

REVIEWS

Dictionary of Actuarial and Life Insurance Terms (3rd edition). EDITED BY G. DRUDE AND DR W. SACHS (Verlag Versicherungswirtschaft 1983).

This new edition replaces the one published in 1964 and provides considerably broader coverage of words and phrases in common usage in life assurance.

Around 2000 life assurance terms in each of English, French, German, Italian and Spanish are given their equivalents in the other four languages. Extended phrases and explanatory comments are given where a straightforward translation is not available and, as far as I can judge, the renderings appear to be for the most part satisfactory. The dictionary is clearly set out and straightforward to use, although it suffers slightly from the cross-referencing system which has been used to economize on separate entries.

More than twice as many words and phrases have been included than in the previous edition but there are still some notable omissions. These include the phraseology of solvency margins, where there is no mention, for example, of guarantee fund, sum at risk, required solvency margin or mathematical reserves. Unit-linked business is also rather poorly served. One searches in vain for a rendering into the other languages of bid/offer spread, capital units and profit-testing. Maybe there are no equivalents yet!

The vocabulary gives a good coverage of many aspects of the practical operations of life assurance, policy wordings, etc. There are still a number of gaps. A few omissions, chosen at random, are 'last survivor annuity', 'level of funding' and 'advance commission'.

In spite, however, of a few limitations of scope, this new edition provides a valuable supplement to ordinary dictionaries in the specialized area of life assurance and pensions terminology.

C. D. DAYKIN

Insurance Premiums. BY M. J. GOOVAERTS, F. DE VYLDER AND J. HAEZENDONCK. Published by North-Holland 1984, xii + 406 pp. U.S. dollars 63.75/Dfl. 150.00 ISBN 0-444-86772-4.

The theory of insurance premiums has developed so that a systematic account has appeared in the shape of this considerable new book. The three Belgian authors have applied great mathematical expertise and present a formidable array of results. The vocabulary of future generations of actuaries may be enriched by the principles of premium calculation described which include The Swiss Premium Calculation Principle, The Orlicz Principle, The Semi-variance Principle and several others. The derivation and properties of different types of premium rules are fully considered. Use is made of results on bounds for reinsurance premiums.

The authors look ahead to the time when the distribution of risks is no longer unknown. So the subject Premium Theory has now developed to be a subject distinct from the subject Risk Theory. It might also be described as the subject of Pure Premiums or Net Premiums. Consideration of Expenses and Acquisition Costs is excluded. So is Investment Income.

It is unlikely, however, that actuaries or underwriters will find time off from the pressures of the insurance market to read the 400 pages of this book. It is quite difficult to read. Functional analysis is difficult to follow. Convex analysis involves tiresome inequalities. The methodology may not prove attractive to actuaries with a British training in Mathematics and Mathematical Statistics. Bessel functions appear on some pages. No doubt the authors have had to resort to such methods to deal with the skew and extreme distributions that are needed to describe the risks which are the subject of insurance. To make use of this book it would be necessary to set up a postgraduate M.Sc. within which a course on Premium Theory was on offer as a constituent part. Then one could use the material of the book to develop actuarial thinking on the calculation of premiums. There are not so

many well-planned textbooks that can be used to train general insurance actuaries that we can afford to waste this one. In North America there is a widespread feeling that actuarial education needs to concentrate more on the needs of general insurance actuaries since it is anticipated that actuarial certification of claims reserves will soon be required by the state insurance authorities. The three Belgian authors are to be congratulated on filling a large gap in the literature with a timely and polished production.

P. S. CARROLL

Houseman & Davies Law of Life Assurance (10th edition). BY B. P. A. DAVIES.

This standard reference book is split into two parts; the first deals with the legal aspects of life assurance and the second deals with taxation and financial planning. In this respect the text follows the format of the 9th edition and readers will continue to feel comfortable in using the new work as a book of reference because the updating changes have been smoothly incorporated. On the other hand, the author suggests in his preface that the book is now aimed more at the practitioner than the student. This is certainly true if the practitioner believes that the traditional, straightforward uses of life assurance are the most important. If the practitioner sails closer to the wind, as many now seem to do, this text will still be a starting point but more detailed analysis of legislation and case law would be required than the book provides. That having been said there are useful new sections on school-fee schemes and Keyman insurance and on capital transfer tax planning policies such as inheritance trusts and PETA plans.

The author must already be considering the contents of the 11th edition given the 1984 Finance Act changes, particularly the withdrawal of life assurance premium relief. One would think that there would be a need for almost continuous updating of reference works of this nature. It is, however, testimony to the usefulness of this text that wholesale changes have not been required from edition to edition despite extensive changes in law and practice over the intervening periods.

R. J. CHAPMAN

The First Seventy-Five Years. BY K. KIRKALDIE, K. B. PARKERSON, G. A. QUANTRILL AND G. A. SMITH.

In recent years the Institute Library has acquired a number of Insurance Company commemorative volumes.

The First Seventy-Five Years summarizes the history of the United Friendly to 1983.

Edwin Richard Balding founded this company for the sole purpose of selling General Branch policies with premiums collected on a weekly basis. Although there has, of course, been a considerable widening in the company's field of activities since that time, much of the interest (as in most other commemorative volumes) lies in the early development of insurance business.

It is a notable achievement to set up a successful business at any time but this description of the establishment of an Insurance Company at the beginning of this century will be of special interest to actuaries.

In addition, this volume brings home to the reader the very considerable social and business changes that have occurred in a relatively short space of time.

The First Seventy-Five Years contains a set of photographs and illustrations which have been thoughtfully selected to provide a balanced picture of the early and important consolidating years of the United Friendly.

R. W. SCADDEN