While this volume is an excellent summary of international practice, it missed the opportunity to incorporate some recent developments that are essential reading for policy-makers. The chapter on the United Kingdom, for instance, fails to even hint that their policy of mandatory annuitisation was under review in 2010 and abandoned in April 2011. Further, while new products – such as Group Self-Annuitised products and Variable Payout Annuities – are mentioned by individual authors, it would have been helpful to include a chapter specifically on these. Their most interesting feature is that they share risk between annuitants and insurers in flexible ways, potentially dramatically improving welfare.

Despite these minor shortcomings, the book will be indispensable reading for its target audience. The editors and chapter authors are to be congratulated on producing a valuable resource which will undoubtedly be closely read in many countries in the future.

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The Known, Unknown, and the Unknowable in Financial Risk Management: Measurement and Theory Advancing Practice. Francis X. Diebold, Neil A. Doherty and Richard J. Herring, eds. Princeton University Press, 2010, ISBN 978-0-691-12883-2, 380 pages. doi:10.1017/S1474747212000157

This book is a series of papers arising from discussions between academics and practitioners over a period of time. It attempts to bring together academic thought on the various issues arising in relation to identification and management of risks. It has in the main achieved this, and the papers are a great collection of topical and relevant papers. The volume would make an excellent set of reading for advanced students in risk management.

The first chapter by the authors considers the conceptual framework for identifying risks as KuU, and shows how the other papers in the book contribute to a cohesive analysis of these risks and their management. For those interested in a summary of the book, they need go no further than this. In many ways it is an easier read than some of the later papers, where it is easy to get lost in the detail.

The papers begin with a reasonably straight forward description of the various definitions of risk, which could easily have been omitted or dealt with more quickly in a book of this standard. The second paper deals with the issue of extreme events and the shortcomings of the traditional Gaussian approach traditionally used in financial risk analysis. It introduces a new terminology for extreme events, perhaps intended to stop analysts thinking in Gaussian space, a worthwhile objective in this context.

The paper concerned with the term structure of risk introduces a concept that is explained intuitively, and demonstrates that optimal results are affected by the planning horizon selected. This paper is logically followed by the analysis of a process adopted at a hedge fund of funds manager to determine likely downside risk, and is essentially a coherent model based on a combination of 'normal' markets and particular types of crises, and while this must introduce a significant amount of 'educated' guesswork as to the crises that might occur, it has the advantage, as pointed out by the authors of the paper, that it brings a discipline to the process which is very different to the historically driven VaR approach.

The ranking of bank risks by considering the information known about them, and the detail available to a bank to measure the risk, and the inferred solvency ratio is a 'must read' for those interested in financial institutional regulation, and it provides some interesting views on the value of the Basel II framework based on the analysis.

The paper purporting to deal with real estate is much more powerful than just a statistical work, as it delves into the transition from one state of KuU to another, and considers the likely evolutionary path that might occur. It is a very worthwhile paper for the student interested in

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the non-stationarity of the risk states, and the likelihood of progressing from one state to the other.

For those interested in choice under uncertainty, a paper discusses this with an excellent summary of the thinking relating to this issue and further considers the issue from both individual and corporate perspectives.

Insurance is a common method of mitigating risk, and it is suggested the role of the broker is to increase market efficiency as the broker brings greater knowledge of a risk than the insurer might otherwise gain. In a natural progression, a paper then discusses the issues relating to the demand for and supply of catastrophe insurance, and addresses the need for some insurances to be compulsory, with government involvement.

The book then moves more to corporate issues, and a paper discusses the consequences of investors and management having different views on the KuU risks facing the enterprise, and coupled with greater intensity in the capital markets, the value of enterprises can move rapidly. This raises the question of how to suitably incentivise management to manage risks appropriately, but the papers dealing with these issues are relatively short.

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Buy-outs and Buy-ins: The Elimination of Defined Benefit Pension Scheme Liabilities. Steven Hull, ed. Globe Law and Business, 2009, ISBN 978-1-905783-26-7, 200 pages. doi:10.1017/S1474747212000169

The book outlines recent developments in the pension buy-out market, identifies the factors that contributed to its emergence, and provides insight into its future trajectory. It is a compilation of contributions from leading practitioners involved in pension markets from all over the world. The contributors collectively cover most relevant fields, from legal counsel to pension fund executive. The book is of practical interest to any pension stakeholder involved in the process of eliminating, or reducing, defined benefit scheme liabilities. It is of special interest to practitioners operating in the United Kingdom, although comprehensive coverage of other jurisdictions is provided. This is accomplished in the form of chapters dealing specifically with a number of European countries, as well as South Africa and the United States. Furthermore, as this book is related to many recent developments of an as-yet immature market and was written at a time of great uncertainty, anyone interested in the field should not delay reading it.

The driving force behind the book, as made clear in the first few chapters, is the recent and unprecedented exposure of the pension risks carried by employers. This increased visibility largely originated from changes to accounting procedures that placed defined benefit scheme liabilities directly on the balance sheet. Additional changes to government regulation and tax combined with increased investment volatility and a heightened awareness of longevity improvements have enticed employers to eliminate – or at least reduce – the risk associated with their defined benefit scheme liabilities. Subsequently, a progressive shift from defined benefit to defined contribution plans has emerged; a trend realized in many countries around the world. Remaining defined benefit liabilities – and this is still a staggering amount – can be eliminated or reduced through entering into risk-transfers with third-party specialists, which are predominantly in the form of either a buy-out or buy-in.

A number of the early chapters outline the attractive features of risk reduction, with insight into how best to achieve the desired result through a variety of alternative strategies (ranging from full buy-outs to longevity swaps). The necessary regulatory setting is provided and the perspectives of employers and trustees are discussed in respective chapters. Finally, a large section of the book provides the element of contrast demonstrated by international commentary. These commentaries are generally well organized and presented. They provide a historical

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