

Book Review

Rob Thoyts, *Insurance Theory and Practice*, Taylor & Francis, 2010, 323pp. (paperback), £34.99 (\$55.99). ISBN: 9780415559058

Whilst this book is primarily aimed at undergraduates studying business and economics, it will also be of interest to actuaries working in the UK insurance industry. It is relatively brief (323 pages) given its wide-ranging subject matter, so is likely to appeal most to those who wish to find out more about areas other than their particular specialism, and to younger readers seeking background information on how the UK industry has developed.

The author starts by defining risk and exploring the reasons for the existence of insurance companies. He describes the characteristics a risk must possess in order to be insurable and provides a brief and interesting analysis of the AIG failure in 2008, which he attributes to speculative risk being managed as if it was insurable.

A considerable portion of the book is devoted to the principles of insurance law, how these developed over time through common law and statute, and examples of how legal principles sometimes conflict with clauses in insurance contracts and judgements made by the Financial Ombudsman Service. There are numerous descriptions of court judgements, including interesting examples of where similar indemnity cases have led to different outcomes depending on the court's view of the intentions of the policyholder.

The author moves on to look at the history and structure of the UK insurance market, with separate chapters on insurance companies and Lloyd's of London. He discusses why insurers fail and how the markets are regulated, including the future in terms of Solvency II and risk-based regulation. The strengths and weaknesses of Lloyd's are explored, together with the action that has been taken to tackle issues which have led to reputational damage and the importance of modern technology for the future success of Lloyd's.

The scope of the book is wide, with chapters on many other aspects of insurance including premium calculations and reserving, reinsurance, insurance intermediaries and policyholder protection. There is perhaps a greater focus on general insurance, but most chapters also discuss life insurance. There are chapters specifically devoted to life and pensions, including the main features of these markets and topical issues such as the pension savings gap, although no mention is made, either here or in the chapter on insurance intermediaries, of the Retail Distribution Review, which is perhaps surprising given its likely impact. In addition, there are chapters addressing wider issues, such as Islamic insurance and the role of insurance in risk management.

The book is authoritative, well-written and easy to read. Principles which could otherwise prove somewhat dry are frequently punctuated by actual examples with relevance to the current UK insurance market, which are used to good effect in illustrating the concepts being described. The author is not afraid of passing comment and making his own views known, which also helps to hold the reader's interest.

Helen Jenkins