

## REVIEWS

*The Penguin Guide to Insurance.* By GEORGE WILLMAN.

[Pp. 250. Penguin Books, Harmondsworth, 1973. 40 pence]

'THIS book is a layman's practical guide to his own insurance.' The author concentrates on presenting the current situation in the insurance market, rather than the historical background, and gives a good account of all the main types of contract of interest to the general public. The initial section describes the function of brokers and agents, the mechanics of completing proposal and claim forms, and gives helpful advice on a number of points that the layman may be troubled with—e.g. How much insurance does one need? Which insurers are reputable? Where can one obtain advice? Do I need a broker? What exactly is a policy or a bonus? A list of useful addresses is included (as an appendix) together with a short glossary of some of the more common technical terms.

Life assurance is dealt with in some detail and there is a short chapter covering personal and occupational pension schemes. The benefits provided by the state under the National Insurance Scheme are set out clearly: this section is particularly valuable as a condensed, but readable, guide through the jungle of the Social Security system.

A fair proportion of the book is devoted to General Insurance including health and medical expenses insurance. Those actuaries working in this field will presumably once again be somewhat saddened by the narrow definition of actuary, in the glossary of terms, as 'an expert specializing in the applications of probability and mathematics to life assurance'.

Throughout the text the author quotes figures for typical premiums to be expected under the various types of contracts. Frequent worked examples are given and there is a whole chapter illustrating life assurance planning in practice. There are several references to the effects of inflation on long-term life and health assurances but one is left with the feeling that the only safe way of tackling the problem is to increase periodically the amount of one's cover. Equity and property-linked assurances and annuities are briefly described and the dangers pointed out. The author concludes that their value lies as an investment rather than a substitute for the traditional whole-life or endowment assurance.

With such a topical approach, changes in taxation, legislation and indeed monetary values will no doubt, in time, outdate this volume. It is to be hoped that the publishers will arrange for regular updating of the book as the style and scope of its contents make it a welcome addition to the Penguin series.

O. J. TATTERSALL

*Risk in Business Decision.* By PETER G. MOORE

[Longmans for the London Business School. £4.95]

THIS is a book written by an actuary as one of a series of books used at the London Business School for their post-graduate and post-experience courses for business management. It is not an actuarial treatise for conventional actuarial use but any actuary reading it will recognize the underlying bases of analysis, probability and forecasting and the association of financial implications with these techniques.

I recall a short talk given by Frank Redington many years ago to, I think, the Students' Society in which he developed the connection between probability theory and the manner in which a typical actuary could, and did make decisions, not only on mundane matters but also in regard to his business of insurance.

Peter Moore goes much deeper, not only into the theory and strategy but develops and explains a variety of techniques for assisting business decisions. The author recommends that the book be read chapter by chapter in sequence, so that the techniques may be understood as they deal progressively with more complicated situations. In so securing the progressive attention of the reader, or student, the author develops his philosophy of the subject. Undoubtedly the reader is encouraged to believe more and more in the power and infallibility of the techniques discussed.

A possible criticism could be that such a 'theoretical' approach can on occasions produce the

wrong answer. Large one-off problems can fall into this category. The advice of the most technically brilliant investment analyst does not infallibly point to the perfect investment decision, although, of course, his advice can be extremely helpful. In the same way many successful business decisions were not based on the results of the techniques of risk decisions explained in this book. Nevertheless I fully accept the use to which such techniques and such methods of thought can be put in the complex business world of today.

The book is clearly written and obviously care has been taken to avoid excessive use of technical jargon and to set out clearly in appendices the meaning of some of the more esoteric symbols and initials—for example, ENGS—the expected net gain from sampling.

I would expect any actuary to find the book interesting reading and to gain an insight into the various techniques which are now available to assist him in his business decisions.

F. J. LLOYD

*Actuarial Valuations of Interests in Settled Property.* By C. O. BEARD and J. H. PREVETT

THIS book was published under the auspices of the Institute of Actuaries and the Faculty of Actuaries and the authors, while intending it primarily for actuarial students, hope that it will also serve as a useful reference book for qualified actuaries practising in this field and that it may be of some value to legal and other practitioners as indicating the nature and scope of the actuarial expertise available. In these three aims it deserves to succeed.

After a description of the general operation of trusts, it deals firstly with the transactions in life interests and reversions of life offices and reversionary companies and secondly with the valuations of interests in settled property by actuaries in consulting practice.

The book's treatment of the former topic follows very closely the relevant sections of the previous text-book 'Reversions and Life Interests' by Benz and Tappenden, which was written in 1950. Chapter 2 is a clear and up-to-date summary of the general incidence on interests in settled property of taxation on both income and capital. The taxation of reversionary companies and life offices is also touched upon, but it is perhaps a pity that no mention is made of franked investment income—its sources and its potential importance in connexion with a company's distributions. Chapters 3 to 6 deal with the valuation of life interests, reversions and miscellaneous interests for the purposes of loan or purchase: chapter 7 deals with legal matters and chapter 8 is a useful assessment of the suitability of these interests as investments for life office funds, either directly or through subsidiary companies. Examples are given of suitable margins to be taken from the value or income of particular assets in trust funds and it is perhaps inevitable that a reviewer should find himself in disagreement with some of the suggestions made—in this case the smallness of the margins taken in arriving at fixed charges (on capital or income) considered safe for purchase. A further disagreement is with the authors' claim that foreclosure is unlikely nowadays to be used as a remedy against a defaulting borrower where the security is an absolute reversion: in the reviewer's experience, foreclosure can still usefully be the remedy in the majority of such cases.

Chapters 9 and 10 concern the work of actuaries in consulting practice, the former dealing with the open market valuation of reversions and life interests for estate duty and other special purposes. It includes a specimen report together with a table designed to assist in the interpretation of the prices fetched at auction by absolute reversions, on the assumption that purchasers are taxed on capital gains at 30%. Chapter 10 gives a balanced account of the various approaches to the apportionment of trust funds between beneficiaries and emphasizes that the suitability of the actuary's model should be judged by testing it, in order of importance, against firstly the fairness and reasonableness of the results it produces, secondly the intelligibility of those results, and thirdly its adaptability to the most complicated cases arising in practice. Importantly, the authors also point out that, provided the actuary has practical experience of the market in life interests and reversions, his training in life contingencies, investment matters and in various aspects of long-term finance, should make him uniquely equipped to appreciate all the financial implications of any apportionment problem.

Strictly speaking the book is not a paperback, having a soft cloth cover. It is to be hoped, however, that its circulation will be as wide as the former description implies.

J. W. PEERS