

John H. Magee and Ocsar N. Serbein, *Property and Liability Insurance* (The Irwin series on Risk and Insurance), Fourth Edition, 944 pages, Richard D. Irwin, Inc., Homewood, Illinois, 1967.

Reviewed by ALLEN L. MAYERSON

This is the fourth edition of the late Mr. Magee's classic text, revised by Professor Serbein of the Stanford University Graduate School of Business. Mr. Magee's *Property Insurance*, along with his other books, *General Insurance* and *Life Insurance*, have been standard reference works and college texts for more than 25 years. Their most prominent characteristics have been painstaking attention to detail, especially concerning coverage and policy forms, considerable bulk, and a rather dry, indeed rather dull style of presentation. But for anyone who wants to know the exact wording of the Deviation Clause in the Marine Open-Cargo Policy, or the difference between the Unpaid-Balance Form and the Single-Interest Form of deferred payment fire and allied lines insurance, Magee is the place to look.

As is usual in successive editions of a well known text, new material has been added by Professor Serbein while very little has been deleted. Magee's second edition, published in 1947, had 725 pages and the third, dated 1955, 767 pages; Professor Serbein has expanded the fourth edition to 944 pages, including a 44 page appendix of policy forms.

The first four chapters of the book, comprising 100 pages, discuss the meaning of risk, how insurance copes with risk, the history and development of property and liability insurance, a brief introduction to contract law, and definitions of many of the "words of art" that comprise our insurance jargon. Chapters on types of insurers, insurance practices, and insurance finance (including such topics as loss reserving, insurance accounting, etc.) have wisely been moved from the prominent place given them by Mr. Magee and relegated to the end of the book, while such esoteric details as the form of a Broker of Record letter have been deleted. (Magee's third edition had a *picture* of such a letter on page 51 of the book, with arrows pointing out that it is written on the insured's letterhead and bears the signature of a company officer!)

Chapters 5 to 10, comprising 156 pages, deal with fire, allied lines and business interruption insurance. They are followed by two chapters on ocean marine insurance, two on inland marine insurance and one each on theft insurance and fidelity and surety bonds. General liability insurance and workmen's compensation received a chapter (35 pages) each, as does automobile insurance; aviation insurance is treated in 38 pages and boiler

and machinery in 25. For each line of insurance, the principal features and many of the details of every conceivable policy form are given, in the true Magee tradition.

Six chapters on multiple peril contracts, one each on homeowners, farm, commercial, industrial, institutional, and professional policies, comprise Prof. Serbein's principal contribution to the enterprise, and add 110 pages to the text. The last section, entitled "Operational Problems of the Property and Liability Insurer," includes not only Magee's chapters on types of insurers, rates, and finance, but also chapters of marketing, loss adjustment, and government supervision, and a detailed chapter which lists more than a hundred insurance organizations, some forty of them described in detail, ranging from the rather ineffectual ARIA Commission on Insurance Terminology and the Griffith Foundation for Insurance Education (hardly a major factor in property and liability insurance) to the Casualty Actuarial Society and the American Academy of Actuaries.

The fourth edition of *Property and Liability Insurance* has the virtues of the previous three: an encyclopedic listing of coverages and policy forms updated and expanded, in sufficient detail to tell most people more than they really want to know about almost any type of property insurance. The book has, however, the defects of the previous editions, principally a rather turgid style (though the new chapters written by Dr. Serbein are an improvement in style and readability) and a rather unbalanced presentation in some areas. For example, the chapter on Rates devotes 30 pages to the most detailed explanation of fire insurance rates and classifications I have ever seen, while workmen's compensation experience and retrospective rating get three pages, the manufacturers output policy four pages, and rates for automobile insurance, homeowners, marine insurance and other lines are not discussed at all.

The chapter on automobile insurance consists almost entirely of a clause by clause description of the coverage of the family automobile policy and such related matters as fleet, hired car, and nonownership coverage, as well as garage liability insurance. The reader will look in vain for the rating and classification system; he will never find out, even if he reads all 944 pages, that automobile insurance rates vary with the age of the driver and the use of the car, or that the cost of collision insurance depends in part on the make and model of the car. Neither will he find any discussion (other than the statement that: "The substitution of the compensation for the negligence principle creates many problems.") of tort liability vs. compensation, financial responsibility vs. compulsory insurance, or most of the other controversial questions that make the study of insurance alive and

interesting for college students. Actuaries too, might cavil at the chapter on Insurance Finance, retained almost verbatim from the third edition, especially the uncritical acceptance of the Roger Kenney standards on company financial strength, and the erroneous implication that, after reading the chapter, the layman can, by following nine handy rules, understand an insurer's financial statement and judge its financial strength by himself.

Nevertheless, Professor Serbein has done us a great service by bringing up-to-date this standard reference work on property insurance coverage and policy forms.

Dennis F. Reinmuth, *The Regulation of Reciprocal Insurance Exchanges* (The Huebner Foundation Series), 234 pages, Richard D. Irwin, Inc., Homewood, Illinois, 1967.

Reviewed by RAJ RATNASWAMY

Like the American Indian, with his intangible political status, the reciprocals constitute a quasi-separate segment of the insurance industry whose corporate legal status is neither fully defined nor definable, representing a peculiarity not uncommon in the American way of doing things. In fact, in chapter 1, Dr. Reinmuth does state that reciprocals are indeed typically and exclusively American in origin and existence. There are few books on the subject of reciprocals, and so this author deserves special congratulations and thanks for his effort.

On page 1 of the book, the author describes vividly the image of six New York dry goods merchants discussing over lunch their common problems in obtaining fire insurance. Later, each signed a memorandum agreeing to pay each of the other five a maximum of \$2,000 in case of loss by fire, all without forming any corporation.

Other firms later joined this arrangement, soon necessitating a committee and then an office manager and finally an attorney-in-fact who would handle and sign all the transactions on behalf of the subscribers. Funds were established through collection of "deposits" subject to refundability of unused moneys called "savings."

Similar reciprocals were formed in several parts of the country, and by 1925 Best's Insurance News showed six classes of reciprocals, such as sprinklered risks, mercantile, lumber, automobile, etc., a total of 117 reciprocals with \$45 million in premiums. In 1964 the top eleven reciprocals listed by Best's had total assets of \$782 million and premium writings of \$668 million, of which \$537 million was in automobile insurance lines.