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 context and outline the general methods of risk-reduction presently available to employers and trustees in their respective jurisdiction.

As can be expected from such a collaborative effort, the book contains overlapping information. The bulk of early chapters are very similar. There also exist some inconsistencies across the chapters. A partial buy-out is clearly distinguished from a buy-in in one chapter, and in the next, the two terms are used synonymously. However, such inconsistencies remind the reader that each chapter was written with different motives, perspectives, and ultimately, opinions. Consequently, I recommend that the reader peruse the mini-biography of the author (provided in the rear of the book) before reading that author's contribution.

Some topics could have benefited from a more academic, and admittedly idealistic, point of view. The main one that I will address is the general aversion to regulation expressed by some of the authors. Regulation serves a purpose, in this case: to safeguard the interests of the employees accruing their benefits. This purpose is not praised, even if mildly raised. For example, while it is acknowledged that employer contributions to the Pension Protection Fund (PPF) are on a risk-adjusted basis, the PPF levy is yet criticized as merely another detrimental cost to employers. One author's justification for this criticism is that 'the levy offers no direct benefit to the employer paying it unless it becomes insolvent'. Finally, in the last chapter one reads of 'greedy trustees, egged on by the Pensions Regulator'. These views undermine the purpose of regulation, which is to serve the interests of the society at large, perhaps best exemplified by the recent global financial crisis.

The book contains contributions with contrary views. One author presents insurers as profit-seeking and having to adhere to stricter regulations, making any form of buying-out *unnecessarily* costly. The benefits of stricter regulations are completely discounted, and in addition, so are the expertise and efficiency of insurers. That insurers seek to make a profit is clear. How this makes the sponsoring employer worse off, as is suggested by this author, is not logically deduced. The view is not shared by all the authors, some of whom argue that insurers can only make a profit to the extent that they perform the desired service more effectively than the sponsoring employer. It is argued that risk reduction is their business; they do it well and with (potentially) less administrative costs due to economies of scale. Finally, it is advocated that each employer investigate the potential savings of buying out as well as objectively evaluate the product (i.e. risk reduction) that is offered. Only then can judgement be passed on whether entering into a buy-out is the right move.

In general, it is exactly the clashing of ideas (as illustrated above) that so efficaciously sparks the truth. This book presents those ideas and the reader is free to form his/her own conclusions, which I think is a very praiseworthy result. An improvement could have been realized by including a contribution from the regulator's perspective, outlining the role of regulation, its costs and benefits. With the understanding that this is a collaborative effort, the chapters could nonetheless have been filtered more appropriately to avoid the repetition of information. However, on the whole the book is very well put together and contains all contemporary and relevant information on pension markets. The book fills a considerable void, as information about emerging buy-out markets is not readily available. It would be a valued reference and of interest to the listed target audience of '… pension managers to finance directors; … prospective pension fund members to pensioners; … pension advisers to insurers'.

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