probability	14
2.3.2 The Different Kinds of Probability	16
2.4 Extending the Rules of Probability: Law of Total Probability and Bayes’ Law	19
2.4.1 Marginalization	20
2.4.2 The Law of Total Probability	20
2.4.3 Bayes’ Law: The Incorporation of Evidence and the Likelihood	20
2.5 The Bayesian Paradigm: A Prescription for Reliability, Risk and Survival Analysis	22
2.6 Probability Models, Parameters, Inference and Prediction	23
2.6.1 The Genesis of Probability Models and Their Parameters	24
2.6.2 Statistical Inference and Probabilistic Prediction	26
2.7 Testing Hypotheses: Posterior Odds and Bayes Factors	27
2.7.1 Bayes Factors: Weight of Evidence and Change in Odds	28
2.7.2 Uses of the Bayes Factor	30
2.7.3 Alternatives to Bayes Factors	31

2.8	Utility as Probability and Maximization of Expected Utility	32
2.8.1	Utility as a Probability	32
2.8.2	Maximization of Expected Utility	33
2.8.3	Attitudes to Risk: The Utility of Money	33
2.9	Decision Trees and Influence Diagrams for Risk Analysis	34
2.9.1	The Decision Tree	34
2.9.2	The Influence Diagram	35
3	Exchangeability and Indifference	45
3.1	Introduction to Exchangeability: de Finetti's Theorem	45
3.1.1	Motivation for the Judgment of Exchangeability	46
3.1.2	Relationship between Independence and Exchangeability	46
3.1.3	de Finetti's Representation Theorem for Zero-one Exchangeable Sequences	48
3.1.4	Exchangeable Sequences and the Law of Large Numbers	49
3.2	de Finetti-style Theorems for Infinite Sequences of Non-binary Random Quantities	50
3.2.1	Sufficiency and Indifference in Zero-one Exchangeable Sequences	51
3.2.2	Invariance Conditions Leading to Mixtures of Other Distributions	51
3.3	Error Bounds on de Finetti-style Results for Finite Sequences of Random Quantities	55
3.3.1	Bounds for Finitely Extendable Zero-one Random Quantities	55
3.3.2	Bounds for Finitely Extendable Non-binary Random Quantities	56
4	Stochastic Models of Failure	59
4.1	Introduction	59
4.2	Preliminaries: Univariate, Multivariate and Multi-indexed Distribution Functions	59
4.3	The Predictive Failure Rate Function of a Univariate Probability Distribution	62
4.3.1	The Case of Discontinuity	65
4.4	Interpretation and Uses of the Failure Rate Function – the Model Failure Rate	66
4.4.1	The True Failure Rate: Does it Exist?	69
4.4.2	Decreasing Failure Rates, Reliability Growth, Burn-in and the Bathtub Curve	69
4.4.3	The Retrospective (or Reversed) Failure Rate	74
4.5	Multivariate Analogues of the Failure Rate Function	76
4.5.1	The Hazard Gradient	76
4.5.2	The Multivariate Failure Rate Function	77
4.5.3	The Conditional Failure Rate Functions	78
4.6	The Hazard Potential of Items and Individuals	79
4.6.1	Hazard Potentials and Dependent Lifelengths	81
4.6.2	The Hazard Gradient and Conditional Hazard Potentials	83
4.7	Probability Models for Interdependent Lifelengths	85
4.7.1	Preliminaries: Bivariate Distributions	85
4.7.2	The Bivariate Exponential Distributions of Gumbel	89
4.7.3	Freund's Bivariate Exponential Distribution	91
4.7.4	The Bivariate Exponential of Marshall and Olkin	93
4.7.5	The Bivariate Pareto as a Failure Model	107
4.7.6	A Bivariate Exponential Induced by a Shot-noise Process	110
4.7.7	A Bivariate Exponential Induced by a Bivariate Pareto's Copula	115
4.7.8	Other Specialized Bivariate Distributions	115

4.8	Causality and Models for Cascading Failures	117
4.8.1	Probabilistic Causality and Causal Failures	117
4.8.2	Cascading and Models of Cascading Failures	118
4.9	Failure Distributions with Multiple Scales	120
4.9.1	Model Development	120
4.9.2	A Failure Model Indexed by Two Scales	123
5	Parametric Failure Data Analysis	125
5.1	Introduction and Perspective	125
5.2	Assessing Predictive Distributions in the Absence of Data	127
5.2.1	The Exponential as a Chance Distribution	127
5.2.2	The Weibull (and Gamma) as a Chance Distribution	128
5.2.3	The Bernoulli as a Chance Distribution	129
5.2.4	The Poisson as a Chance Distribution	133
5.2.5	The Generalized Gamma as a Chance Distribution	135
5.2.6	The Inverse Gaussian as a Chance Distribution	136
5.3	Prior Distributions in Chance Distributions	136
5.3.1	Eliciting Prior Distributions via Expert Testimonies	137
5.3.2	Using Objective (or Default) Priors	141
5.4	Predictive Distributions Incorporating Failure Data	144
5.4.1	Design Strategies for Industrial Life-testing	145
5.4.2	Stopping Rules: Non-informative and Informative	147
5.4.3	The Total Time on Test	149
5.4.4	Exponential Life-testing Procedures	150
5.4.5	Weibull Life-testing Procedures	155
5.4.6	Life-testing Under the Generalized Gamma and the Inverse Gaussian	156
5.4.7	Bernoulli Life-testing Procedures	157
5.4.8	Life-testing and Inference Under the BVE	159
5.5	Information from Life-tests: Learning from Data	161
5.5.1	Preliminaries: Entropy and Information	161
5.5.2	Learning for Inference from Life-test Data: Testing for Confidence	164
5.5.3	Life-testing for Decision Making: Acceptance Sampling	166
5.6	Optimal Testing: Design of Life-testing Experiments	170
5.7	Adversarial Life-testing and Acceptance Sampling	173
5.8	Accelerated Life-testing and Dose–response Experiments	175
5.8.1	Formulating Accelerated Life-testing Problems	175
5.8.2	The Kalman Filter Model for Prediction and Smoothing	177
5.8.3	Inference from Accelerated Tests Using the Kalman Filter	179
5.8.4	Designing Accelerated Life-testing Experiments	183
6	Composite Reliability: Signatures	187
6.1	Introduction: Hierarchical Models	187
6.2	‘Composite Reliability’: Partial Exchangeability	188
6.2.1	Simulating Exchangeable and Partially Exchangeable Sequences	189
6.2.2	The Composite Reliability of Ultra-reliable Units	190
6.2.3	Assessing Reliability and Composite Reliability	192
6.3	Signature Analysis and Signatures as Covariates	193
6.3.1	Assessing the Power Spectrum via a Regression Model	195
6.3.2	Bayesian Assessment of the Power Spectrum	195

6.3.3	A Hierarchical Bayes Assessment of the Power Spectrum	198
6.3.4	The Spectrum as a Covariate Using an Accelerated Life Model	200
6.3.5	Closing Remarks on Signatures and Covariates	202
7	Survival in Dynamic Environments	205
7.1	Introduction: Why Stochastic Hazard Functions?	205
7.2	Hazard Rate Processes	206
7.2.1	Hazard Rates as Shot-noise Processes	207
7.2.2	Hazard Rates as Lévy Processes	208
7.2.3	Hazard Rates as Functions of Diffusion Processes	210
7.3	Cumulative Hazard Processes	211
7.3.1	The Cumulative Hazard as a Compound Poisson Process	213
7.3.2	The Cumulative Hazard as an Increasing Lévy Process	213
7.3.3	Cumulative Hazard as Geometric Brownian Motion	214
7.3.4	The Cumulative Hazard as a Markov Additive Process	215
7.4	Competing Risks and Competing Risk Processes	218
7.4.1	Deterministic Competing Risks	219
7.4.2	Stochastic Competing Risks and Competing Risk Processes	220
7.5	Degradation and Aging Processes	222
7.5.1	A Probabilistic Framework for Degradation Modeling	223
7.5.2	Specifying Degradation Processes	223
8	Point Processes for Event Histories	227
8.1	Introduction: What is Event History?	227
8.1.1	Parameterizing the Intensity Function	229
8.2	Other Point Processes in Reliability and Life-testing	229
8.2.1	Multiple Failure Modes and Competing Risks	229
8.2.2	Items Experiencing Degradation and Deterioration	231
8.2.3	Units Experiencing Maintenance and Repair	231
8.2.4	Life-testing Under Censorship and Withdrawals	233
8.3	Multiplicative Intensity and Multivariate Point Processes	234
8.3.1	Multivariate Counting and Intensity Processes	234
8.4	Dynamic Processes and Statistical Models: Martingales	236
8.4.1	Decomposition of Continuous Time Processes	238
8.4.2	Stochastic Integrals and a Martingale Central Limit Theorem	239
8.5	Point Processes with Multiplicative Intensities	240
9	Non-parametric Bayes Methods in Reliability	243
9.1	The What and Why of Non-parametric Bayes	243
9.2	The Dirichlet Distribution and its Variants	244
9.2.1	The Ordered Dirichlet Distribution	246
9.2.2	The Generalized Dirichlet – Concept of Neutrality	246
9.3	A Non-parametric Bayes Approach to Bioassay	247
9.3.1	A Prior for Potency	248
9.3.2	The Posterior Potency	249
9.4	Prior Distributions on the Hazard Function	250
9.4.1	Independent Beta Priors on Piecewise Constant Hazards	250
9.4.2	The Extended Gamma Process as a Prior	251

9.5	Prior Distributions for the Cumulative Hazard Function	253
9.5.1	Neutral to the Right Probabilities and Gamma Process Priors	253
9.5.2	Beta Process Priors for the Cumulative Hazard	255
9.6	Priors for the Cumulative Distribution Function	259
9.6.1	The Dirichlet Process Prior	260
9.6.2	Neutral to the Right-prior Processes	264
10	Survivability of Co-operative, Competing and Vague Systems	269
10.1	Introduction: Notion of Systems and their Components	269
10.1.1	Overview of the Chapter	269
10.2	Coherent Systems and their Qualitative Properties	270
10.2.1	The Reliability of Coherent Systems	274
10.3	The Survivability of Coherent Systems	281
10.3.1	Performance Processes and their Driving Processes	282
10.3.2	System Survivability Under Hierarchical Independence	283
10.3.3	System Survivability Under Interdependence	284
10.3.4	Prior Distributions on the Unit Hypercube	286
10.4	Machine Learning Methods in Survivability Assessment	291
10.4.1	An Overview of the Neural Net Methodology	292
10.4.2	A Two-phased Neural Net for System Survivability	293
10.5	Reliability Allocation: Optimal System Design	294
10.5.1	The Decision Theoretic Formulation	294
10.5.2	Reliability Apportionment for Series Systems	296
10.5.3	Reliability Apportionment for Parallel Redundant Systems	297
10.5.4	Apportioning Node Reliabilities in Networks	298
10.5.5	Apportioning Reliability Under Interdependence	298
10.6	The Utility of Reliability: Optimum System Selection	299
10.6.1	Decision-making for System Selection	300
10.6.2	The Utility of Reliability	301
10.7	Multi-state and Vague Stochastic Systems	303
10.7.1	Vagueness or Imprecision	304
10.7.2	Many-valued Logic: A Synopsis	305
10.7.3	Consistency Profiles and Probabilities of Vague Sets	305
10.7.4	Reliability of Components in Vague Binary States	307
10.7.5	Reliability of Systems in Vague Binary States	307
10.7.6	Concluding Comments on Vague Stochastic Systems	308
11	Reliability and Survival in Econometrics and Finance	309
11.1	Introduction and Overview	309
11.2	Relating Metrics of Reliability to those of Income Inequality	310
11.2.1	Some Metrics of Reliability and Survival	310
11.2.2	Metrics of Income Inequality	311
11.2.3	Relating the Metrics	313
11.2.4	The Entropy of Income Shares	315
11.2.5	Lorenz Curve Analysis of Failure Data	315
11.3	Invoking Reliability Theory in Financial Risk Assessment	317
11.3.1	Asset Pricing of Risk-free Bonds: An Overview	317
11.3.2	Re-interpreting the Exponentiation Formula	319

11.3.3	A Characterization of Present Value Functions	320
11.3.4	Present Value Functions Under Stochastic Interest Rates	325
11.4	Inferential Issues in Asset Pricing	328
11.4.1	Formulating the Inferential Problem	329
11.4.2	A Strategy for Pooling Present Value Functions	329
11.4.3	Illustrative Example: Pooling Present Value Functions	331
11.5	Concluding Comments	332
Appendix A Markov Chain Monté Carlo Simulation		335
A.1	The Gibbs Sampling Algorithm	335
Appendix B Fourier Series Models and the Power Spectrum		339
B.1	Preliminaries: Trigonometric Functions	339
B.2	Orthogonality of Trigonometric Functions	340
B.3	The Fourier Representation of a Finite Sequence of Numbers	341
B.4	Fourier Series Models for Time Series Data	342
B.4.1	The Spectrum and the Periodgram of $f(t)$	343
Appendix C Network Survivability and Borel's Paradox		345
C.1	Preamble	345
C.2	Re-assessing Testimonies of Experts Who have Vanished	345
C.3	The Paradox in Two Dimensions	346
C.4	The Paradox in Network Survivability Assessment	347
Bibliography		349
Index		365