Principles of Risk Management and Insurance (8th edition)

by George E. Rejda

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Reviewed by Lynn Drennan

Now in its eighth edition, this popular American textbook describes itself as suitable for a beginning undergraduate course in risk management and insurance. A four-page preface highlights the changes which have been made to the book since the seventh edition was published in 2000. These changes reflect the impact of a number of key events, most notably a massive drop in share values, the collapse of major corporations such as Enron, and the terrorist attacks on the World Trade Center and the Pentagon. The effect of these events on the insurance industry, and the increasingly 'hard' market, have led to huge underwriting losses, large premium increases and a reduction in available cover, which are also considered.

The main portion of the book is divided into six parts and 28 chapters. The layout is clear and easy to follow. Each chapter commences with a set of learning objectives and a list of useful Internet resources, and ends with a bulleted summary, a list of key concepts covered, and a series of short review questions, with more in-depth application questions, for the student to undertake. An added feature is the accompanying website, www.aw.com/rejda, which provides hotlinks to the web resources cited in the book, and self-assessed tests which students can complete online. Immediate feedback on the test results is provided, with explanations as to why answers were correct or not, and is undoubtedly a useful learning tool. Resources for instructors are also available, though these require the instructor to register.

While a couple of chapters deal with basic principles of risk management and insurance, which would be familiar to an international audience, the main focus of the book is on US law and practice. Discussion of 'casualty' and 'workers compensation' insurance, 'punitive' damages and the reform of the civil justice system would be of interest mainly to those involved in the insurance of US organisations, or undertaking a comparative study of international insurance systems. Despite the title, the focus of this book is very much on insurance, to the extent that 25 of the 28 chapters are devoted to insurance issues. Where risk management is discussed, it is within the context of insurance. The definition of 'risk' which is employed takes a traditional 'downside' view of 'uncertainty concerning the occurrence of a loss', and no attempt is made to balance this with the 'upside' view of risk as an opportunity and potential benefit to the individual, organisation or society. In discussing the risk management process, almost no mention is made of business continuity planning or crisis management, and strategic risk—now considered an essential element of corporate risk management—warrants four lines only.

While this book is a good example of the well-planned and well-written textbooks which are common on US course syllabi, its usefulness for a non-US reader is more limited—unless actively studying, or working with, the US insurance system. Additionally, the title is somewhat misleading, and those seeking an insight into the principles of risk management are likely to be very disappointed.

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