

BOOK REVIEWS

Personal Risk Management and Insurance, by Glenn Wood, Claude Lilly III, Donald Malecki, Edward Graves, and Jerry Rosenbloom. (American Institute for Property and Liability Underwriters, 1989).

Reviewer: Donald H. Fehrs, Ph.D., CPCU, Assistant Professor of Finance and Business Economics, University of Notre Dame.

This two volume, 900 page work is the text for the second examination in the Chartered Property and Casualty Underwriter (CPCU) series. Many of the readers will be insurance agents or other company employees gaining familiarity with industry products and alternative risk management techniques. Preparing for the exam should help the students in their professional lives and assist them in choosing appropriate tools for managing their own risk exposures.

Volume I begins with an overview chapter on personal risk management, followed by two chapters on auto insurance and single chapters on homeowners insurance, other property and liability coverage, government insurance programs, and health insurance. Volume II consists of two chapters on traditional life insurance policies, a chapter on investment planning, one on adjustable, universal, and variable life policies, two chapters on retirement planning, a chapter on business uses of life and health insurance and estate planning, and a concluding case study of personal risk management.

In general, the authors do a commendable job of summarizing an enormous amount of study material. Each chapter is clearly outlined with numerous headings and sub-headings that allow students to categorize the information efficiently. Standard ISO policy forms such as the Family Auto Policy and the HO series of homeowner, dwelling and tenant forms are each broken down into their component sections and analyzed, with many examples to clarify the still cumbersome policy language and its interpretation. After a sentence such as "In a bailment for the benefit of the bailor, the bailee is gratuitously possessing the property and is required only to use prudent care", the reader is provided with an illustrative example in easily understood terms.

The life insurance chapters contain several policy illustrations depicting projected cash values, benefit amounts, and assumptions underlying basic whole life and the newer, more flexible adjustable, universal, and variable policies. The important issues concerning premium payment options and

which party has assumed the long term investment risk with each policy type are discussed thoroughly.

There are some weaknesses in the text that render it less interesting and readable than it might be. Controversial issues regarding insurance are occasionally mentioned, but the authors offer few of their own insights. For instance, there is a lengthy discussion of current methods for treating the uninsured motorist situation and the problems that remain with each method. However, the authors say nothing about their opinions of the relative merits of the methods or the problems in measuring effectiveness. Although a later exam in the CPCU series explores such issues in detail, brief recommendations or other comments by the authors would significantly increase the impact of the discussion. A notable exception to this general problem is a thoughtful section on health care cost containment.

Readability of the text is poor in places. In contrast to the auto and home insurance chapters, the chapter on life insurance policy provisions relies extensively on quotations from actual policy language, with little interpretive commentary. Readers are treated to passages such as "The amount of the Accidental Death Benefit and the amount included in the premium for the policy on account of such benefit are shown on the first page of this policy, and these Accidental Death Benefit provisions will be deemed to have taken effect as of the policy date of the policy except where such provisions have been added to a policy which was already in force in which case such amounts and such effective date shall be as specified in the provisions for Addition of Supplementary Benefits which make these Accidental Death Benefit provisions a part of this policy." If these passages must be included at all, they should be relegated to appendices, while the main text is used for general discussion of the benefit.

The chapter on investment planning is the only one in which the content of the discussion is disappointing. Despite the vast financial economics research that suggests securities markets are highly efficient, the authors insist that "overpriced" and "underpriced" stocks exist and investors may obtain "bargains" by finding underpriced stocks. At least some mention of the efficient markets theory should be offered. In addition, an approximation formula for calculating yield to maturity is presented as "the" yield to maturity equation. This formula works reasonably well for some bonds, but any finance student will remember that finding actual yields to maturity is more complex than the authors suggest. The chapter also suffers from many typographical errors in the numeric examples, and, unlike other chapters, provides no references for the material discussed.

In other portions of the text, the authors depart from their general emphasis on a consumer's viewpoint of risk management. For example, the extended discussion of pension fund administration provides many technical aspects of funding arrangements without suggesting the implications of the various choices for fund participants.

A last point concerns the choice of the case study. The authors choose a wealthy family for their example, with annual income of \$100,000 and

financial concerns such as the best method for financing a vacation home. Obviously this choice makes it possible to include many types of insurance in the example, but the reader is left with the impression that risk management is largely a concern for the wealthy. I would recommend a series of short cases, beginning with a single person with a car and a rented apartment, and working up to the wealthy family. This would allow discussion of a range of low cost and high cost policies, and many more readers could relate to the concerns raised in one of these mini-cases.

In summary, the text is a well organized presentation of an extremely broad topic. The headings provide a valuable study outline, and in many places the examples of risk management challenges and possible solutions are clear and concise. To engage the readers' interest more effectively, the authors should offer a few more of their own insights on the controversial issues facing insurers and consumers. The text is somewhat uneven in that some chapters lack clear examples and ordinary language interpretations. The investments chapter should be revised, and more attention given to a consistent, consumer-oriented viewpoint of risk management.

Evaluating Social Programs at the State and Local Level: The JTPA Evaluation Design Project. Edited by Ann Bonar Blalock. (W. E. Upjohn Institute for Employment Research, 1990), 410 pages.

Reviewer: Kathleen Hunter Sloan, Ph.D., Associate Professor of Public Administration, University of Hartford, Barney School of Business and Public Administration

The efficiency and effectiveness of government social programs in relation to their legislative purposes have long been a concern not only to program managers but also to accountable public policy decision-makers and tax-paying members of their constituencies. Social programs created to address the goals of combatting unemployment and underemployment among the less skilled and more socially-disadvantaged groups have been raised questions of efficiency and effectiveness. The disturbing funding, coverage, and administrative problems in state unemployment compensation programs, established as part of the national economic security system under the Social Security Act of 1935, present widespread problems.¹ In the light of changing employment opportunities in the labor force in the United States, books that attempt to improve analytical capabilities for judging the effectiveness of such programs merit serious attention. *Evaluating Social Programs at the State and Local Level: The JTPA Evaluation Design Project* is such a book.

The ambitious goals of a number of new social programs established by Congress in the 1960's and 1970's stimulated social scientists' efforts to

¹ See e.g., George E. Rejda and Kyung W. Lee, "State Unemployment Compensation Programs: Immediate Reforms Needed," *Journal of Risk and Insurance*, LVI, No. 4, 1989, 649-669; Diana Runner, "Changes in unemployment insurance legislation during 1989," *Monthly Labor Review*, January 1990, 64-69.

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