This book is useful on several levels. First, it provides a great deal of "how to" reference detail about specific risk-transfer mechanisms, such as the particular features of the CAT bonds issued to date or how to set up a captive. Second, several essays describe succinctly some of the most important theory emerging in this area—in option pricing, dependence modeling, and cost of capital. Third, although the essays are wide ranging, a clear message emerges, made all the more compelling by the fact that so many authors are conveying it: Despite slow growth in the insurance sector, alternative risk strategies are efficient because they increase opportunities for diversification, either for the issuer or the investor. Over time, this drive for efficiency will continue to push the industry toward greater acceptance of new methods for managing risk.

Asset Pricing, Frontier of Real Estate Finance, Vol. 1, by Jianping Mei and Hsien-hsing Liao, New Jersey: World Scientific

Reviewer: Tong Yu, University of Rhode Island

This volume is a collection of articles that demonstrates how finance can be applied to obtain new insights into real estate risk and valuation. The book contains 11 chapters, focusing on the following four subjects: (1) risk and return behaviors of real estate investment (Chapters 2–4); (2) short-term trading strategy of securitized real estates (Chapter 5); (3) impacts of real estate investment on the value of institutional investors (Chapters 6–8); and (4) risk and return behaviors and benefits of international real estate diversification (Chapters 9–11).

Chapter 1, "Introduction: Real Estate Analysis in a Dynamic Risk Environment," summarizes the book and highlights the importance of analyzing real estate investment.

Chapter 2, "The Predictability of Returns on Equity REITs and their Comovement with Other Assets," by Crocker H. Liu and Jianping Mei, extends return predictability literature by including real estate, particularly equity real estate investment trusts (EREITs). EREIT is traded as a stock on the stock exchange but represents an underlying ownership in the portfolio of real estate. They find that expected excess returns for EREITs are more predictable than expected excess returns for other securities.

Chapter 3, "The Predictability of Real Estate Returns and Market Timing," by Jianping Mei and Crocker H. Liu, provides moderate evidence that investors can exploit the level of predictability associated with excess returns using various active market timing strategies to realize the superior performance over a buy-and-hold strategy.

Chapter 4, "A Time-varying Risk Analysis of Equity and Real Estate Markets in the U.S. and Japan," by Crocker H. Liu and Jianping Mei, shows that Japanese equity and real estate markets do not behave in a parallel manner to U.S. capital markets by applying a present value model which allows for a time-varying expected discount rate in conjuncture with a vector autoregressive (VAR) process.

Chapter 5, "Price Reversal, Transaction Costs, and Arbitrage Profits in Real Estate Securities Market," by Jianping Mei and Bin Gao, examines the return reversals of exchange-traded real estate securities using an arbitrage portfolio approach. They find reversals could be exploited by arbitrage traders if trading costs are ignored. However, the arbitrage profits disappear after considering transaction costs.

Chapter 6, "Bank Risk and Real Estate: An Asset Pricing Perspective," by Jianping Mei and Anthony Saunders, investigates how the changing nature of bank risk taking, especially in the real estate market, has affected the *ex ante* pricing of risk in the market for bank stocks. The time variation in bank risk premium is partly determined by interest rate and real estate market conditions.

Chapter 7, "Assessing the 'Santa Claus' Approach to Asset Allocation: Implications for Commercial Real Estate Investment," by Jianping Mei, provides evidence that banks take a backward-looking "Santa Claus" approach to asset allocation. The authors suggest this approach is inconsistent with optimal portfolio management. Thus, the "Santa Claus" strategy should be replaced by either a simple buy-and-hold strategy or a contrarian investment strategy.

Chapter 8, "The Time-variation of Risk for Life Insurance Companies," by Jianping Mei and Anthony Saunders, finds that expected excess returns on life insurance companies are predictable. By showing that the risk for life insurance companies is undercompensated, they provide evidence for the existence of government safety net in the market place.

Chapter 9, "The Return Distributions of Property Shares in Emerging Markets," by Kevin Lu and Jianping Mei, examines the return process of the emerging equity market and that of property indices. They find that the emerging market property indices are more volatile than both the respective market indices and the U.S. equity indices. In addition, a negative risk premium exists for the East Asian property markets during the Asian crisis.

Chapter 10, "Conditional Risk Premiums of Asian Real Estate Stocks," by Jianping Mei and Jiawei Hu, finds that conditional excess returns appear to move closely with one another, thus shedding light on market contagion in Asian countries.

Chapter 11, "Institutional Factors and Real Estate Returns: A Cross-Country Study," by Hsien-hsing Liao and Jianping Mei, is a study on the relationship between real estate returns and institutional factors, including an economic freedom indices, an economic efficiency index and other economic variables.

This book is useful to insurance researchers and practitioners although its focus is on the real estate market. First, insurance companies invest a significant amount of in the estate market. Better understanding of the real estate market helps insurers' investment decisions. Second, insurance becomes more integrated to the financial market along the securitization process. A good understanding of how asset pricing involves in the real estate market improve the quality of insurance research.

Carve-Outs in Workers' Compensation: An Analysis of the Experience in the California Construction Industry, by David I. Levine, Frank W. Neuhauser, Richard Reuben, Jeffrey S. Petersen, and Cristian Echeverria, 2002, Kalamazoo: W.E. Upjohn Institute for Employment Research

Reviewer: Glen Tickner, Workers' Compensation Board, Alberta, Canada

Although the term "crisis" has been much overused in reference to workers' compensation, the description had particular resonance in 1992. Benefits as a percentage of payrolls peaked at $1.68 (the most recent figure is less than $1.10); the combined ratio