primary use one of a reference guide for students and professionals in the employee benefits field. It can also be used as a textbook or as a supplement for college, professional education and in-house company training programs. The *Handbook* is similar in nature to an encyclopedia. It can be used by anyone with a general interest or a specific question in the field of employee benefits. The examples presented to explain the concepts and topics make the *Handbook* an excellent tool for practitioners.

The *Handbook* incorporates the recent employee benefit legislation including: the 1985 Consolidated Omnibus Budget Reconciliation Act, the 1986 Age Discrimination in Employment Amendments, the 1986 and 1987 Omnibus Budget Reconciliation Acts, the 1986 Tax Reform Act and the 1986 Single Employer Pension Plan Amendments Act. In addition, emphasis is placed on new and emerging employee benefit concepts such as the environment of employee benefit plans, group universal life insurance, and postretirement benefit issues.

Although it is difficult to find criticism with such a comprehensive encyclopedia of employee benefit topics, a few exist. The most serious flaw of the book deals with the exclusion of workers' compensation. Workers' compensation and social security are considered in many texts as a social insurance benefit or involuntary employee benefit. Whether involuntary or not, most companies consider workers' compensation an employee benefit and a very costly one at that. The tremendous cost and complexity of workers' compensation benefits and insurance should dictate its inclusion in any handbook of employee benefits. The *Handbook* should at least give workers' compensation equal coverage with social security which is discussed in Chapter 4.

The other major criticism deals with the book's organization. Part One should include several chapters that basically describe the various types of employee benefits with some basic definitions and concepts. This is what is done in Chapter 4 on social security. These basic descriptive chapters should be differentiated from the chapters dealing with designing the employee benefits. The remaining criticisms are minor in nature and include: increasing the discussion of disability income insurance, cafeteria plans and the communication of employee benefits to employees, especially in the areas of postretirement benefits and plan terminations.

In summary, the *Handbook* provides an excellent up-to-date practical reference guide to employee benefits for students, professionals and anyone with an interest or question in the employee benefits area.

Insurance in Socialist East Europe by Paul P. Rogers, with the assistance of Bruno Schönfelder and Ehrenfried Schütte, (Praeger Publishers, 1988), 195 pages.

Reviewer: Krzysztof J. Stroiński, Ph.D., Assistant Professor of Statistical and Actuarial Sciences, The University of Western Ontario, Canada.

Roger's unprecedented account of insurance systems in the socialist countries of Eastern Europe not only is the first publication of its kind in English, but also it has few counterparts in other languages. It fills the existing information gap giving a broad spectrum of facts and comments on insurance legislation, institutions, practice and even insurance related research and education. The authors have used the best available written sources and in some cases also their personal contacts with managements of East-European insurance companies. Notably, the chapter on Poland gives a detailed presentation of financial and operational results. The book covers a wide and changing panorama of insurance systems and therefore has to be relatively general as well as selective. It is natural that a reader will find points that could or should be elaborated upon. What I found interesting is the authors' assertion that history and tradition often influence the current state of insurance; consequently, East-European socialist insurance systems are presented with references to their historical contexts.

The book is divided into four parts. It starts with a general introduction (by Rogers) giving the structure of insurance programs and describing conditions of their existence. Part two (by Schönfelder) is devoted to presentation of the two extremes in the East-European insurance system: East Germany with its highly centralized monopoly, directly subordinate to the GDR Ministry of Finance; and Yugoslavia with the most Western-like structure. The third part of the book (by Schütte) is entitled "Proud heritage" and talks about Poland's relatively well developed insurance system. The last part (by Rogers) is an overview of insurance systems in other East-European socialist countries, i.e. Bulgaria, Czechoslovakia, Hungary and Rumania.

It is difficult to briefly summarize the content of this multifarious book but some general observations are worth mentioning. For example, the authors point out that one of the features common to insurance systems in socialist countries is the state monopoly. They also indicate the possibility of changes in the organization of insurance due to economic reforms.

A fundamental issue, common to most socialist countries, is justification of insurance for state-owned enterprises. According to Soviet insurance theory and practice, many East-European countries, at some stage, accepted that this insurance is redundant. For instance in East Germany, the insurance of the state-owned enterprises (except for the state-owned farms) was officially abolished in 1962. The cost of repaying claims/damages was funded through the state budget. Six years later, insurance of the state-owned sector of industry was reintroduced following the example of other countries. Currently, all socialist countries carry fire and natural perils insurance for state-owned enterprises.

Further, compulsory insurance constitutes a large share of the insurance systems in socialist countries and, for example, in Bulgaria it makes up a majority of the entire portfolio. This is another feature which runs in parallel to the monopolistic structure of insurance in East Europe.

Yet another characteristic feature is financial passivity. Reserves and free assets are all deposited in the state budget or in state savings banks and earn interest which is lower than the rate of inflation. Only in Yugoslavia is limited freedom of investing reserves in state-owned enterprises allowed.

The costs of operating lines of insurance are usually low. This is related to the low quality of service, low salaries of insurance company employees, and simplified insurance techniques. For example in Poland, the costs of operating the state-owned company PZU were between 7.3% (1970) and 8.6% (1982) of the earned premium.

The authors indicated that a lower level of insurance exists in socialist countries than in Western countries. So, for example, in East Germany the constant dollar premium income in 1950 constituted only a half of the total premium written for this region before the war.

My criticism of this book concerns issues that have been omitted by the authors. I was disappointed to find a detailed classification of insurance types in Hungary and only a brief mention of the organization of insurance markets, especially since the Hungarian approach was a *novum* in the socialist system. The division of the only state-owned insurance company Allami Bizstosito in 1987 into two separate companies—Allami Bizstosito and Hungaria Bizstosito—was the first attempt to demonopolize insurance companies in socialist countries (except for Yugoslavia, where different republics have different insurance companies). It is worth noting that this split was ordered by the Hungarian government. Initially, both companies were assigned specific branches of insurance, as well as control of the respective parts of the financial reserves. Individual property and casualty insurance, all types of agricultural insurance and life insurance were assigned to Allami Bizstosito, while property insurance for the state-owned enterprises, automobile insurance, foreign insurance and reinsurance were handed over to Hungaria Bizstosito. The proportion of the size and number of employees at the time of the split was 2:1. To spur "competition", both companies received the right to underwrite all types of insurance (except export credit insurance). It must be stressed that the division of the only insurance company into two strong state-owned insurance institutions did not create a good foundation for the existence and development of smaller enterprises. They are being eliminated from the market by the two competing giants. Only in the field of life insurance, is there a third company. However, it is based on the state-owned savings bank.

Similarly, the presentation of Polish insurance left unmentioned the fact that the 1984 Act on property and life insurance allows for establishing new, state independent insurance firms that compete with the two state-controlled insurance companies PZU and Warta. Recently, three private insurance firms: Westa, Polisa and Tur were established. The prevailing criticism of the state monopoly in all sectors of the Polish economy creates a better climate for restructuring the insurance system there, but it is still uncertain if any of the three new companies will survive competition with the state-controlled companies.

Taking into account the fact that this is the first publication on East-European insurance in English, there is little doubt that it will be the most frequently cited material in studies concerning insurance or even insurance-related problems of the economy in this part of the world. It is truly an excellent source of information and one could only regret that there are many misprints, particularly in foreign words and bibliographies. Also, parts of the book look at things from an obviously Germanic perspective. Poles, for instance, would give 1772–1918 rather than 1763–1919 as dates of Poland's partition.

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Automation in Insurance by Robert J. Anderson, Eileen B. Hamburg, William F. McGahan, and Alan J. Turner, (Insurance Institute of America, 1987), 384 pages.

Reviewer: Elizabeth C. Goldin, Assistant Professor of Insurance, Morehouse College

This book was produced to serve as the textbook for the second of the three examinations leading to the Insurance Institute of America's designation, Associate in Automation Management. Its task is to teach people who know the basics of hardware and software and their applications about insurance industry, so that they can apply their knowledge of automation profitably in the industry.

The book presupposes some knowledge of property and liability insurance products, no knowledge of life industry products, and almost no knowledge of industry operations. It does require a lively interest in the subject, though, because it is wordy and dry and marked by distracting copy errors.

In twelve chapters, the various authors describe the following topics: (1) structure of the insurance industry, (2) industry's information needs, (3) objectives that companies try to achieve through automation, (4) how information management through automation applies to the different functions carried out in companies, agencies and service organizations, and (5) identify the kinds of systems that are used in the industry and discuss their interface. As is usual when several independent authors are used to construct a coherent book on a broad topic, some redundance appears, but a student using the book should find this more helpful than otherwise. Automation fans are often uncritically enthusiastic about its benefits, but these authors have been careful to point out disadvantages that may arise from automating particular tasks as well as from choosing particular methods of implementing automation decisions.

From its title, one would not expect this book to be an outstanding introduction to insurance industry operations, but it is. It makes the major