BOOK REVIEWS

Estate Planning and Taxation, by Chris J. Prestopino (Kendall/Hunt, 1994).

Reviewer: Carol A. B. Jordan, State Farm Professor of Insurance, Northeast Louisiana University

It's a pleasure to again review a textbook that improves with each edition. I was glad to learn that this text will be published annually in the future. The author teaches estate planning, and those of us who teach the subject appreciate his dedication to providing an excellent, up-to-date textbook for the topic. For the student, the physical construction of this book makes it comfortable for use as a manual: it has a soft cover, large print, and is well written.

The book is logically organized into three sections, each of which builds on the last. The first section, Overview and Conceptual Background, describes estate planning, demonstrates the need for the process, establishes how to get started with the process, and explains the layout of the rest of the book. The second chapter introduces and defines terms used in estate planning and uses good examples to clarify hard-to-understand terms. The chapter presents such new terminology as class gift, exercisable power, sprinkle, spray, testamentary power, and pecuniary bequest. The figures well illustrate the parties to a trust and the parties to a power of appointment.

The second section, Constraints in Planning, leads first through the qualitative area of property transfers; it introduces documents and distinguishes the process of property transfers in states that employ the Uniform Probate Code from states that do not use this code. The focus is quantitative later in the section, addressing estate, gift, and income taxation.

The last section, The Techniques of Planning, covers a wide range of topics and makes up more than half of the book. From establishing the goals for the estate plan through postmortem tax planning, each chapter is enhanced by excellent tables, examples, sources for recommended reading, questions and problems, and references to appendices. The appendices include sample tax return forms, tax and valuation tables, selected editions of the IRS code, sample living will forms, and a fine glossary.

Chapter 10, The Decision to Avoid Probate, again includes an effective quantitative model for comparison of costs of probate versus living trust; and readers are provided the opportunity to apply time-value of money principles to estate planning. Chapter 15, Liquidity Planning, is especially useful. I refer to it in my Fundamentals of Life Insurance course because it completely encompasses the taxation of life insurance. New in the chapter is the discussion of "living benefits" life insurance. Also new, Figure 15-1 does a particularly good job of depicting the evolution of beneficiaries and taxation of the irrevocable life insurance trust. Later, in chapter 17, Miscellaneous Lifetime Planning, Figure 17-1 concisely summarizes the taxation of the major trusts used in estate planning. The questions and problems presented at the end of every chapter are valuable to the student and instructor.

This is *the* textbook for teaching estate planning. The book just gets better and better. If the book has a weakness, it is the failure to address questions of obligations or responsibilities of the estate planner, both legal and presumed. Individuals considering a career in estate planning should understand the possible effects of errors, omissions, or ethical breaches in this line of work. I repeat myself but perhaps a risk management for estate planners chapter could be included.

BOOK REVIEWS

Essentials of Risk Financing, Volumes I and II, Second Edition, by George W. Head, Michael J. Elliot, and James D. Blinn (Insurance Institute of America, 1993).

Reviewer: Michael J. McNamara, University of Memphis

Essentials of Risk Financing is designed primarily for use in the Insurance Institute of America's Associate in Risk Management (ARM) professional designation program. The two-volume set is logically organized and written from a managerial perspective. Volume I opens with discussions of formulation of risk financing objectives and examinations of risk financing options. Next, specific risk financing techniques are examined in detail. The techniques discussed include retention, captive insurers and pools, traditional insurance, excess insurance and reinsurance, and noninsurance transfers. An appendix briefly reviews of some quantitative techniques used in risk financing decisions, including forecasting, probability analysis, and capital budgeting methods. Volume II opens with a discussion of employee benefits financing. The remainder of this volume is devoted to operational aspects of risk financing, including forecasting losses and risk financing needs, accounting and income tax aspects of risk financing, dealing with insurers' representatives, claims administration, and risk management cost allocation. The authors cover a wide range of material in the two volumes.

The texts have several beneficial features. The excellent treatment of forecasting losses and risk financing needs in chapter 9 provides through the use of examples and numerous exhibits a clear, step-by-step exposition of this difficult topic. The material on financing employee benefits is a welcome inclusion. Employee benefits are sometimes included under the purview of the risk manager, and this section provides an excellent introduction to employee benefit financing. Finally, the discussion of dealing with insurer representatives with regard to placement or renewal of coverage is beneficial. Having witnessed several organizations that simply reacted to insurer dictates, the proactive approach advocated by the authors is necessary. The development of insurance specifications and the creation of a competitive bidding atmosphere will produce more uniform and competitive bids. This chapter closes with an effective case study outlining the renewal of insurance coverage for a medium-sized firm.

The major shortcoming of the texts is the lack of attention paid to basic financial analysis. The coverage of time value of money and investment analysis (capital budgeting) is disjointed and incomplete. As time value of money forms the foundation for many risk financing decisions, an expanded treatment of this topic is warranted. Surely a text bearing this title should include a chapter on time value of money and capital budgeting.

The financial analysis employed in the cash flow model developed in chapter 3 is especially troublesome. The goal of this model is to determine the optimal retention (deductible) level when private insurance is purchased. After calculating after-tax net cash flows, net present values (NPVs) are calculated at three different deductible levels. This analysis is not adequately explained. Why, for example, is the discount rate illustrated used? Also troublesome is the fact that each of the three deductible alternatives analyzed produced a *negative* NPV. Once calculated, the negative NPVs are ignored. The authors proceed to analyze the same cash flows using "time-adjusted rate of return" analysis, a technique most modern financial management texts refer to as internal rate of return (IRR) analysis. The resulting IRRs are all less than the discount rate used to calculate the NPV. The IRRs are never compared to the required rate of return. Rather, the authors discuss maximization of IRR as the way to determine the optimal deductible level.

The inherent problem with the cash flow model developed is that the link between "factors difficult to quantify" (discussed earlier in the chapter) and the results of the analysis is never made. Financial managers do not routinely select negative NPV projects or projects that return less than the required rate of return. The decision to purchase insurance and the terms of the insurance, however, are not routine capital budgeting exercises. The authors could attempt to quantify some of the additional benefits of insurance, or, at the very least, explain why negative NPVs and IRRs less than the required rate of return are acceptable in this case. For example, the variability of potential losses could be discussed as a justification. This section also may give the false impression that maximizing IRR is an appropriate investment analysis decision rule in all scenarios.

Although *Essentials of Risk Financing* was written primarily for those pursuing the ARM designation, the texts should appeal to a broader audience. Anyone interested in a more complete understanding of risk financing decisions will find the texts beneficial. I used the earlier edition of the text when completing the ARM designation. The new edition represents a significant improvement. I used the current edition in a one-semester undergraduate course on Risk Management Finance. The texts, supplemented with problem sets and risk management software, produced desirable classroom results.

BOOK REVIEWS

Environmental Risk: Identification and Management, by Albert R. Wilson (Lewis Publishers, 1991).

Reviewer: Kathleen S. McNichol, Risk Management and Insurance Program, La Salle University

Environmental risk management is a relatively new but growing area for many practicing risk management professionals. Environmental loss exposures represent a unique opportunity for application of traditional risk management techniques. Albert R. Wilson provides a framework for investigating and managing risks associated with environmental hazards using a scientific approach that incorporates many familiar risk management techniques.

Many environmental exposures are a result of law or regulation. Wilson does a competent job of discussing these laws and regulations and explains the resulting liability. Chapter 4, directed to senior management and direct line managers, provides sound guidance in the development of an environmental risk management policy statement, stressing the importance of public relations.

An interesting tool described in the book is the Environmental Risk Inventory System (ERIS). The author believes that environmental risk management is a long-term and continuous process and, therefore, there is a need for an information system that will allow management control and performance measurement of that management. Also, inventories of environmental risks are required under the Resource Conservation Recovery Act and the Asbestos Hazard Emergency Response Act. ERIS is designed to meet all of these needs.

Certain chapters contain very instructional exhibits, such as those demonstrating transport and secondary control mechanisms. Although some of the material is necessarily technical, practical approaches to identifying potential targets and risk sources are provided. Cost accounting foundations and present value concepts are utilized to aid the risk manager in the development of cost/benefit models and estimations.

The author appropriately employs his background in science and mathematics to develop a framework within which a practicing risk management professional can operate. Additionally, the book presents a viable option for use in a classroom where environmental exposure is the focus. The one weakness of the work, from a risk management perspective, is the lack of an in-depth discussion of insurance products available.

BOOK REVIEWS

Handbook on Insurance Coverage Disputes, Sixth Edition, by Barry R. Ostrager and Thomas R. Newman (Prentice-Hall Law and Business, 1993).

Reviewer: Laureen Regan, Assistant Professor of Risk Management and Insurance, Temple University

It is well established that most insureds do not read their insurance contracts, and this factor contributes to disagreements about whether coverage exists for a particular event under a particular contract. Unfortunately, as our society becomes increasingly litigious, many more insurance coverage disputes are being resolved in the courts. The *Handbook on Insurance Coverage Disputes* provides a thorough examination of the law surrounding insurance contract disputes. Although intended for attorneys, judges, and other legal practitioners, it should serve as a valuable reference for those teaching insurance contract classes and for anyone faced with a question about coverage under a contract of insurance. Underwriters, risk mangers, brokers, agents, and other practitioners should find this a worthwhile text to add to their libraries and may use it to anticipate and respond to disputes before they get to the legal action stage. The *Handbook* assumes a knowledgeable audience, and the level of analysis is very detailed. Consequently, a basic knowledge of contract law, insurance contract language, and problems in insurance contract interpretation is required.

The subject matter ranges from general problems in contract interpretation to problems in specific areas of insurance, such as pollution coverage. General topics analyzed include ambiguous policy language, timely notice requirements, reservations of rights, triggers for and limits on the insurer's duty to defend, disputes when coverage may exist under multiple policies, and the problem of misrepresentation or omission in the insurance application. These chapters are useful for analyzing coverage disputes for many different lines of insurance.

More specific issues also are detailed. In addition to devoting a lengthy chapter to current coverage issues arising out of hazardous waste/environmental litigation, current issues in excess coverage and in reinsurance are examined. These chapters are well researched and provide valuable insight into the current thinking of the courts in these areas. I gained an appreciation of the variations across jurisdictions in such important areas as whether an explicit, unambiguous policy provision will be enforced.

Other important issues given a thorough treatment include the role of the broker in the transaction, the extent of occurrence-based coverage and trigger issues, bad faith claims and unfair insurance practices acts, insurance coverage for punitive damages, and coverage questions arising from mergers and acquisitions.

Each of the 19 chapters begins with a concise introduction to the issue and follows with a presentation of case law across jurisdictions. The reasoning behind the decisions is analyzed, and selections from opinions, both concurring and dissenting, are included to illuminate the issue. I found the explanation of the decisions well organized and a valuable addition to the otherwise technical reading. Overall, chapters are well organized and well written. Several chapters include helpful tables that summarize current case law across jurisdictions.

The *Handbook* has been updated and revised each year since its introduction in 1988. Given the rapid development of insurance law, this is vital. However, for those who are not legal practitioners, it is difficult to keep up with the changes in both statutory and case law. An attractive feature of this hardcover book is that it allows readers to insert updates in the appropriate chapters or to remove and replace entire sections.

Although this is quite a lengthy volume, the 20-page table of contents and the index make it very easy to find needed information. Tables of cases cited, statutes, other authorities cited, and a table of cases citing the *Handbook of Insurance Coverage Disputes* allow the reader to pursue further research and are particularly useful to legal practitioners.

The principal drawback to this text is that it is difficult to read. For those not familiar with legal writing, the number of cases cited—approximately 3,000 within the 713 pages of text—can make for laborious reading. It is difficult to maintain the flow of ideas when the bulk of the page is taken up with citations. Also, do not expect to find any commentary or case studies. This is strictly a legal reference and is written as such. It is not suitable for use as assigned reading for insurance or risk management classes at either the undergraduate or graduate level, unless your objective is to develop risk management and insurance legal professionals.

Despite this criticism, I found the *Handbook of Insurance Coverage Disputes* relevant and interesting. I read the entire volume and learned a great deal, and I feel confident that I can find the answer to a coverage question here.

BOOK REVIEWS

Rethinking Contingency Fees, by Lester Brickman, Michael Horowitz, and Jeffrey O'Connell (Manhattan Institute, 1994).

Reviewer: Joan T. Schmit, American Family Insurance Professor of Risk Management and Insurance, University of Wisconsin-Madison

Lester Brickman and Jeffrey O'Connell have each significantly impacted the legal system in the United States. Together with Michael Horowitz they offer an innovative and interesting recommendation to adjust a part of the tort system that has received widespread attention over the years—contingency fees in personal injury cases. Regardless of one's orientation in this debate, the monograph is worth reading for anyone interested in the tort system. It includes an extensive discussion of contingency fees, an appendix that offers appropriate draft language for legal change, and a creative recommendation for making the U.S. tort system more efficient.

Through contingency fee arrangements, plaintiffs' lawyers accept litigation opportunities with the understanding that they will receive no compensation unless and until they are successful in the litigation (including settlements). Generally, although each agreement for legal counsel may be unique, the arrangement calls for payment to plaintiff's counsel in the amount of 33 percent of the settlement if no trial is required, 40 percent of any settlement/judgment if the case does proceed to trial, and 50 percent if an appeal is involved in addition to the initial trial.

The essence of Brickman, Horowitz, and O'Connell's proposal is to encourage pretrial settlements at very early stages in order to avoid the cost of discovery and the adversarial process in general. They do this by proposing modification of the fees available to plaintiffs' lawyers who participate in the proceedings.

The five principle features of the proposal are that: (1) Contingency fees may not be charged against settlement offers made prior to plaintiffs' retention of counsel. (2) All defendants are given an opportunity [although are not required] to make settlement offers covered by the proposal, but no later than 60 days from the receipt of a demand for settlement from plaintiff's counsel. If the offer is accepted by the plaintiff, counsel fees are limited to hourly rate charges and are capped at 10 percent of the first $100,000 of the offer and 5 percent of any greater amount. (3) Demands for settlement submitted by plaintiffs' counsel are required to include basic, routine discoverable information designed to assist defendants in evaluating plaintiff claims. In turn, to assist plaintiffs in evaluating defendants' offers, discoverable material "in the...[defendant's] possession concerning the alleged injury upon which [the defendant] relied in making his offer of settlement" must be made available to plaintiffs for a settlement offer to be effective. (4) When plaintiffs reject defendants' early offers, contingency fees may only be charged against net recoveries in excess of such offers. (5) If no offer is made within 60 days, contingency fee contracts are unaffected by the proposal.

The intent of the authors' proposal is to permit contingency fees where there is a "contingency" regarding claim outcome. That is, the authors recommend using fees only where there is risk in the process, either in liability or in damages. Because the authors believe that it is beyond debate "that there is a large and growing proportion of tort cases in which the risk of nonpayment by defendants is limited," they consider the use of contingency fees to be inappropriate in many situations. They believe that plaintiffs should be eligible to receive a larger portion of their awards/settlements than occurs under standard contingency fee arrangements.

To bolster their argument, Brickman, Horowitz, and O'Connell cite other studies reporting plaintiffs' net return as a percentage of claimed financial harm. Plaintiffs without counsel receive larger net payments than plaintiffs represented by counsel. Evidence is provided suggesting that claimants with legal counsel have greater medical utilization for similar injuries, indicating that legal counsel works to inflate claims. All of this is offered to justify the need for a change in contingency fees. The premise of the proposal, in fact, is that plaintiffs' lawyers are reaping unwarranted benefits from a contingency fee system. A suggestion that this often occurs because of unethical behavior on the part of plaintiffs' lawyers is made.

Such an approach to the problem, however, seems unnecessary to reach Brickman, Horowitz, and O'Connell's conclusions. Readers who know my research are not surprised that I would argue with their premise, whose proposal is sponsored by the Manhattan Institute. Yet I see potential value in what they recommend. The advantage of their proposal is not about reducing contingency fees, but rather reducing discovery and other relevant litigation costs.

The vast majority (90-95 percent is the typical amount suggested) of claims brought by plaintiffs are settled. The authors are clear in their intent to affect only those cases that involve little or no risk. An economist would predict the affected cases to be among those currently being settled because, with little risk, the cost of litigation generally is not worth the outcome. An increase in settlements, therefore, is not expected. The question, then, is what costs incurred prior to settlement that could be avoided?

The current system seems to encourage delay in the process, requiring that time and resources be expended by both parties. One possible purpose for the defendant to delay, for example, is to encourage plaintiffs to accept payments lower than would be available in court, but sooner than would be available through court proceedings. During the delay period, however, both parties are continuing with discovery, spending time on documents and court procedures, and generally using their professional time. If the Brickman, Horowitz, and O'Connell proposal really does encourage earlier settlement, then these expenses would be alleviated, and the need for a large contingency fee is reduced. Examples of the market working in this direction already exist. Many lawyers take cases with the promise that they will accept fees only on amounts in excess of any settlement already offered by a defendant, with gradations of contingency fees below one-third for early case determinations. Thus, the authors' proposal may mimic to some extent the process begun by the market. Formalization of the procedure may be warranted, however, to ensure fairness in the system.

Yet an important area of concern to me remains, and that is the incentives for defendants to settle. The authors believe that, by encouraging plaintiffs to accept early reasonable settlements, defendants will have greater interest in making such settlement offers. Currently, they believe, defendants are discouraged from making such settlement offers because doing so alters the negotiating relationship between plaintiff and defendant. Under the Brickman, Horowitz, and O'Connell proposal, however, the impact of an early reasonable settlement offer by a defendant does not necessarily lose its force over the course of negotiations, and, therefore, early fair play may be more likely.

O'Connell does agree that their proposal places greater burdens on plaintiff lawyers than on defendant lawyers. He indicates willingness to do so in the belief that plaintiffs require greater protection from unethical legal counsel than do defendants (plaintiffs tend to be individuals, relatively unsophisticated in legal matters, while defendants are repeat players and typically businesses more familiar with legal issues). My preference, however, would be to find a solution to the cost of litigation that is more evenly matched. I do not believe that plaintiff lawyers are more likely to pursue unethical conduct than are defendant lawyers. Further, defendants and their counsel together have significant incentives to "game" the system, and our tort system could benefit from incentives away from such behavior. Still, I am not willing to propose a system that institutes a case-by-case analysis of "reasonableness" in legal fees, which would likely only contribute to the current cost of litigation. In sum, then, I generally support Brickman, Horowitz, and O'Connell's work, and yet feel uneasy about the shift in power to favor defendants over plaintiffs. I encourage continued work in this vein to seek a mechanism that can achieve reduced litigation costs while supporting a balanced system for plaintiffs and defendants.

Although change often is held back in the name of additional research, in this case such action may be wise. Hard data, rather than just anecdotes, about the incidence of lawyer overpayment are needed. Brickman, in earlier work on contingency fees, has argued that surveys of lawyer payments do not tell the whole story (the survey results indicate that lawyers paid on a contingency fee receive amounts commensurate with those received by defendant lawyers paid on an hourly basis), but he has not offered clear evidence to support his position. Our understanding of the effect of the authors' proposal (or one like it) would be heightened with greater knowledge of how likely defendants would be to make early settlements under this regime. Further, do we have some ideas about how many cases are sufficiently certain where contingency fees are paid that this proposal would be appropriate? As already mentioned, it is common practice among some lawyers today to accept fees only on amounts received in excess of preretention offers.

I applaud Brickman, Horowitz, and O'Connell for tackling this often-discussed problem with creativity and ingenuity. A portion of their proposal is a well-developed plan that could be used as wording for legislation or court rule, a hallmark of O'Connell, and a method of proposing public policy that each of us should consider employing more often. My impression is that their proposal has merit primarily in reducing litigation (transaction) costs more than contingency fees. And perhaps that merit is sufficient. Perhaps we do not need to question lawyer ethics or the state of the tort system to find usefulness in their proposal. It seems up to the academic community to find the answers to these questions and solutions to an expensive litigation issue in the United States.

BOOK REVIEWS

Labor Economics: Problems in Analyzing Labor Markets, edited by William Darity, Jr. (Kluwer Academic Publishers, 1992).

Reviewer: Robert J. Thornton, Professor of Economics, Lehigh University

Labor Economics: Problems in Analyzing Labor Markets is a collection of nine essays that provides a critical assessment of four major areas of disagreement in economics: unemployment, the working of labor markets, race and discrimination, and culture and poverty. A unique feature of the collection is that editor William Darity has included critical perspectives not just from those within the mainstream of economics but also from those on its periphery (Marxian economics) and even outside of it (history).

The first set of papers deals with a long-standing question in economics: whether the recurrent episodes of widespread joblessness should be properly labeled as "involuntary unemployment" or "voluntary unemployment." As one contributor (historian Alexander Keyssar) puts it, observers outside of economics are sometimes incredulous that the question can even be asked, when all one has to do is "walk...around a blue-collar, or low income, neighborhood." Keyssar also finds many of the reasons economists offer for the existence of unemployment unconvincing (e.g., wage stickiness, minimum wages, and unemployment insurance). Instead, Keyssar offers what he deems a "compelling case" for resurrecting the notion of the "reserve army of the unemployed," a concept linked with Marxian economics. The section on unemployment also contains a thoughtful analysis by Michael Styron Lawlor entitled "Keynes, Cambridge, and the New Keynesian Economics," which traces the emergence of the theory of aggregate unemployment before Keynes in the 1930s. Lawlor argues that the wage-rigidity arguments now used by New Keynesians (e.g., efficiency wages, implicit contracts, etc.) were in fact recognized before the General Theory and that Keynes did *not* attempt to fit his theory to such arguments. As Lawlor succinctly puts it, "the action in the General Theory is *not* in the labor market."

The second section in the collection—How Labor Markets Work—is a loose collection of three essays that consider the ways in which the approaches of mainstream economics can be amended to deal with potential "trouble spots." Of special interest here to most labor economists will be the contribution by William Dickens and Kevin Lang on labor market segmentation. Dickens and Lang describe the essential elements of segmentation theory and offer evidence to support their claim that the labor-market-segmentation perspective provides remarkably powerful insights into the workings of labor markets. Contending that "the human capital perspective has not fared well," Dickens and Lang urge that labor market segmentation theory be "taken seriously" by economists and argue that it deserves an important position in the economist's toolbox.

The third major section of the volume contains two essays on race and discrimination. In "Labor Markets and Racial Inequality," Jeremiah Cotton claims that human capital explanations for the existence and persistence of labor market discrimination have failed. (The human capital perspective, by the way, takes quite a beating in several essays in this collection.) Cotton recommends instead the Marxist approach, which views capitalist labor markets as characterized by "collusive arrangements between cabals of white workers and white capitalist employers." In "Racial Inequality and Racial Conflict," Rhonda Williams also expresses dissatisfaction with mainstream economic approaches to analyzing economic inequality and presents alternative radical conceptualizations of how race shapes and is shaped by capitalism. Both Cotton and Williams represent what editor Darity terms a "newly emerging group of labor economists whose work is richly informed by classical political economy and Marxist theory."

The fourth and final section of the volume contains two essays that address the subject of "culture" as a determinant of earnings. In a lucid piece, Stephen Woodbury points out that the economics of discrimination took a new turn in the 1980s. In the standard earnings function approach used by most economists to explain earnings differentials across groups, the unexplained residual has usually been attributed to discrimination. Now, however, Woodbury claims that many deem the residual to be the result of culture—as some (Thomas Sowell, for example) have put it, a whole constellation of values, attitudes, and characteristics that vary systematically by ethnicity. Woodbury's analysis of West Indian blacks, other blacks, and whites finds little support for the culture hypothesis, however, and he buttresses his findings with a methodological critique of the culture hypothesis as well. The other essay in this section—"Labor Economics and Public Policy" by E. Michael Foster—continues the theme of culture by analyzing how economists treat preferences and how such treatment influences their understanding of poverty and the poor. Foster contends that the way economists treat preferences unjustifiably reinforces the idea that poverty—as well as unemployment—may be voluntary.

The book's primary appeal will be to labor economists, and mostly to those with an academic rather than a practitioner bent. Its virtue is that it provides some very clear exposure to some alternative views and paradigms in labor economics. Its shortcomings are that the topics covered are somewhat limited (unemployment, markets, discrimination, and race) and that the text is marred by an unfortunately large number of minor typesetting errors. Nonetheless, the volume warrants serious consideration by academic labor economists and deserves a place on graduate-level reading lists.

BOOK REVIEWS

Integrating Insurance and Risk Management for Hazardous Wastes edited by Howard Kunreuther and Rajeev Gowda (Kluwer Academic Publishers, 1990).

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

Editors Kunreuther and Gowda provide meaningful information regarding the societal problem of hazardous waste. They present a compilation of the papers, discussants' comments, and small group reports offered at a conference on "Risk Assessment and Risk Management Strategies for Hazardous Waste and Storage Problems," the third in a series addressing the problem of hazardous waste sponsored by the Wharton Center for Risk and Decision Processes.

The first half of the book (and the first day of the conference) treats the problems associated with cleaning up inactive waste sites and managing existing waste sites. Both issues are addressed in terms of risk assessment, insurability, and risk management. With regard to inactive sites, the focus is primarily on the need for appropriate risk assessment (for the establishment of priorities) as well as the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 and other legislative efforts associated with cleaning up inactive sites. The risk management and insurability ramifications of such legislative efforts are also addressed. The treatment of existing waste sites focuses upon risk assessment and the regulation of ongoing waste management activities under the Resource Conservation and Recovery Act of 1976 and the associated risk management and insurance implications.

The conference continued with small group discussions and more paper presentations. The last half of the book addresses this part of the conference, providing papers on six perspectives regarding hazardous materials and their disposal—communication, environmental, industry, insurance, legislative, and legal; a synthesis of the conference by F. Henry Habicht II; and a concluding paper by Kunreuther and Gowda.

Integrating Insurance and Risk Management for Hazardous Wastes provides background material on the problem of hazardous waste disposal, along with a sense of the issues addressed via legislative efforts to date. Also highlighted are the benefits and limitations of risk assessment in the establishment of priorities for risk-handling and clean-up efforts. However, the book's major contribution is its recommendations for the legislation needed to develop a comprehensive hazardous waste policy with risk assessment and risk management duly incorporated. The articles offer integrated strategies for the risk management and risk communication functions related to insurance and regulation of hazardous waste disposal.

Southern Finance Association

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USA

Those who wish to participate as a session chair and/or as a discussant should also contact Professor Poulsen.

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