

financed benefit plans. *The Journal of Human Resources*, Fall 1995, 30(4): 701-711. (Reprinted with permission of *The Journal of Human Resources*.)

Pension Funding with Time Delays and the Optimal Spread Period, by Steven Haberman (City University, London)

The paper extends earlier results by demonstrating that there is an optimal range of values for the period for amortizing valuation surpluses or deficiencies, in the case when there is a one-year time delay between fixing a contribution rate and the accounting information about current fund levels. The optimal range is compared for the cases where there is no time delay and there is a one-year time delay. *Astin Bulletin*, November 1995, 25(2): 177-187. (Reprinted with permission of the *Astin Bulletin*.)

The Distorting Effect of the Prudent-Man Laws on Institutional Equity Investments, by Diane Del Guercio (University of Oregon)

I examine the effect of prudent-man laws on the behavior of institutional investors. Variation in exposure to legal liability across types of investment managers allows me to disentangle the effect of the prudent-man laws from other potential influences on manager behavior. Bank managers significantly tilt the composition of their portfolios toward stocks that are viewed by the courts as prudent, while mutual fund managers do not. I show that differences in the direction that bank and mutual fund managers choose to tilt may explain their portfolio performance differences over time. *Journal of Financial Economics*, January 1996, 40(1): 31-62. (Reprinted with permission of North-Holland Publishing Company.)



INSURANCE REGULATION

A Theory of Risk, Return and Solvency, by Michael R. Powers (Temple University)

In recent years, state regulators and state and federal lawmakers in the United States have become increasingly concerned with issues involving both the price and solvency regulation of insurers. In this article, we develop a risk-theoretic framework for studying both rate of return and solvency issues. Employing a certain class of diffusion processes to model insurer net worth, we use the expected discounted cost of insolvency (EDCI), a generalization of the probability of ruin, in constructing the regulator's objective function. This objective function is then used to solve for the optimal rate of return and the optimal loss-to-net worth ratio. *Insurance: Mathematics and Economics*, October 1995, 17(2): 101-118. (Reprinted with permission of North-Holland Publishing Company.)

Copyright of Journal of Risk & Insurance is the property of Blackwell Publishing Limited. The copyright in an individual article may be maintained by the author in certain cases. Content may not be copied or emailed to multiple sites or posted to a listserv without the copyright holder's express written permission. However, users may print, download, or email articles for individual use.