



*EVEREST.*

# *Loss Control Alert*

## *Accidents Happen - But Who Really Pays?*

Consider these actual claims that have occurred to our policyholders:

- A worker is walking from the parking lot to the office and steps in a pothole, straining his back. Total cost of the injury, paid by insurance was \$276.
- A worker falls 12 feet off a ladder and fractures an arm. Total cost of the injury, paid by insurance was \$3,384.
- A worker receives a hernia while lifting boxes to a workstation. Total cost of the injury, paid by insurance is \$17,999.

These claims were paid under a workers' compensation insurance policy for which a premium is collected. The more losses that occur, the higher the premium will be, for the same amount of exposure, regardless of the insurance company you may use.

However, these are not the only costs which are incurred. As a business owner or manager it is important to recognize the many uninsured costs associated with each workers' compensation claim. Take a minute to consider all of the costs related to workers' compensation claims that occurred at your business. Did you consider the costs from:

- Additional time, paperwork, and phone calls with claim adjusters, medical providers, and injured workers.
- Lost production resulting from work stoppages while the injured worker is attended and other workers discuss the incident among themselves.
- Cost of hiring and training temporary labor or re-assigning and training other workers to handle the job of the injured employee until they return to full duty. Also the cost due to production losses and errors that occur during this transition period.
- Cost of replacing equipment and materials damaged during the accident.
- Loss of customers resulting from price increases due to higher, accident driven, operating costs, insurance premiums, or an inability to bid on jobs due to your accident rate.

These costs are real and are not paid by your worker's compensation policy. If you total these uninsured costs, you will discover that they quickly exceed the cost paid by insurance. According to some studies, these uninsured costs often exceed the cost paid by insurance by a factor of 2 to 5 times the insured cost. So the small \$276 claim may actually cost an additional \$1,380 in uninsured costs taken right from your

profits. If you are operating on a 2% profit margin, (that is 2 cents of every sales dollar is your profit), you would need an additional \$69,000 in sales to make up the \$1,380 in lost profits from this \$276 claim.

Sound unbelievable? Its' not - its' just plain business. To determine the amount of sales you need to offset the uninsured costs of your claims use this simple formula:

$$\text{Sales needed to offset} = \text{Total uninsured costs} / \text{profit margin.}$$

For example, if your uninsured costs are \$1,380 and your profit margin is 2%, the sales needed to offset these costs is:  $\$1,380 / .02 = \$69,000$ .

When you consider these uninsured costs, and their impact on your profits, it makes sense to try to prevent accidents from occurring. Here are some simple tips which you can implement to prevent accidents:

1. Set the example - If you don't practice and enforce your own rules, nobody else will either.
2. Assign accountability and responsibility for safety throughout your management and employee workforce.
3. Analyze your operations to identify accident producing operations, tasks, jobs or hazards. Observe job activities and use past accidents to help identify problem areas.
4. Implement changes to accident producing operations to prevent injuries. Consider permanent changes such as altering materials, processes, methods, or equipment to reduce the accident potential. If these permanent changes cannot be made consider the addition of equipment, tools, or safeguarding. Train and educate workers regarding the hazards of their jobs and steps they can take to prevent injuries. Provide personal protective equipment to address any residual hazards. Also consider sub-contracting your more hazardous jobs or tasks to others if it cannot be performed safely by your workforce.
5. Regularly inspect your operations to identify unsafe work habits or hazardous conditions. Immediately correct all noted problems.
6. Investigate all accidents to identify causal factors and take steps to prevent their recurrence.

Remember, Everest National Insurance Company offers loss control services to help you in your loss prevention efforts. If you would like more information about these services, visit our web site at [www.everestnational.com](http://www.everestnational.com).

**Loss Control is a daily responsibility of your individual management. This publication is not a substitute for your own loss control program. The information provided in this Alert should not be considered as all-encompassing, or suitable for all situations, conditions, or environments. Each organization is responsible for implementing their safety/injury/illness prevention program and should consult with legal, medical, technical, or other advisors as to the suitability of using the information gained in this Alert.**