BOOK REVIEWS

Old-Age Security in Comparative Perspective, by John B. Williamson and Fred C. Pampel (Oxford University Press, 1993).

Reviewer: Albert L. Auxier, Associate Professor of Finance, University of Tennessee, Knoxville

The authors of this book furnish a sociologist's perspective of social insurance in an international context. Relying heavily on the case method approach—although one chapter consists of a broad multiple regression study—they are concerned with the major forces in a comparative framework that lead to social insurance legislation. The quantitative material is largely consistent with their case method material, but both the quantitative and case methods also produce their own insights.

The seven nation case studies consist of Brazil, Germany, India, Nigeria, Sweden, the United States, and the United Kingdom. These nations were selected because of their importance and the comparative insight that they provide. For instance, Germany, in addition to being a major industrial nation, is notable for passing the first social security legislation in 1889. Bismarck's intention was to pacify labor and to unify his new nation (Germany earlier had been a loose confederation of states). Brazil's, India's, and Nigeria's country plans are important in their own right, but they also are an interesting contrast with industrial nations' plans due to their differing cultures, economies, and institutions.

Is a study of only seven old-age security plans indicative of other nations' plans? No doubt, the authors would have found more variation with a broader study, but their study revealed plan copycatting. So the additional variation revealed might not have been great. Moreover, the quantitative work included a substantially larger sample of country plans.

The authors' major intent with both the case and quantitative material is to evaluate the explanatory power of five standard sociology theories: industrialism, social democratic, neo-Marxist, pluralist, and state-centered. Industrialism assumes that old-age security plans are an outcome of industrial growth; industrialism creates both the need for security (pension) plans and the ability to pay for them. Social democracy assumes that class structure and class conflict play a dominant role in developing these plans. The neo-Marxist theory is based on the idea that the dominant role of the state is to protect business interests and control labor, and this role will be reflected in the plans. Pluralism suggests that social policy is determined by competing interest groups. And the state-centered perspective emphasizes the influence of the state (especially civil service bureaucrats) in shaping social insurance legislation. In connection with the state-centered perspective, Williamson and Pampel stress corporatist theory, by which state-sponsored collaboration with capital and labor working together determine social policy. All of these theories are useful in one or more contexts. Historically, they were thought of as competing theories, but Williamson and Pampel suggest that, to an important extent, they are also complementary.

> We have found the social democratic perspective to be of limited utility except in connection with policy developments during the postwar period in nations with well developed democratic corporatist structures. The neo-Marxist perspective has been most useful in the analysis of developments in connection with the introduction of the original old-age security programs, while the industrialism perspective has proved most useful in connection with developments during the post-World War II period. The state-centered perspective has proved useful both for the analysis of developments in countries with well developed corporatist structures and in those with relatively underdeveloped democratic structures, while the neo-pluralist perspective has proved most useful in the context of nations with more well developed democratic structures (p. 227).

India and Nigeria's old-age security plans tended to be very different from the industrialist nations' plans in terms of both generosity and type. Neither of these countries has a social security system, but have a provident fund instead. A provident fund is merely a compulsory savings plan; upon retirement, plan participants receive (usually in a lump sum) their contributions plus interest. Often the lump sum is used to purchase a car or major appliance, and the elderly then become a burden on their often poor children. A provident fund does have the virtue of enabling a poor nation to accumulate a significant amount of badly needed capital, but it poorly provides for its elderly. Furthermore, once institutionalized, switching from a provident fund approach to a true social insurance system paying lifetime annuities is very difficult.

Early social insurance plans, such as Germany's, tended to be conservatively funded plans. However, it was discovered that asset accumulations tended to be enormous, and bankers and others were unhappy with government control over these vast sums. Moreover, full funding would have required greatly increased taxation rates to pay for substantial benefits for newly covered workers. Thus, the industrial nations studied sooner or later turned to a pay-as-you-go approach to plan funding, similar to that in the United States.

I like this book very much, and I have only insignificant criticism of it. The authors might have emphasized that, even when an employer pays a substantial payroll tax, the incidence of the tax in the long run falls on labor. Thus, worker retirement plans when coupled with a "retirement income test" designed to encourage the elderly to retire, are often a good thing for business owners. But as the ancient Greek philosophers stressed, moderation in all things. Business often doesn't get credit for the payroll taxes it pays (as it shouldn't), and high taxes on labor create work disincentives. Finally, in some countries corruption and bureaucratic inefficiencies substantially cut pension plan benefits for workers.

This book will enable its readers to better understand world social insurance plans and their histories. But we should approach with caution the notion that a study of the forces which shaped a nation's social insurance program enables prediction of social insurance developments. It is not that we cannot forecast at all, but often the best forecast is for no change, even though we know that change over time is the norm. Nevertheless, Williamson and Pampel's study might enable us to better predict social insurance changes, though probably not the timing of such change. (But the prediction of old-age security plan developments is not stressed by the authors of this work in favor of the usefulness of some standard sociological theories for understanding past developments.) And this study most definitely enables us to better understand the past.

Overall, this book is a fine scholarly work, and its authors deserve high praise for their fine contribution to the old-age security literature. Anyone with a serious interest in social insurance or retirement planning would do well to add this volume to his or her library.

Book Reviews

Social Insurance and Economic Security, Fifth Edition, by George E. Rejda (Prentice-Hall, 1994).

Reviewer: Edward J. Bird, Assistant Professor of Public Policy and Political Science, University of Rochester

This is an undergraduate textbook on social welfare programs in the United States with a heavy emphasis on OASDI. It offers a fine overview of the nuts and bolts of the programs that constitute America's crazy-quilt social policy system. Unfortunately, these nuts and bolts are hopelessly ensnared in an overall conception of social policy principles that is wrong; and its defense of the New Deal is Pollyannaish and polemical. As a result, readers of this book will understand precisely how to calculate their retirement PIA, but they will not appreciate how truly unlikely it is that they will ever receive it.

Conceptual difficulties begin in the first two chapters, which are devoted to basic principles. Chapter 1 defines "economic insecurity" as the absence of "a sense of well-being by which an individual is relatively certain that he or she can satisfy basic needs and wants, both present and future." The definition is absurd. Economic insecurity is the presence of variance in future well-being. It has nothing to do with "basic" needs and wants, which are relative anyway. Rejda's definition says that, at this moment, I and most of my readers are suffering a severe BMW insecurity because we are not certain that we will satisfy our basic want for a BMW now or in the future. My definition says that we are not BMW-insecure at all, because we are fairly certain, in fact, that there will be no unexpected shock to our BMW welfare level (currently 0) anytime soon. Any reasonable theory of human motivation suggests that the risk of shocks in exogenous variables are what drives the insurance market. In deviating from such a variance-based definition of economic insecurity, Rejda does students a frightful disservice.

The consequences of the definition are immediately apparent, for it allows Rejda, in later chapters, to defend almost any aspect of social policy as necessitated by "economic security." Had Roosevelt instituted a national compulsory BMW insurance system, Rejda would be in a position to defend it. Moreover, rather than simply argue that all New Deal policies are good social insurance, in chapter 2 he actually treats social insurance and OASDI as equivalent concepts. Not only does the reader have no opportunity to question whether U.S. social security really follows good insurance principles (which it does not), he or she is left to wonder why other countries, with their own unique *and much earlier* empirical manifestations of the welfare state, have deviated from the true social insurance principles laid down in the Social Security Act of 1935.

Feeling it necessary to defend SSA 1935 as the embodiment of some coherent set of principles, Rejda twists himself into logical binds quite frequently. For example, one principle (p. 26) is that social insurance has no needs test; nevertheless, another (p. 27) is that benefits are based on "presumed need." The contradiction is inherent in the program, which on the one hand takes "contributions" from us so as to build up an honorable right to benefits, while on the other it imposes a punitive tax on any earnings we have after age 65 so as to keep costs low. The former generates a "no needs test" principle, the latter a "presumed need" principle (if you are working you don't need benefits). The contradiction is real, yet Rejda attempts to defend both principles, unsuccessfully.

A second example is in Rejda's defense of the practice of investing the social security trust funds in government securities. Thus, as separate entities, the trust funds are fictitious myths constructed and maintained to shore up the political viability of the system. Rejda does not see it that way, however; to him, the trust funds are real, because they receive pieces of paper called "federal securities," which are backed by the full faith and credit of the United States. What makes a transaction real, the actual transfer of possession or the pieces of paper that record that transfer? Pieces of paper aside, in fact the excess revenue from our social security "contributions" flows 100 percent of the time directly into the U.S. Treasury, where it is spent on roads and farmers.

The most damaging fallacies of argument appear in chapters 6 and 7, in which Rejda discusses the future of the social security system. Concluding some of the fuzziest discussion in the book, he asserts that, now and in the future, "the vast majority of workers will receive their money's worth" from social security (p. 164). This flies in the face of two kinds of evidence, actuarial and political. Actuarial evidence (that Rejda presents) shows that future cohorts of retirees will get back less than they paid into the system. The political evidence comes from our growing sense that the contributions that will be required to keep benefits high will soon exceed the public's willingness to be taxed. Rejda unconvincingly attacks the actuarial evidence as being based on doubtful assumptions (i.e., we should not count the employer premium as part of the workers' contribution because employers would devote part of the premium to profits, not wages; we should not compare the age-65 value of future social security benefits to the cost of a private-market annuity because there are no annuities that are just exactly like social security). He completely ignores the political evidence, however.

Indeed, nowhere in the book does Rejda mention the possibility that social security, or any other U.S. social policy, might someday disappear because its political support has eroded. Reviewing the sorry state of the Social Security Trust Funds, Rejda does admit that the program is not actuarially sound (p. 178), but students should not worry. Why not? Well, first, we should not hold government insurance to the same "performance" standards that we apply to private companies. This apparently includes solvency. Second, "since the OASDI program will operate indefinitely in the future" and third, "because the OASDI program is compulsory" (p. 178), we can rely on future contributors to provide benefits that exceed the contributions now being made by current contributors. To assume the program will survive while *arguing* that it will survive, is time-honored rhetorical trickery. SSA 1935 will go on forever and is the law, so we can always pass the ever-increasing net costs of social security on to the unborn, so SSA 1935 will go on forever and will remain the law. This chain letter will go on forever and is the law.

Obviously SSA 1935 will come to an end within the lifetime of the class of 1995. They need to start saving right now. Rejda's assertion that social security will support them adequately in old age is the most damaging message a social policy course could possibly deliver.

Book Reviews

Pensions and Other Employee Benefits: A Financial Reporting and ERISA Compliance Guide, Fourth Edition, by Richard M. Steinberg, Ronald J. Murray, and Harold Dankner (John Wiley, 1993).

Reviewers: Mary Ann Boose, Assistant Professor of Insurance, University of Mississippi, and Kay Guess, Assistant Professor of Accounting, Accounting Programs Director, Samford University

Pensions is a well organized, easily usable resource covering accounting, auditing, financial reporting, and regulatory compliance for pensions and health and welfare plans. It provides basic guidelines for both the sponsor and for the plan as an entity itself. The authors have closely followed the official pronouncements and explain them in a clear, concise, easily readable form. The needs of management, the accountant, auditor, and tax accountant are all addressed. There are few, if any, other resources available that combine all of these elements. The authors clearly define ERISA requirements and the manner in which management and accountants must comply with them. They further provide guidelines for the Internal Revenue Code's requirements relating to pensions, retirement plans, and other employee benefits. The book provides both basic background information and specific detail.

Although written for accountants, plan administrators, financial officers, and other professionals, *Pensions* presupposes very little knowledge. It provides history, a primer on actuarial concepts and methods, and detailed instruction concerning rules, procedures, and their intent. The writing thus enables interested but less informed parties to easily understand the material. This book would, therefore, make an excellent supplement to a course in employee benefits or a good reference for courses in human resources, life and health insurance, auditing, compliance, etc. A more thorough use of the detail in the book can be expected by accounting educators who will find this book helpful as a resource tool, especially in a financial seminar course at the graduate level. The book provides a great deal of concise information in a single source.

The organization of this book provides fast, convenient access for use as a reference tool. Chapters begin with detailed tables of contents. The index provides a thorough enumeration of the material. Figures, tables, glossaries, and checklists provide handy reference materials for the more sophisticated reader. Also included are lists of forms to be filed either annually or in special circumstances, such as the amendment of a plan. There is a comprehensive and concise layout of the audit of Employers' Pension Cost and the related information. The authors provide many illustrative letters, financial statements, calculations, and audit procedures which can be adapted by practitioners.

The most significant changes from the previous edition are the new pronouncements related to health and welfare benefit plans: FASB Statement 106 on accounting for postretirement benefits other than pensions; new AICPA rules for health and welfare benefit plan accounting and financial reporting; and the new AICPA audit guide for employee benefits. The comparison of Other Postretirement Benefit Plans (SFAS No. 106) with Pensions (SFAS No. 87) provides a particularly good overview of the differences and similarities between pensions and other plans. Measurement issues relating to retiree health benefits are also now covered.

A few weaknesses should be addressed in the next edition or in the supplements. The book does not provide illustrations of how to apply Statement No. 87. This complex statement needs worksheet illustrations as to the determination of amounts of both defined benefit and defined contribution plans. Most accountants would be more comfortable (as would auditors) if they could see worksheets showing details of how the client arrived at the numbers used in the financial statements. At times the book does not fully explain how to arrive at some figures. For instance, it should have illustrated the "corridor" approach referred to on page 143. The book does not illustrate how to control the volatility of pension cost. It does not provide a clear picture of how to determine and record pension expense and related account balances. This part of the book could be expanded by giving more detail.

The publisher periodically updates the book with supplements. Given the frequency of FASB statements relating to pension, health, and other welfare plans, it is advisable to determine whether the book (and supplements) are completely up to date. The latter is especially true for practitioners.

In sum, it should be noted the strengths of this book far outweigh its weaknesses. There are few comprehensive resource books on the market that can be used as a compliance guide for the accountant, regardless of the area of practice. *Pensions* fills that void in a very complete manner. This book also will be very helpful to graduate students and those trying to get a better understanding of the topics covered.

Book Reviews

Insurance, Risk Management and Public Policy, edited by Sandra Gustavson and Scott Harrington (Kluwer Academic Publishers, 1994).

Reviewer: Helen M. Bowers, Wake Forest University

This anthology of essays, which is part of the Huebner International Series on Risk, Insurance, and Economic Security, addresses a variety of engaging topics. Coeditors Gustavson and Harrington offer this volume as a tribute to the late Bob Mehr. The quality of these treatises and the wide range of subjects would have pleased Professor Mehr, and I believe he would have enjoyed reading this book.

In the first essay, Michael L. Smith and Stephen A. Kane discuss how the law of large numbers applies to the strength of insurance. Smith and Kane begin with the well-known assertion that, as the number of insureds in the pool increases, so does the risk-bearing capacity of the pool. Each insured's contribution to the pool exceeds its expected loss, increasing the total resources available to pay losses. Although this insight is not new, Smith and Kane's exposition is versatile and elegant and will bring most readers to a deeper appreciation of this concept.

The next two essays deal with familiar finance concepts as they apply to risk management and insurance. Neil A. Doherty and James R. Garven examine the rationale for corporate insurance, focusing on the effect of the reinvestment decision. Their contribution is twofold: first, they give the crucial corporate reinvestment decision some much needed attention; second, they draw their conclusions by integrating reinvestment, capital structure, and insurance decisions. David F. Babbel and David R. Klock derive duration formulas for insurer assets and liabilities, and they apply the duration concept to insurance clearly and logically.

In the next essay, Joan T. Schmit, Kendall Roth, and Rick G. Winch present the results of a survey contrasting managements' evaluation of foreign and domestic risks. The next four essays deal with current public policy issues in risk management. S. Travis Pritchett provides a very cogent and readable examination of the advantages and disadvantages of banks as vendors of insurance products, discussing such issues as economies of scale and scope, effects on the competitive environment, regulation, risk, and profitability.

Scott E. Harrington's fair and complete critique of compulsory automobile insurance is structured on the basis of justice and economics. The topic of Patricia M. Danzon's contribution is shifting medical expense coverage from auto insurance to first-party health insurance. Danzon includes in her discussion equity issues, such as the differential effects of this shift on good and bad drivers and the most efficient method for society to bear the costs of medical expenses resulting from auto accidents. Stephen P. D'Arcy's particularly interesting commentary on the social costs of insurance primarily concerns the price paid by society for moral and morale hazard introduced by the existence of insurance.

I recommend this book to teachers and researchers in the field of risk management and insurance. I advise caution in using this book in the classroom because the academic rigor in the essays is quite varied. The typical undergraduate could navigate the essays by Schmit, Roth, and Winch and D'Arcy with minimal assistance, but the rest of the material in the anthology would require additional input from the instructor. Although undergraduate students would not have sufficient background to understand or fully appreciate the issues presented in the more advanced essays, most instructors would want to discuss many of these issues in their advanced undergraduate risk management courses.

Most master's level students could handle the essays in this volume, with the possible exception of Doherty and Garven's contribution. The contributions by Harrington, D'Arcy, Pritchett, and Danzon are particularly well suited for inciting class discussions concerning controversial public policy issues. Also, students should be acquainted with the results of Schmit, Roth, and Winch's survey on international risk management.

In closing, I find very little to criticize in this anthology. Gustavson and Harrington have provided an intriguing collection of works, which most risk management and insurance professionals would like to include in their libraries.

Book Reviews

Financial Management of Insurance Companies, by John J. Hampton (American Management Association, 1993).

Reviewer: James M. Carson, Katie Insurance School, Illinois State University

This book aims to help readers develop the skills necessary to deal with the challenges of financial management in a modern insurance company. The book achieves this goal by introducing important concepts and by providing end-of-chapter exercises and cases in which information is solidified and integrated. An abundance of terms are defined throughout the book, so that readers unfamiliar with insurance terminology will find the book easy to follow. For example, while explaining that reinsurance recoverable is an asset, a brief description of reinsurance is given. The nature of the material is predominantly general so that it applies to the financial management of life-health or property-liability insurers.

Several early chapters provide a concise overview of accounting principles. The chapters include discussions and illustrations of some of the differences between statutory and GAAP accounting, such as the treatment of acquisition expenses, deferred taxes, and admitted assets under each method. Also, accounting variations between insurance and noninsurance firms are highlighted.

A limitation of the book is that attention to current issues is minimal. As such, no mention is made in this section of the concern over statutory versus GAAP accounting by the American Institute of Certified Public Accountants.

Insurer solvency is discussed in two chapters that touch upon the role of the National Association of Insurance Commissioners, ratio analysis, and statutory adjustments to GAAP accounting, among other topics. The discussion is relatively narrow, perhaps overly so in some places. For example, several IRIS ratios and their respective acceptable ranges are introduced, but no mention is made of the ratios' limitations, such as their interdependence or the arbitrary ranges of acceptable values. In a later chapter on forecasting reserves and surplus, it is stated that values for the ratio of premiums to surplus should not exceed five (rather than the more common value of two or three). Several numerical examples illustrate the calculation and application of various commonly used ratios.

The book emphasizes the existence and the importance of the time lag between receipt of premiums and payment of claims, and thus the importance of investment yield in an insurer's overall net income. Related to net income is a discussion of reserving for long- and short-tail policies and the effect of reserves on the insurer's net income. The discussion is straightforward and includes helpful tables and examples. Readers familiar with the academic literature on loss reserves, however, may be disappointed by the absence of any citation of relevant theoretical or empirical studies. The chapter on loss forecasting provides an excellent description of accounting for losses, including steps in recognizing and assigning losses to particular years. This chapter also contains a succinct section on probability analysis, in which the nature of probability distributions is described and various statistical measures are defined.

Overall, this book is a fact-oriented, positive description of the financial management of insurers. Its clear and concise description of GAAP versus statutory accounting is one of its primary strengths. *Financial Management of Insurance Companies* is written for "all levels of insurance professionals." The book's exercises and cases also make it very appropriate for an undergraduate or graduate course that incorporates a segment on insurance accounting. Several chapters have questions that are directly related to the CPCU 8 exam, and the book will serve as excellent supplemental reading for CPCU students. A future edition of the book might benefit by the inclusion of discussions of risk-based capital and the use of derivative securities by insurers.

Book Reviews

Insurance in the United States, A Handbook for Professionals, by Marshall H. Pinnix (DYP Insurance and Reinsurance Group Ltd, 1993).

Reviewer: Kenneth J. Crepas, Professor of Insurance and Finance, Illinois State University

Insurance in the United States represents an effort to deal with many aspects of insurance in the United States from an insurance professional's viewpoint. The author of this reference resource was a group manager of financial analysis at Alexander & Alexander, where he was heavily involved in the analytical techniques for solvency assessment of U.S. property-casualty (and to some extent life and health) insurers. With this extensive industry background in financial analysis, Pinnix is able to provide a different perspective on not only solvency issues but also a wide range of topics of keen interest to insurance professionals.

The text is not as well organized as needed for this type of reference. It could be used for an advanced class in insurance but would have limited applicability for use in lower division classes. The three major parts of *Insurance in the United States, A Handbook for Professionals* comprise sections on the technical analysis of the insurance industry and solvency assessment of property-casualty insurers and a discussion of other American domiciles. Although the focus of the second and third parts are clearly delineated, the topics covered in the first part do not have section headings and treat a wide range of subjects in 13 chapters. Perhaps two or more divisions could be used for these first 13 chapters to improve the flow of the material. The history of insurance regulation and current regulatory and tax issues need to be made into separate parts. The second and third part of the reference is more logically organized and can stand alone. Because the chapters are well organized and self-contained, they can be read by professionals in the field and assigned individually as study units for an advanced course in risk management or a seminar in insurance.

Despite the need for appropriate subdivisions to enhance readability, the topics of the individual chapters in the first part—including an outlook for federal participation in regulation, risk-based capital requirements, and the treatments of specialized insurance markets—are of considerable interest to insurance professionals. The author provides a very good overview of surplus lines markets and exchanges, workers' compensation markets, and alternative markets. All of the chapters in the first part of the text include an excellent compilation of data presented in various tables. The data have been gathered from many industry sources, and the inclusion of these benchmarks in a single text is quite worthwhile.

The chapter on income tax law in part one is excellent and originally was published in a June 1988 technical journal of the DYP Insurance and Reinsurance Research Group. This chapter illustrates the impact of the Tax Reform Act of 1986 using three well-developed cases. It would be very informative to note the potential tax law changes that might occur if an update or addendum to this text is done in the future.

The second part of the book comprises seven chapters that review techniques of financial analysis and present an in-depth investigation of U.S. property-casualty insurers for the purposes of solvency assessment. These chapters are based on a series of articles written by the author appearing in the Insurance & Reinsurance Solvency Report between April and October 1988, and provide an update on procedures used to analyze the exhibits in the statutory financial statements as they existed in 1991. The excellent exhibits provided in part two represent a very valuable tool for insurance professionals to utilize in solvency assessment. This part of the text provides an excellent presentation and analysis of the NAIC IRIS (Insurance Regulatory Information System) tests. This part of the book is organized very well and can be used independently.

The third and last section of the text deals with Mexican and Canadian insurers and comprises two chapters. Although quite informative, this discussion of non-U.S. insurers suffers from its brevity. More detailed information on the history, growth, and solvency assessment of insurers based in these two countries would be appropriate. A comparative analysis of the problems in these two countries and the United States is also lacking and, as a result, the reader is unaware of the reason for including this examination of non-U.S. insurers. This part of the book could and should be expanded.

The book provides a wealth of information on techniques of financial analysis for (especially property-casualty) insurers. This handbook should be in the library of every insurance professional. Furthermore, this book is a must as a resource for both insurance professionals and serious students pursuing the study of insurance. I would highly recommend this handbook as a reference for this specialized readership.

Book Review

Life Insurance, Twelfth Edition, by Kenneth Black Jr. and Harold D. Skipper, Jr. (Prentice-Hall, 1994).

Reviewer: Jane H. Finley, Associate Professor, Division of Business and Management, Spring Hill College

The book is included in the Prentice-Hall Series in Security & Insurance, and the consulting editor is one of the book's authors. The targeted audience includes college students and insurance and other professionals. It also seems appropriate as a reference for students of financial institutions or financial planning.

Thirty-four chapters are grouped into nine parts: Introduction to Life Insurance (three chapters); Types of Life Insurance Products (four chapters); Aspects of Life Insurance Evaluation (four chapters); Uses of Life Insurance in Personal Financial Planning (four chapters); Uses, Types, and Evaluation of Health Insurance (two chapters); The Mathematics of Life and Health Insurance (five chapters); Selection and Classification in Life and Health Insurance (two chapters); Employee Benefit Plans (four chapters); and Organization, Management, and Regulation of Life and Health Insurance Companies (six chapters).

As in previous editions, the title of the twelfth, *Life Insurance,* fails to impart the comprehensiveness of material covered. The authors have "attempted to provide a comprehensive, unbiased treatise on individual and group life, health, and retirement products, their appropriate use and taxation, how to evaluate them and their supplier insurers, along with a thorough examination of life insurance company operations and regulation."

The focus here is on examining whether the revised edition accomplishes each part of that stated mission.

As "a comprehensive, unbiased treatise on individual and group life, health, and retirement products," the book does deliver, with separate chapters detailing the features of the various types of policies. Along with the descriptions, the authors include sections on the appropriate uses and limitations of each. Especially enlightening is the section on universal life insurance in chapter 6. Perhaps future editions could place coverage of group health plans with the presentation of health insurance fundamentals instead of ten chapters later, as they state group coverage is 90 percent of all medical expense coverage provided by life and health insurers. Chapters focusing on applied mathematical principles continue to be strong components, as in previous editions.

The products' appropriate use and taxation are carefully presented. The description of each product is followed by a section on uses. Additionally, chapter 12, Life Insurance Planning, examines the role of insurance in individual financial plans. This is a major new emphasis for this edition. Business Uses of Life Insurance, chapter 15, gives thorough, well-documented coverage, which is more extensive than other texts. Chapters 13 and 14 on taxation and estate and retirement planning are two of the book's strongest chapters.

The coverage of how to evaluate the products and their supplier insurers includes an entire chapter on cost analysis and disclosure—technical, yet quite clearly presented. Compatible with the new edition's financial planning emphasis, chapter 11 is Insurance Advisor and Company Evaluation. The company evaluation part is particularly thorough and up-to-date.

"Thorough examination of life insurance company operations and regulation" is indeed found in two current and well-documented chapters on company financial management (new chapter) and investment management. They provide more depth than many texts on institutions management, including life insurers. The presentation in chapter 34 gives the flavor of the current debate on regulatory reform. Useful references are provided for those desiring further detail.

The authors have accomplished their stated aims for this edition. Yet the book's title does not give the reader unfamiliar with previous editions a true indication of the breadth of coverage, especially on health insurance. Shortcomings have more to do with format than content. There are no helps such as outlines, review questions, or glossaries, and few tables or exhibits are presented. Perhaps their inclusion would make this 1,000-page text too long. Although the font is much larger than that used in the last edition, the format is no more elaborate than what could be produced for a term paper with a word processor. In spite of larger print, the flow of the outline and organization of topics is more difficult to follow with this format. The authors should be commended for the use of footnotes, rather than endnotes, for their extensive documentation.

Aside from appropriate use as a text, the twelfth edition should be an important addition to college libraries and the personal libraries of finance professionals.