1960s. Perhaps the single personality who has changed that was Karl Borch. Inevitably, the influence of finance followed. In that arena, we are finding the Capital Asset Pricing Model (CAPM), Arbitrage Pricing Theory (APT) and other associated jargon entering the vocabulary of the insurance practitioners. In the coming decades, we are likely see work like *The Financial Theory of Pricing Property-Liability Insurance Contracts* (by S. D'Arcy and N. Doherty, 1988) in standard insurance literature.

A. M. Best published a report last year on insolvency of property/casualty insurers between 1969 and 1990. If we look at the primary cause of insolvency of 372 companies, "Inadequate Pricing" (28%) and "Rapid Growth" (21%) account for nearly half of the insolvencies. Reading this book will give the reader a sound footing on how to handle the pricing problem (by managing reserves), but it will be of little use to address the problem of rapid growth. Perhaps management problems associated with rapid growth in property/casualty insurance are not considered and integral part of Casualty Actuarial *Science*.

In summary, the book provides quite a useful introduction to Casualty Actuarial Science. There is one jarring bad note about the book. The index at the end of the book is useless. For example, Arthur Bailey's name is featured prominently throughout the book, including one whole section in the first chapter. But, the index mentions him once at page 22! Similarly, one of the authors, Stephen D'Arcy, is not even listed in the index. Such an index is not satisfactory. These days with cheap word processing programs it is not difficult to create a good index. There is no excuse for not having a more useful index.

Commercial Liability Underwriting Volumes I and II, by Larry D. Gaunt, Numan A. Williams and Everett D. Randall (Insurance Institute of America, 1990)

Reviewer: Mark L. Cross, Associate Professor of Insurance and Finance, Louisiana Tech University.

This third edition of Commercial Liability Underwriting has been written primarily to help student meet the current educational objectives of the Insurance Institute of America's Associate in Underwriting 63 course. Since the second edition of this text was published many changes have taken place in the commercial liability coverage area. The most important change dealt with the introduction of a new set of simplified commercial liability policies introduced in the mid-1980s. The most visible of the policy changes was the introduction of a claims-made commercial general liability policy form. In addition, the risk classification table of the Commercial Lines Manual was also revised in the mid-1980s.

The third edition of Commercial Liability Underwriting deals with the new commercial liability policies and risk classification rules. The text is not intended to be an in-depth course on policy coverages. The emphasis is on those aspects of policy coverage that are of greatest interest to underwriters and those that cause the most confusion among both insurers and insureds.

The impact of the legal form of the business ownership on underwriting is examined. In addition. the management competence. employee-employer relations and the financial condition of the company are considered in light of their impact on underwriting. The legal foundations of tort liability along with the sources and uses of underwriting information are looked at.

This text focuses on the three major commercial liability coverages — auto, general liability. and workers' compensation. The emphasis is on the principles involved in underwriting these particular types of risks. A brief discussion of surety bonds and professional liability coverages is found in the last chapter.

Commercial automobile insurance is broken down into commercial automobiles. public autos and trucks, and garage risks. Garage insurance includes coverage for auto dealers, auto servicing. and parking garages.

The coverages under the CGL policy are examined with special emphasis on the claims-made form. Workers' compensation laws and benefits along with the employers' liability are considered. Compensation under federal laws such as the Jones Act and the Longshoremen's and Harbor Workers' Compensation Act are looked at. Special emphasis is placed on workers' compensation risk classification and premium determination.

The second major change in this edition is an increased emphasis on risk classification and the factors that affect the premium for each of the coverages. Improper classification of risk is a major problem many underwriters face. This text emphasizes the factors an underwriter should use to properly classify and rate a commercial liability risk.

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An International Comparison of Workers' Compensation, C. Arthur Williams, Jr., Kluwer Academic Publishers, 1991.

Reviewed by Mark R. Greene. Professor Emeritus of Risk Management and Insurance, University of Georgia.

This book undertakes an ambitious task, describing workers' compensation (WC) programs of 136 nations as to basic structure, design elements. history, and basic characteristics. For example, we learn immediately that the systems in the U.S., Canada, and Australia have a common element not existing elsewhere in the world, namely that their programs are decentralized and operated by states or provinces, rather than being controlled at a central government level. Whether this is good or bad is not addressed, at least directly. The author describes the standards by which WC programs may be judged, but does not attempt the task of evaluating the success of various approaches.

Dr. Williams' analysis is based largely on data gathered by the U.S. Social Security Administration in the study, *Social Security Programs*