BOOK REVIEWS

Reinsurance and Reinsurance Management, edited by Andrew J. Barile and Peter R. Barker (Oklahoma City: Interstate Service Corporation, 1981).

Reviewer: Laurel J. Wiltbank, Assistant Professor of Economics, Colgate University.

Reinsurance and Reinsurance Management is a large, loose-leaf notebook comprising 112 articles written by reinsurance practitioners. Its editors' purpose was "to collect and make accessible the thinking of many of the leading professional reinsurance experts" (from the Preface). The articles are primarily reprinted from original trade publications (e.g., *The National Underwriter, International Insurance Monitor*) or speeches to industry groups. An occasional piece is taken from an academic journal (e.g., Henri Louberge, "Reinsurance and Foreign Exchange Risk," *The Geneva Papers*, Vol. 14, December 1979), but the intended audience seems to be reinsurance personnel ranging from trainees to managers to investors. Insurance academics would find the manual helpful to understanding the "real-world" facets of the reinsurance market.

The articles are organized into twelve topics, including basic types of reinsurance (treaty vs facultative), underwriting, economic aspects, accounting, reserves, and legal aspects, among others. Some articles cover similar ground (for example, the functions of reinsurance were outlined by multiple authors); more careful editing would have reduced this overlap and pared down the manual considerable. Also, articles presented under one topic heading might logically have been included under another, suggesting further reductions in size while refining and focusing the material. As a reference tool, the manual would have benefited from pagination, indexing, the inclusion of a glossary, and more biographical information about the authors. My most serious reservation at the outset, that the 1981 publication date made the material hopelessly outdated, has given way to an opinion that, while not precisely current, the articles provide a broad historical perspective on the thinking and workings of the market which can enrich the understanding of any student of reinsurance.

Specific articles deal with issues that are as current now as when they were originally written. Authors decried cash flow underwriting in 1966: "The prospect of high incomes for investment has in many cases led to an avidity for premiums, and this has sharply suppressed the technical considerations" (M. Klass, "Reinsurance in Changing Times"). Capacity issues were addressed by several authors, recognizing constrained capacity as a temporary imbalance between supply and demand which might be readily corrected by appropriate pricing. The need to attract financial capital to provide the necessary capacity was also touched upon by Henry Kramer, a former President of North American Reinsurance Corp., who said in 1969, "the basic test of soundness ... is whether or not capital can be attracted to it from special interest that do not have specific reasons for putting their capital in that particular business" ("World Trends: The Future of Reinsurance). Other financial topics discussed in several articles were inflationary effects and possible solutions (i.e., indexing or "stability clauses") and whether investment income ought to be considered in ratemaking.

The excellent section, Topic 9: The Legal Aspects of Reinsurance, provides a thorough and well-organized discussion of the legal precedents bearing on the reinsurance market. Although the section is in need of updating, it provides a solid legal background for a researcher through about 1979.

Technical and operational concerns such as underwriting, brokerage, and reserving are addressed also. Especially interesting are articles by Martin Mayer ("Reinsurance as a Tax Planning Tool") and John Farrington ("Converting a Mutual Insurance Company to a Stock Insurance Company"), which provide timely insights into legal and tax aspects. Complexities introduced by foreign exchange and international markets are discussed. Obviously, the breadth of topics is exceptionally ambitious.

Almost all articles are descriptive rather than theoretical or analytic. Several authors noted the need for better record-keeping, data management, and statistical analysis. What struck me repeatedly were the numerous possibilities for further research. With the statistical, economic and financial tools currently available, many ideas could be tested, provided the data could be obtained. In non-quantitative areas, legal and market developments since 1980 could be explored. Specific cases in business ethics based on the gentlemanly doctrines of "utmost good faith" and "follow the fortunes" might be developed.

This volume belongs in an insurance research library where educators and students would benefit from its breadth and historical perspective. The research ideas sparked by many of these articles should prove fruitful. It would also be eye-opening for anyone contemplating a future in the reinsurance business.

Health Insurance in Practice, by William A. Glaser (San Francisco: Jossey-Bass, 1991).

Reviewers: Michael N. Baur, Assistant Professor of Finance, and John F. Fitzgerald, Professor of Finance and Insurance, Ball State University, Muncie, Indiana.

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