

a nurturing, supportive environment in the early developmental years. Evidence is also provided that stress related to family care contributes to a less than productive employee. Statistics such as these are not "news;" we have been aware of the growing child care problem in the United States for many years. However, Smith takes a unique approach by putting a face on the statistics through personal accounts of problems facing working parents. She reports the real concerns of a segment of our population through poignant vignettes which provide very interesting reading.

While supplying convincing arguments for the need for better child care and elder care arrangements in our country, Smith admits that many businesses are unwilling to make a commitment to this type of program. Many firms do not give credit to the possible long-term benefits of an investment in kincare programs. The most informative parts of the book are Chapters 6 and 9. In Chapter 6 kincare alternatives and costs are thoroughly discussed. Even though it is obvious from the beginning of the book that Smith is strongly in favor of company sponsored kincare, she approaches each type of kincare arrangement objectively by citing the advantages and disadvantages of each. Chapter 9 is devoted to reports on some of the creative approaches that 100 companies in the United States are taking with regard to the kincare issue. Some of the accounts are brief but provide a rich resource of noteworthy ideas.

The most appropriate audience for this work is practitioners who are involved with the development of employee benefit programs and those who are responsible for policymaking in both the private and public sector. Because of the high level of factual information provided, the book is also a good addition to a collegiate reading list in an employee benefits course. We see our employee benefit dollar buying less service at a time when the employee appears to need an expanding array of programs. The message of Smith's book is very understandable and thought-provoking. It is in the long-term interest of business to come up with more creative ideas for supporting the employee throughout the family life-cycle if these businesses hope to have productive and loyal employees.

***Unemployment Insurance Trust Fund Adequacy in the 1990's***, by Wayne Vroman (W.E. Upjohn Institute for Employment Research, 1990.)

Reviewer: William A. Scroggins, Jr., Associate Professor of Finance, Jacksonville State University.

*Unemployment Insurance Trust Fund Adequacy in the 1990's* provides a critical analysis of potential unemployment insurance funding problems. The author, writing from his experience as senior research associate at the Urban Institute, takes the position that a serious recession in the near future would cause several states to need unemployment insurance loans from the U.S. Treasury. Vroman presents the framework for a possible federal role for enhancing unemployment insurance solvency. "Even if the federal

government were not to modify its present *laissez-faire* policy stance, it might take actions that would affect the risk of insolvency in the states" (page 145).

This compact but concise volume could prove to be invaluable to government policymakers, actuaries, and students of public finance. The book is organized into six well written chapters and, at the end, the author includes three appendices and a reference list. Each chapter is illustrated with unemployment insurance financing experiences of various states and an abundance of statistical data in numerous tables and footnotes.

The first two chapters analyze funding problems of unemployment insurance of prior decades and review the previous literature. During the 1980s there were two major developments in state unemployment insurance: (1) an unprecedented reliance on loans from the U.S. Treasury to make benefit payments and (2) a sizable reduction in the availability of benefit payments to the unemployed. Both developments were related to a problem of inadequate benefit financing, which first emerged in the 1970s. Individual states can maintain a trust fund reserve as large or as small as they deem fiscally prudent. Consequently, states must strike a balance between risks of large-scale borrowing with the associated interest charges if reserves are too small and the opportunity cost associated with reserve balances that are too large.

Chapters three through five explore questions about UI trust fund reserve adequacy through a simulation model. The simulation model examines for seven states the consequences of differing initial trust fund balances, the responsiveness of taxes and benefits under current unemployment insurance statutes, and the long-term implications for fund adequacy under current statutes. The model shows the need for discretionary changes and the size and the timing of needed changes if large scale borrowing is to be avoided.

The final chapter, Chapter six, presents the author's main thesis by examining how federal policy could influence state funding strategies. Under the present federal policy regarding unemployment insurance financing, the states are responsible for financing benefit payments and making decisions about appropriate trust fund balances. States with serious unemployment problems find themselves under financial pressures to reduce benefits at a time when needs for benefits are unusually high. Vroman argues that for unemployment insurance programs to be effective in meeting their income maintenance (automatic stabilizing) objectives, benefit reductions should not occur in the midst of a recession. As an alternative, Vroman suggests federal policy could encourage the states to do one or more of the following: (1) achieve a trust fund solvency standard; (2) enact more flexible financing provisions in their laws; or (3) participate in a cost reinsurance/cost equalization arrangement whereby reserves from prosperous states are made available to those with funding problems.

In Vroman's view, a trust fund solvency standard could raise fund balances and reduce future borrowing. A regulatory approach could specify a solvency standard (e.g., a reserve ratio) as a conformity requirement. The

federal solvency standard could be coupled with a financial reward in the form of an interest rate supplementation for large trust fund reserve balances. A financial penalty for not achieving the standard could be assessed on the interest rate charges to states needing unemployment insurance loans.

The author maintains that federal policy could encourage states to adopt flexible financing arrangements which increase the cyclical responsiveness of unemployment insurance taxes, and possibly, benefits as well. The automatic tax increases and benefit reductions that would occur when a state's trust fund falls below predetermined thresholds would allow a state to operate with a lower average trust fund balance over the business cycle when compared to states that pre-fund against future contingencies. Vroman contends that a possible advantage of the lower balance is that it would help prevent benefit liberalizations that may be induced by higher trust fund balances.

Finally, under a cost reinsurance plan, the states would pay into a common fund and those with unusually bad experiences could receive payments from the common fund to cover part or all of the excess costs due to unforeseeable events. Under cost equalization, states experiencing costs (or unemployment rates) in excess of an absolute threshold from unusually bad economic circumstances beyond state control would have some or all of their excess costs covered from the U.S. Treasury or from a cost equalization fund. Under cost reinsurance or cost equalization, the author's position is that exclusive state responsibility for unemployment insurance financing would end. States with strong economic performance would assume part of the responsibility for benefit payments made in states experiencing weak performance.

In conclusion, *Unemployment Insurance Trust Fund Adequacy in the 1990's* is a provocative and timely writing about a controversial issue that should be of current interest to readers of the journal. This book is one of only a limited number dedicated to the major issue of unemployment insurance trust fund adequacy. As such, it does provide a detailed perspective on the various aspects of the subject.

***The Additional Insured Book***, by Donald S. Malecki and Jack P. Gibson (International Risk Management Institute, Inc., 1991.)

Reviewer: Don Hardigree, Director of The Institute for Insurance and Risk Management, Department of Finance, University of Nevada, Las Vegas.

*The Additional Insured Book* is a practical and comprehensive guide to the issue of providing additional insured status in liability insurance policies. In today's business environment, the request for additional insured status is commonplace. This book provides answers to many of the questions associated with this important topic, and is primarily aimed at

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