The potential liability of business for harm to its customers and to the environment continues to be a very important and timely issue. Readings 14 and 15 deal with environmental law and products liability law, respectively. The laws covering these two areas are complex and have changed a great deal over the past twenty years. These two readings do a good job of summarizing those aspects of the law that would be of most concern to loss control managers.

As the modern workplace has become more and more technologically complex, the role of external loss control consultants has expanded. Readings 21 and 22 discuss the role of consultants in loss control management and suggest was to improve their performance. These readings are aimed primarily at people interested in being professional consultants.

Readings 24 and 25 deal with the potential liability insurers face as a result of conducting safety inspections. If an accident occurs subsequent to an inspection, the insurer can be found liable. Safety engineers and directors face similar potential liabilities. These two readings outline the salient points in the development of this type of professional malpractice law.

Readings 16 through 20 discuss issues relating to the health and safety of employees. Traditionally, risk and loss control management professionals have been concerned mainly with reducing workers' compensation exposures. However, contemporary thinking on this matter is much broader in scope. These readings represent a sample of these new approaches, ranging from an examination of the strategic management of employee health care and accident costs to the role of labor-management relations in safety control.

Finally, the last group, Readings 26 through 30, deals with how to design and manage safety programs. These articles translate general management and organizational principles into specific guidelines for loss control management. Of particular interest here is a reading that shows how to adapt the principles employed in the widely accepted management system, Management by Objectives, into a safety-specific program, Safety by Objectives.

For the most part the readings are clear and well written. However, a few of them tend to rely too heavily on management theory jargon. Nevertheless, they provide a good overview of their subjects and generally include quite adequate reference lists for the interested reader.

Essentials of Risk Management, Second Edition, by George L. Head and Stephen Horn II (Insurance Institute of America, 1991).

Reviewer: John W Reid, Assistant Head of Department of Risk and Financial Services, Glasgow Polytechnic, Scotland, UK

This book is designed to increase knowledge and develop skills that can improve job performance in risk management. Although not explicitly stated, it appears to have been produced primarily for students preparing for the Insurance Institute of America's Associate in Risk Management designation (ARM54).

The authors introduce their text effectively with a "Letter to the Student." This is followed by a useful first chapter that provides a detailed overview of the entire risk management process and maps out the plan of the text. The principal focus is upon risk management operations in individual organizations and embraces both private and public entities and profit-seeking and non-profit bodies. The role of risk management within the broad economy and for given communities is recognized, but apart from a limited discussion of personnel loss exposures for families, the text is set exclusively in the domain of corporate risk management.

The elements that make up the risk management process are introduced at an early stage by means of a hypothetical case study. This case scenario is used extensively to good effect throughout the text by providing pertinent examples. Elements in the risk management process are introduced as "steps," which implies a rigid, linear progression. Some other writers in recent times have preferred to treat the risk management process as a more holistic, complex, ad open system.

The overview chapter introduces seven techniques of risk identification, and six of these (standardized surveys and questionnaires, financial statements, other records and documents, flowcharts, personal inspections, consultations) are described in detail with suitable applications in the third chapter. The seventh technique (data on past losses) is covered in later chapters dealing with quantitative techniques and computerized systems. No reference is made to the adoption of other techniques of risk identification which are currently practiced—for example, hazard and operability studies and fault tree analysis. None of the techniques covered in this chapter would, for instance, be appropriate for risk identification when a planned facility was still in the design phase, although for cost effective risk control that is the most important stage for identifying potential risks.

Subsequent chapters offer a detailed exploration of the recognized areas of loss exposures. Property and net income losses are explored in the context of interests and values, perils and financial consequences. There is a detailed examination of liability exposures, with particular attention to workers' compensation and environmental pollution. Personnel losses are analyzed from the perspective of the impact on organizations and families.

There then follows a thorough (though possibly rather tedious) account of the various risk control and risk financing techniques. With regard to the latter, no mention is made of recently introduced alternative risk financing techniques, but that is presumably because they will be covered in the companion text for ARm56—"Essentials of Risk Financing."

Later chapters address the quantitative techniques that can be used in risk management decision making. Basic procedures for forecasting and routine cash flow analysis are introduced and explained in a thorough and progressive manner. The effort to adequately explain such techniques for the benefit of students does, however, create a problem. The use of forecasting and cash flow analysis for selecting the most appropriate risk management technique creates a false simplicity, in that these procedures relate solely to the criterion of cost effectiveness and thereby ignore the complexity of real-world business risk situations. And while many pages are taken up with detailed accounts of the techniques, the disadvantages and weaknesses of the methods advocated are dismissed in three short paragraphs.

The book concludes with a substantial and informative section on risk management information systems, with the emphasis appropriately on modern computerized systems.

On the basis that the text is intended for a specific ARM program, the material covered will necessarily be prescribed by that curriculum. But assuming that the book is also intended for a wider readership, there are several notable omissions to comment on.

First, the material launches straight into the risk management process. It would be helpful for general readers to have some introductory treatment of the nature of risk and the role of uncertainty in the business environment. The lack of attention to the qualitative aspects of risk contrasts with the extensive treatment over several chapters of the quantitative aspects.

The increasingly important area of environmental risk is covered appropriately in the chapter on liability exposures, but is conspicuously absent elsewhere. For example, this aspect is not referred to in the typical organizational structure of a large risk management department, in which other functions such as safety, industrial hygiene, and security are specifically mentioned. Another significant omission is contingency planning, which is mentioned only fleetingly in the context of computer disaster recovery.

A major area of concern is the treatment of information technology. As previously mentioned, computerized systems of risk management are covered extensively and effectively in the final chapter of the text. The problem is that the whole broad area of computers as they relate to risk management have in the main been self-contained in that one chapter instead of being suitably integrated into the other areas of the risk management process. Apart from a few brief entries, computers, their applications, and the risks related to them, are ignored in all but that final chapter. Many examples of that blatant omission are apparent: The chapter on loss forecasting suggests that in making adjustments for price level changes, the risk manager should "round the result to the nearest $100 to simplify later calculations," thus implying that the appropriate use of computer systems for this procedure had been overlooked; and a later statement in this chapter suggests that a risk manager should "turn to a trained statistician" because computing a curvilinear trend line is complex—although, again, one could expect a present-day risk manger to use an appropriate software package for this purpose.

Other features that disappointed this reviewer are the inconvenience of two volumes, each with its index (which often necessitated referring to both to locate a subject); with a combined length of approximately 600 pages it seems feasible for a single volume to be produced; a number of typographical errors and omissions (surprising in the light of the extensive process of review referred to in the preface); and the rather dated references (the vast majority of references appearing in the chapter notes are dated 1985 or earlier.).

Notwithstanding these reservations, this text embraces a wide body of material that adequately covers what its title promises. The many topics covered are presented in a logical order and in an appropriate style for students, and the chapter summaries provide helpful synopses. Bearing in mind the limitations apparently imposed to address the specific ARM program, this book can be expected to achieve its design intentions of increasing knowledge and developing skills that can improve job performance in risk management.

Introduction to Risk Management and Insurance, Fourth Edition, by Mark Dorfman.

Reviewer: Steven M. Cassidy, PhD, CLU, Howard University

As textbooks move into later editions there is a tendency to become encyclopedic. The comments and interests of all of the reviewers of previous editions as well as the most current information are combined to create a new edition. Sometimes this process creates an introductory textbook that provides too much information or tries to serve too many masters. Mark Dorfman has done a good job of avoiding these problems in the fourth edition of *Introduction to Risk Management and Insurance.*

As the title implies, this is an introductory textbook. It does not pretend to be the definitive work in the area of risk management and insurance. The book provides a very good introduction to the basic concepts of insurance and risk management while introducing many of the societal and business problems that are touched by insurance.

The book is divided into six parts (Insurance and the Management of Risk; Providing Insurance to Consumers; Branches of the Private Insurance System; Property and Liability Insurance Contracts, Life Insurance; Health Insurance and Annuities; and The Government and Insurance) and consists of 25 chapters. Each chapter provides a good presentation of the material and many provide discussions of real world information that relates to the material in the chapter. These real world examples (i.e., AIDS, insurance regulation, social security problems, workers' compensation concerns, and international risk management) give students a good reference point for the information presented in the chapter and provide a starting point for classroom discussions.

Another strength of this book is the section at the end of each chapter entitled "Suggestions for Further Study." Many text books provide this material in the form of a list of references. This book is different in that it provides a list of material in which further information can be found along with several sentences describing each additional topic.

No book, however, is perfect. There are several minor areas that should be changed in the next edition. First, the cover. Many faculty members look at insurance as vocational education and wonder why it is being taught in a school of business. The cover of this book has a pciture of a family raking leaves in their front yard. Although the author explains the significance of the picture in the preface, few faculty members from other disciplines will read this