This chapter concentrates on and clearly explains the American Institute (not to be confused with the Insurance Institute) Hull Clauses. Other hull insurance policies are covered in Chapters 4 and 5.

Chapter 6 covers the underwriting of hull insurance. The evaluation of hazards, information required to make an underwriting include the selection of policy terms and pricing. Ocean marine pricing is based largely on judgement; therefore the underwriter's role in pricing is a major one.

Chapter 7 explores the legally oriented areas of marine liability and Protection and Indemnity (P&I). The origin of protection and indemnity in an 1836 case and its current form and practice are expertly covered in this chapter.

Cargo exposures are covered in Chapter 8, cargo policies in Chapter 9 and cargo insurance underwriting in Chapter 10. Chapters 9 and 10 on cargo insurance policy language and underwriting are particularly useful as reference works for the non-marine insurance person. Much confusion stems from the term average such as particular average and general average. As the text clearly points out, a loss in marine insurance is referred to as an average. Therefore a loss to a particular interest such as a cargo shipper is a particular average. The clause "with average if amounting to 3 percent" provides partial loss coverage for the perils of the sea with a 3 percent franchise deductible.

A general average situation is a bit more involved. Chapters 11 and 12 cover total loss, particular average and general average. When a voluntary and successful sacrifice is made a part of the property of a marine advanture for the common benefit at a time of peril, there exists a general average act. A reasonable extraordinary expense incurred under the same circumstances would also be deemed to be a general average act the text points out. The many ramifications of general average and average adjusting are covered in Chapter 12.

This two volume text is an excellent teaching and reference work which should find a place on every insurance scholar's bookshelf. In spite of the terse writing style, the romance of the sea permeates these volumes. The reader should be warned that idly opening these pages may result in several lost hours. This text is a browser's delight.

Medical Malpractice: Pharmacy Law, David B. Brushwood (Shepard's/McGraw Hill, Colorado Springs, 1986).

Reviewer: Joe H. Murrey, Jr., University of Mississippi.

The casual reader who takes this book from the shelf may wonder if it is possible to produce a work combining the highly technical areas of law and pharmacy. That is, can a book hold one's interest for 275 pages of material written in statute book style and another 161 pages of appendices? Allay all fears–the author, who holds degrees in both law and pharmacy, has succeeded admirably in mixing text and cases to entertain and inform the reader from start to finish. Do not worry about the 1986 date–the book contains a "pocket part" for periodic updats of law and cases.

From a brief history of the practice of pharmacy to a complete listing of pharmacy schools, degrees, organizations, associations, standards of practice, literature sources, etc., Professor Brushwood answers almost every conceivable question a lay person would have about the practice of pharmacy. He deals with the use of generic drugs; "legend" versus "non-legend" drugs; what parties can lawfully dispense drugs; the meaning of "Rx"; number of refills; controlled substances; government regulation; and finally, the proper way to administer a shot in the hip (upper outer quadrant). The 150 or so pages devoted to pharmacy practice are by themselves worth the price of the book.

However, there's much, much more. Perhaps the primary purpose of the author is to create an awareness of the many ways a pharmacist can incur a malpractice action. He lays out the elements of a prima facie case for tort liability, and relates each element to the professionals situation. The first element is the general duty of care, measured by the standards of a reasonably prudent pharmacist set by local custom and practice, as long as they do not depart drastically from national standards. So far, the expanding role of pharmacy into risk management and patient orientation has not affected court decisions, but should be a liability-reducing factor in the future. The breach of this duty embraces a number of acts, among them "wrong drug", "wrong dosage", and "wrong label."

The negligent (or intentional) act must be not only the actual cause of injury, but the legal cause (which deals with the question of foreseeability of injuries to the plaintiff, and whether or not the law should contemplate defendant liability under the circumstances). Both conditions must be satisfied. Actual cause may be extremely difficult to prove because of the complex makeup of the human body and multiple possible drug reactions.

Finally, the plaintiff has to prove damages for wrongful death, wrongful life (disability), or wrongful birth, (as in a recent case where the wrong drug was given for a prescribed contraceptive). Liability for punitive damages can result from an intentional wrongful act, without just cause or excuse, as well as actual malice.

Separate chapters treat such varied liability-incurring acts as "false arrest"; "false imprisonment"; "invasion of privacy"; "defamation"; "breach of warranty"; "vicarious liability"; and "strict liability without fault." The exposures of hospitals, physicians, and drug manufacturers are also treated as they relate to prescribing, packaging, dispensing, and labeling drugs. Topics range widely from the role of "informed consent" to the "Rule of Frye" in expert testimony.

Professor Brushwood concludes with a masterful discussion of the "Law-Science interface," and suggestions for reconciling the different worlds in which each group resides. His insight into the use of the scientific method by the medical and pharmacy professions and the use of logic and evidence by the legal profession is most revealing and helpful in beginning the reconciliation process. Highly recommended, not only for the attorney and health care professional, but the interested lay person as well.

Risk, Information and Insurance, edited by Henri Loubergé, (Kluwer Academic Publishers, 1990) 274 pages.

Reviewer: Richard PonArul, Professor of Finance, California State University, Chico California.

Risk, Information and Insurance is a collection of essays in the memory of Professor Karl Borch. Professor Borch's prolific work has vastly strengthened the link between economic theory and insurance. This volume, in his honor, provides the reader with the different facets of the insurance field that are amenable to economic analysis. The papers are theoretical (rather than empirical) and are targeted to researchers in the field of insurance. Several of the papers require the reader to have graduate level training in economics. The editor, Professor Henri Lougergé, has written an introduction that outlines the salient features of the papers in this volume.

In the introductory part of the book, Professor Jean Lemaire presents a historical survey of the applications of Borch's theorem on Risk Exchange. He shows how game theoretic approach can be used to arrive at a unique Pareto-optimal treaty in the original risk exchange model. Game theoretic approach is also used to apply the risk exchange model to the case of a single policy holder and an insurer, and networks and chains of reinsurance.

The main body of the book is divided into three parts: Economics of Uncertainty, Economics of Information, and Economics of Insurance. The two papers in the first part address the allocation of risk in the market in the presence of labor income risk. The second part addresses the effect of asymmetric information–moral hazard and adverse selection on the equilibrium in insurance markets. The third part contains papers concerning the "institutional" nature of insurance company operations and regulation.

Economics of Uncertainty

In the first paper, Professor Drèze examines the optimal labor contract (that provides for efficient allocation of risk) in a world in which the Capital Asset Pricing Model (CAPM) holds. The market price of risk from the CAPM is an input to the optimal labor contract. The wages depend partly on the aggregate output, thus departing from the marginal value product of labor.

Professors Dionne, Eeckhoudt and Briys analyze the consumption-saving problem of an individual in a two period model with either income risk or capital risk present. They show that changes in captial risk affect the consumption decision of borrowers and lenders differently. They also show that the effect of changes in each type of risk on consumption depends on