

The welfare state provides universal insurance for workers against accidents in the workplace. In equilibrium, this insurance does not generate adverse safety incentives to firms. Non-internalised insurance makes workers sort themselves nonoptimally to firms, and to choose higher individual effort levels to prevent accidents as compared to insurance schemes that are internalised in the rating, not lower. An optimal income taxation scheme in the welfare state implies progressive taxation. The optimal tax level increases with the extent of the welfare state. *The Economic Journal*, January 1995, 105: 129-144. (Reprinted with permission of Blackwell Publishers.)

### **Employee Benefit Issues**

***The Cash Flow and Informational Effects of Employee Stock Ownership Plans***, by Anne Beatty (University of Pennsylvania)

The tax, employee benefit, capital structure, and corporate control effects of ESOPs are examined by estimating the stock market reaction to ESOP announcements. This is the first empirical examination of the relationship between computed firm-specific tax savings and firm value, and therefore provides evidence that helps resolve the theoretical dispute over ESOP tax savings. The results show that investors expect ESOPs to increase cash flows through tax savings, and to reduce the likelihood of takeover for companies subject to takeover attempts when ESOPs are announced. *Journal of Financial Economics*, June 1995, 38(2): 211-240. (Reprinted with permission of North-Holland Publishing Company.)

### **Safety and Loss Control**

***Driver Accident Risk in Relation to the Penalty Point System in British Columbia***, by Wenjun Chen, Peter Cooper, and Mario Pinili

Driver adjudication systems that assign penalty points to various traffic law infractions, and establish a level of point accumulation at which action to suspend drivers' licenses is taken, are a feature of the activities of virtually all motor vehicle authorities. However, in many cases the number of penalty points assigned to each infraction type is simply a qualitative assessment without any empirical foundation. The ordering of infractions by "severity" is often a very subjective process that tends to result in a linear scale of relatively narrow range. The purpose of the research reported in this paper was to assess the relative impact on future crash-involvement risk of a number of different infractions and also of accident history.

A total of 1,998,347 B.C. drivers' records was examined. Logistic regression analysis was employed to identify drivers who were most likely to have one or more at-fault accident involvements in a postperiod on the basis of their preperiod records of at-fault accident involvements and convictions. The results showed a consistent increase in postperiod accidents per driver with increasing

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