The Insurance Commissioner has general authority over liquidations, conversions, and mergers of reciprocals; but in several states there are no statutory provisions governing some of the pertinent aspects. Also, certain reciprocals can be liquidated through reinsurance without subscribers' consent.

Many of the problems the author cites, however, do relate to potentialities involving proprietary attorneys-in-fact, and involve only a few states. Passage of new statutes can overcome many of these problems.

The book is highly readable, with well-ordered appendix, bibliography, and index of cases. It makes worthwhile reading for all students of insurance and certainly for actuaries. It succeeds in broadening understanding of many of the concepts involved in mutuals versus stocks, insurer versus insured, fixed liability versus assessability, policyholder versus stockholder, the ownership of surplus in case of liquidations, tax considerations, and other items.

The actuary will find this book no less interesting nor any less diverse than the lawyer, for much of it offers true challenges for quantifications and financial analyses. The reviewer recommends it.

Gerald R. Hartman, *Ratemaking for Homeowners Insurance* (The Huebner Foundation Series), 304 pages, Richard D. Irwin, Inc., Homewood, Illinois, 1967.

Reviewed by RICHARD H. SNADER

Dr. Hartman's book is well organized, well written, and should be useful to students of insurance. The scope of the book goes far beyond the subject matter suggested by its title. Ironically, the author devotes most of his talent to the events leading up to the current state of the art of Homeowners ratemaking, but his description of the procedures now in use is the weakest part of his book.

The earlier chapters are concerned with the fundamentals of insurance ratemaking. In these chapters the author introduces the term "rating" which he uses throughout the book apparently to mean *any* technique used to determine the proper rates to be charged. He also introduces the term "insurance coverage units." This term is not defined but is apparently intended to be a synonym for exposure units defined by the amount of insurance purchased.

The author devotes two chapters completely to rate regulation. The first authoritatively discusses, among other things, the Merritt Report, the Lockwood Report, the SEUA Case, Public Law 15, and All-Industry Bills. The other chapter is concerned with multiple-line rate regulations and discusses the Diemand Report, implementing legislation, the M-1 Report, and important administrative and judicial decisions. These chapters are an excellent summary of the events leading to rate regulation in the form known to us today and should provide the perspective needed by the actuarial student struggling to consolidate the knowledge he has gained from several diverse sources.

Only three of the book's twelve chapters are directly concerned with the ratemaking procedures used for Homeowners. The first of these chapters contains a section on the methods of determining initial multiple-line rates from the rates charged for the components of the Homeowners package; but its real value is contained in the discussion of such topics as the methods for providing multiple-line coverages, the economic motivation for multiple-line insurance, and the justification for package discounts.

The second of the chapters or ratemaking contains an interesting section on the use of credibility and seasoning factors used in the early filings. In this chapter the author uses the term *trend factors* to describe the weighting factors now in use by FIRAA and MLIRB. The term was in vogue during the period covered by the chapter, but it certainly seems a misnomer today. The author correctly explains trend and projection factors, as the terms are currently used, in an earlier chapter.

The third of the ratemaking chapters describes current MLIRB procedures, and contains an excellent description of the pricing of the Section 1 deductible. In fact, seven of the chapter's 15 pages are devoted to this aspect. Although the chapter contains an adequate description of form and policy amount relativities, it is weak in other respects. The author's explanation of projection factors based on the Composite Current Cost Index is not complete. The explanation of the adjustment of premiums to the current rate level is not clear. If an average actuarial student, after reading this chapter, were given all of the ingredients of a rate level calculation, he would probably be unable to apply the principles learned here unless he could deduce the proper applications from his prior knowledge of FIRAA's recommended procedure. Many of the book's inadequacies were respect to current ratemaking procedures could have been eliminated if a recent rate filing had been included as an appendix.