

THE REAL COST OF ACCIDENTS

The visible or insured costs of accidents are easily calculated by adding up:

- Medical Costs
- Insurance Premiums
- Compensation Payments

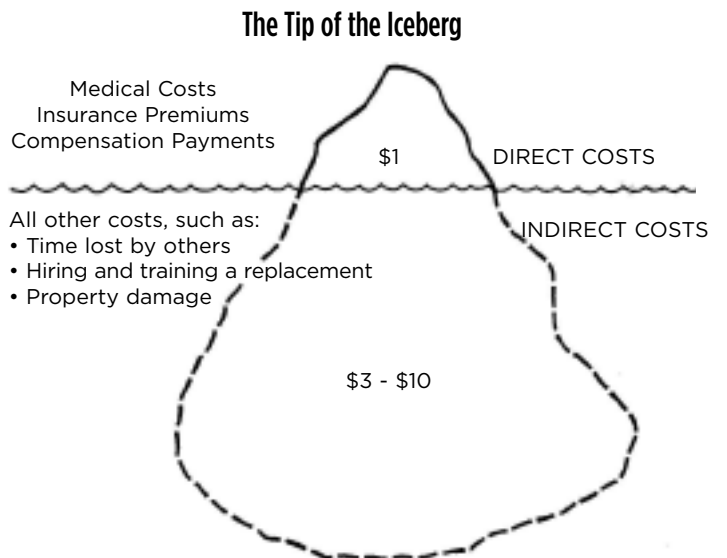
These costs are paid for by the insurance company using your premium dollars.

But that's just the tip of "Tip of the Iceberg." Studies show that for every dollar of direct cost, there are \$3-\$10 of indirect costs, the hidden uninsured cost of accidents.

Some of the indirect, hidden costs are:

1. Cost of wages paid for time lost by the injured employee. This includes medical treatment time and time away from the job not covered by Workers' Compensation insurance.
2. Cost of wages paid to other workers not injured. This includes those who stopped work to watch or assist the injured, and those who need the output of the injured to complete their tasks.
3. Cost of damage to material or equipment. Even when there is no property damage, costs are incurred in getting materials reorganized after the accident so production can resume.

4. Cost of overtime necessitated by the accident. This includes costs to make up for lost production, additional supervision, and additional heat, light, etc.
5. Cost of wages paid to the supervisor for time spent on activities related to the accident. This includes caring for the injured, investigating the accident, and supervising the activities necessary to get the department functioning again. All of these activities will disrupt the supervisor's productivity.
6. Cost associated with instructing, repositioning, and training employees to resume production. In some cases, it might even be necessary to hire a replacement, causing additional hiring costs.



7. Medical costs paid by the employer. This includes treatment facilities, personnel, equipment, and supplies.
8. Costs of managers and clerical personnel investigating and processing claim forms and related paper work, telephone calls, interviews, etc.
9. Wage costs due to decreased productivity after the injured employee returns to work. This results from restricted movement or nervousness of the injured employee and time spent discussing the accident with other employees.
10. Miscellaneous. This includes costs which are less typical. These are not incurred in all accidents, but can be sub-

stantial in some cases, depending on the severity and type of accident. Some of these include:

- Reduced competitive position caused by delays in delivery.
- Increased operating costs and unfavorable publicity.
- Rework time on spoiled products.
- Cost of recalling defective products.
- Increased cost of insurance.
- Civil penalties, fines, legal fees, and time involvement for safety violations.

While the costs created by accidents may be hidden, they must be paid for by profits from the sale of products. The following table indicates the amount of dollars needed in sales to pay for the different amounts of accident costs, at varying profit margins.

PROFIT MARGIN

Accident Costs

\$	1%	2%	3%	4%	5%
1,000	\$100,000	\$50,000	\$33,000	\$25,000	\$20,000
5,000	500,000	250,000	167,000	125,000	100,000
10,000	1,000,000	500,000	333,000	250,000	200,000
25,000	2,500,000	1,250,000	833,000	625,000	2,000,000
100,000	10,000,000	5,000,000	500,000	3,333,000	2,500,000

Today, a business climate of tough competition and lower profit margins makes the control of accidents and their associated costs a management necessity. Your safety program can contribute more profit than your best sales personnel.

The information and recommendations contained in this material have been obtained from sources believed to be reliable. However, SECURA accepts no legal responsibility for the accuracy, sufficiency, or completeness of such information. Additional safety and health procedures may be required under particular circumstances.