

## The Hidden Costs of Accidents

Many factors can have an impact on the profitability--or the bottom line--of a company's operation: cost of products, prevailing market conditions, business overhead, thefts, and employee turnover, just to name a few. However, one often-overlooked factor is the impact of accidents on the profitability of a business.

There are actually two cost areas for every accident...and both have a dramatic impact on a business:

- The direct costs of an accident, and;
- The indirect (hidden) costs associated with the accident.

Many times the indirect costs surrounding an accident have a more immediate impact on the business than the direct costs. Statisticians have estimated that the indirect costs associated with an accident range from 3 to 10 times the direct (visible) cost of the accident. Some of the costs not directly associated with an accident, called hidden costs, are:

- The added cost of downtime or decreased quality
- The expense of training new or replacement employees
- The burden of renting replacement vehicles or equipment
- The expense of renting store or warehouse space
- Decreased employee morale from the loss or injury to a co-worker
- Loss of customers and customer goodwill
- Higher insurance premiums

Since an accident is defined as an unforeseen event that cannot be planned for, the indirect cost associated with an accident are usually not included in the company's annual operating budget.

<i>Determine the additional sales needed to pay just the "hidden" costs of a loss</i>			
If your company profit margin is:	1%	3%	5%
And hidden costs are:	Additional Sales Needed:		
\$1,000	\$100,000	\$33,000	\$20,000
\$1,500	\$150,000	\$49,500	\$30,000
\$2,000	\$200,000	\$66,000	\$40,000

Accidents are a lose-lose situation. An employee who is injured on the job will receive compensation provided by the workers' compensation insurance. However, here too are hidden costs. Some injuries, such as back injuries, amputated fingers and limbs, neck injuries, may mean that employee may no longer be able to do things that they now take for granted. It may mean missing a child's first recital or baseball game, losing a position on a sports team or no longer being able to do the things such as gardening, playing golf, bowling or crafts. Ultimately, money cannot return an employee to the state they you were in before the accident.

The employer may lose a good, skilled employee who is no longer able to do his job. Vehicles and property and, sometimes good customers, may also be lost.

Prevention of many accidents is in the hands of both the employee and the employer. Unsafe actions and/or conditions are a component of almost every on the job injury or accident. Therefore, TAKE SAFETY SERIOUSLY. Do everything possible to prevent an injury or accident before it happens.

***Accidents are a costly business in more ways than one!***

The risk prevention information and advice presented in this brochure are intended only to advise our insureds and their managers of a variety of methods and best practice strategies based on generally accepted practices for controlling potentially loss producing situations commonly occurring in business premises and/or operations. The recommendations and information contained herein are not, intended to warrant that all potential hazards or conditions have been evaluated or can be controlled. This guide is not intended as an offer to write insurance coverage for such conditions or exposures, or to imply that Alteris will write such coverage. The liability of Alteris is limited to the specific terms, limits and conditions of the insurance policies issued.