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REVIEWS

Long-Term Care Insurance—International Perspective and Actuarial Considerations. By A. COWLEY (The Cologne Re. 1992) 60 DM

Long-term care insurance has the potential to become a significant product for the insurance industry. Although sales in the United Kingdom have been slow, economic and social trends suggest that the need for this product will continue to grow. For an actuary unfamiliar with this area of insurance, Alex Cowley's book provides an accessible and comprehensive introduction to the subject. However, much of the material has already been covered in earlier papers produced by reinsurance companies and actuaries.

Chapters on the need for long-term care provision, social security provision and the development of private long-term care insurance give a good solid introduction to the subject, and preface the more technical chapters on product design, pricing, underwriting and distribution.

The international perspective of the paper is limited to Germany, the United States of America, the Netherlands and the U.K. Private sector developments in Germany and the U.S.A. reflect the different attitudes and regulatory approaches of the countries. Competition and growth appear to have been stifled somewhat by the controlled regulatory environment in Germany. In contrast, product development in the U.S.A. has been largely unregulated, but possibly not always in the interests of consumers. As the author points out, 'GOTCHA! Traps in Long-Term Care Insurance', the title of a publication by a consumer group in the U.S.A., gives an insight into media views of this product area.

The paucity of relevant data for pricing products is clearly demonstrated in Chapter 6. Only four data sources are identified: one each from the U.K. and Japan, two from the U.S.A. None of the available sources relate to an insured population and none analyse data into the inception rate and annuity basis preferred for pricing. A shortage of data will continue for many years; despite 18 years practical experience, German insurance companies are apparently re-pricing products based on Japanese experience!

For readers with a deeper interest in this subject, the author's bibliography is recommended. The English language references will give a thorough understanding of developments to date in the U.S.A. and the long-term care market in the U.K. A number of references are to papers in German, which unfortunately will be a barrier to many U.K. actuaries.

While informative, the book is unlikely to persuade many more companies to develop long-term care products. More positive signs of consumer interest, and possible Government support, are needed before the costs of product development and support can be justified.

J. M. WEBBER

Essentials of Statistical Methods, in 41 Pages. By T. P. HUTCHINSON (Rumsby Scientific Publishing, Sydney, Australia) £4.00

With statistical books, you want either detailed knowledge, or somewhere to look up a method, or a general appreciation of the subject. If you fall into the last group, this book is for you. Even if you come into the second category, you will find this book helpful.

It is possible to describe the essentials in 41 pages? Yes, because Dr Hutchinson has done it. Bear in mind, however, that he does stick to essentials.

Comparing Hutchinson with Larson's *Introduction to Probability and Statistical Inference*, for example, we find that the former author packs about three times as much on a page than the latter. Larson has many more examples, and also has exercises at the end of each chapter, with answers, which Hutchinson does not have. All this helps to explain why Larson needs 637 pages for his book. Given that Larson is much more complete, nevertheless Hutchinson does give a straightforward run-down, and he likes to explain when there are different points of view and what these are. Hutchinson is

also good at explaining how you take your data and apply them statistically in whatever tests you wish to employ.

Hutchinson has 12 pages on data, 16 on probability and 13 on inference. With data, he deals with various measured and pictorial presentations (including skewness, stem-and-leaf plots and correlation). Under probability he deals with the binomial, Poisson, uniform, exponential and normal distributions, mainly in terms of means and variances, but he does come at the subject in a practical, homely way. With inference, he covers the central limit theories, confidence intervals, hypotheses, and testing for means and proportions, touching on paired data, the *t*-test and the Mann-Whitney *U*-test.

N. S. PARRACK

The Independent Trustee. By J. JOLLIFFE (Capital Pension Trustees Ltd) £10.00

The calls for the statutory appointment of an independent trustee for every occupational pension scheme have trumpeted since the Maxwell affair and the other abuses of trusteeship which the aggrieved are now bolder to challenge. However, as John Jolliffe says in the Introduction to his book, there had been discontent in pensions circles long before these events. More than the well-publicised anti-predator cases existed to alert us to the fine pensions tightrope trod in companies managed by powerful personalities or small groups of individuals.

I therefore responded to the invitation to review this book with a well-honed appetite. However, the Introduction is silent on its purpose, and by the end I was not a lot wiser, not a little confused and still hungry. It begins with three pages of information about not only the author, but also his business and his colleagues/associates; is it, therefore, a promotional exercise? Possibly, but I think that would discredit the valuable information packed into it. Is it a discussion on the value of the independent trustee and the practical problems encountered? Hopes are occasionally raised (e.g. Chapters 6, 7, 14 and 15), but the discussions peter out and lack the added flavour of real life illustrations from the author's considerable experience.

I have, therefore, come to the conclusion that *The Independent Trustee* is primarily designed as a concise handbook for an aspiring trustee who is new to pensions. For example, Chapter 9—if not as full or masterly as the Introduction to the Goode Committee's Consultation Document—is a neat summary of the United Kingdom's pensions structure and would seem unnecessary *unless* this is the audience. Furthermore, the book is *beautifully* easy to read, contains some well researched specimen drafts of trust deeds and deeds of appointment and Chapter 3 lays out a checklist of enquiries which will stir a few consciences! "There really is no substitute for a full reading of the Trust Deed and Rules."

But if I am right, there are some anomalies. Is it fair to suggest to the uninitiated that the Inland Revenue Pension Schemes Office and the OPB will clarify "doubts about the legality of any pension matter" or that the scheme rules will be set out "in a manner that renders their interpretation beyond dispute"? More fundamentally, early on the author draws his own conclusions as to the best statutory approach to the appointment of an independent trustee, but then proceeds as if the U.K. pensions structure incorporates it. The many chapters of straightforward basic factual information would also seem unnecessary in the light of his assertion in Chapter 6 that the independent trustee should have pensions experience and be drawn from a PMI shortlist.

Nevertheless, despite these curiosities and its superficial contribution to the great debate, this book has a place in every pension practitioner's library.

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