fits. In the concluding section, the authors list the possible reasons why economic appraisal is not widely used in health care and prevention, including perceived threat to clinical freedom, nature of the political framework, and practical problems applying appraisal. The practical problems may well make inquiry into the other reasons unnecessary.

The Financial Condition and Regulation of Insurance Companies, edited by Richard W. Kopcke and Richard E. Randall (Federal Reserve Bank of Boston, 1991).

Reviewer: J. Allen Seward, Assistant Professor of Insurance and Finance, Baylor University

The Financial Condition and Regulation of Insurance Companies is a compilation of six papers, with discussions of each paper, that were presented to a conference sponsored by the Federal Reserve Bank of Boston in June 1991. The conference was motivated by the "dramatic changes in risk factors that have transformed the seemingly stable and dependable insurance industries into industries that could arouse widespread public anxieties" (pp. 1-2).

The book has a distinctively academic flavor. The discussants included a melange of industry practitioners, regulators, and public and private researchers. Because the participants included people from outside academia, the level of the papers is consistent with the upper level undergraduate students at most universities.

The keynote paper, "Insurance Companies as Financial Intermediaries: Risk and Return," by Kopcke and Randall, examines the size of insurers in the intermediary markets and the asset composition of both life and property-liability insurers. The authors are concerned with the increasing interest rate risk of the insurance industry and conclude that regulatory intervention to lessen exposure to the risk is as justified in insurance as it is in banking.

The next three papers focus on the "structure, conduct, and regulation" of the insurance industry. The first of these is a largely descriptive paper by Kenneth Wright that focuses on the broad trends in the life insurance industry in the post-World War II United States. Wright concludes that increased competitive pressures have weakened the life insurance industry over the last twelve years, but that the industry is still basically sound.

The second paper in this section, by David Cummins and Mary Weiss, addresses the domestic property-liability industry. The paper essentially updates and logically extends the analysis and data of Paul Joskow's (1973) classic paper. Cummins and Weiss compile and examine an impressive array of data to conclude that the property-liability industry is competitive and reasonably profitable, even if over-regulated. This paper is distinctive in that it summarizes the most current research in a way that is comprehensible to the nonacademic but true to the findings of the most significant theoretical work found in this journal.

The third paper in this section, by Sotirios Kollias, is concerned with the European insurance markets. The paper's largely descriptive first part is followed by a detailed prescription for integrating the European market. The discussion paper by Steven Skalicky briefly replicates Kollias's descriptions for Asia, Latin America, and Eastern Europe.

The last two papers are from the public policy arena. Gerrard Brannon heuristically addresses the issues of "reserve regulation, consumer protection, solvency guarantees, and purchase inducements in the form of tax benefits" for the U.S. life insurance industry. He concludes not with a call for specific reform nor by applauding the current system, but urges caution in the continuing regulatory formulations that seem inevitable.

The last of the major papers is Scott Harrington's "Public Policy and Property-Liability Insurance." Harrington adopts a market efficiency approach to consider solvency and rate regulations, as well as the insurance industry's exemption from some antitrust provisions. He concludes that "federal exemption into solvency regulation is not compelling, and could ultimately lead to an increase in the total cost of insolvency. Second, state regulatory control of insurance pricing is inefficient.... Third,...change in the industry's exemption will not alleviate market problems" (pp. 239-240). The discussion papers responding to Harrington's analysis were the most lively and entertaining.

In sum, the book presents an excellent overview of many of the current research and political issues facing the life and property-liability insurance industries today. It is written on a level that is comprehensible to the noninsurance academic, while at the same time presents views of the insurance industries that are consistent with the most current academic research.

Reference

Joskow, Paul L., 1973, Cartels, Competition and Regulation in the Property-Liability Insurance Industry, *Bell Journal,* 4: 375-391.

BOOK REVIEW

Introduction to the Mathematics of Demography, by Robert L. Brown (ACTEX Publications, 1991).

Reviewer: A. Hoque Sharif, ASA, University of Waterloo, Ontario

Demography—the statistical and mathematical study of human population—is now widely taught in social science, bio-science, and in bio-statistics. But the subject is no longer restricted to social science. The techniques of mathematic demography are now widely used by demographers, epidemiologists, actuaries, economists, and reliability engineers, biostatisticians, labor economists, and other population scientists. From the sociologist's point of view, demography is entirely descriptive and qualitative, while others consider