



The "Real" Costs of Accidents



Why are the **Real Costs** of Accidents Important?

1. Transparency
2. Safety becomes a **Value** not a priority
3. The Company's financial stability

Change is difficult...

Does **Safety** Really Pay?

- MOD – New Business = 1.0
- Rates are the same for each like Industry
- Bad History = MOD Increase --- 1.3
- Good History = MOD Decrease --- .8

- Annual Premium = \$100,000
- 1.0 MOD = \$100,000 premium
- 1.3 MOD = \$130,000 premium
- .8 MOD = \$80,000 premium

YES, SAFETY PAYS!

What are the Direct and Indirect costs of a workers comp claim?

Direct Costs: (KNOWN)

- 1. Medical Costs**
- 2. Compensation**

What are the Direct and Indirect costs of a workers comp claim?

Indirect Costs: (UNKNOWN)

Accident Scene

Production Stops

Report Injury (phone call/written report)

Report Claim

Phone Calls

Accident Investigation

Replacement Employee

Equipment Damage

Schedule Delays

Lost Opportunities

Employee Morale

OSHA

Medical Follow-Up

Media/Reputation

Decrease Profits

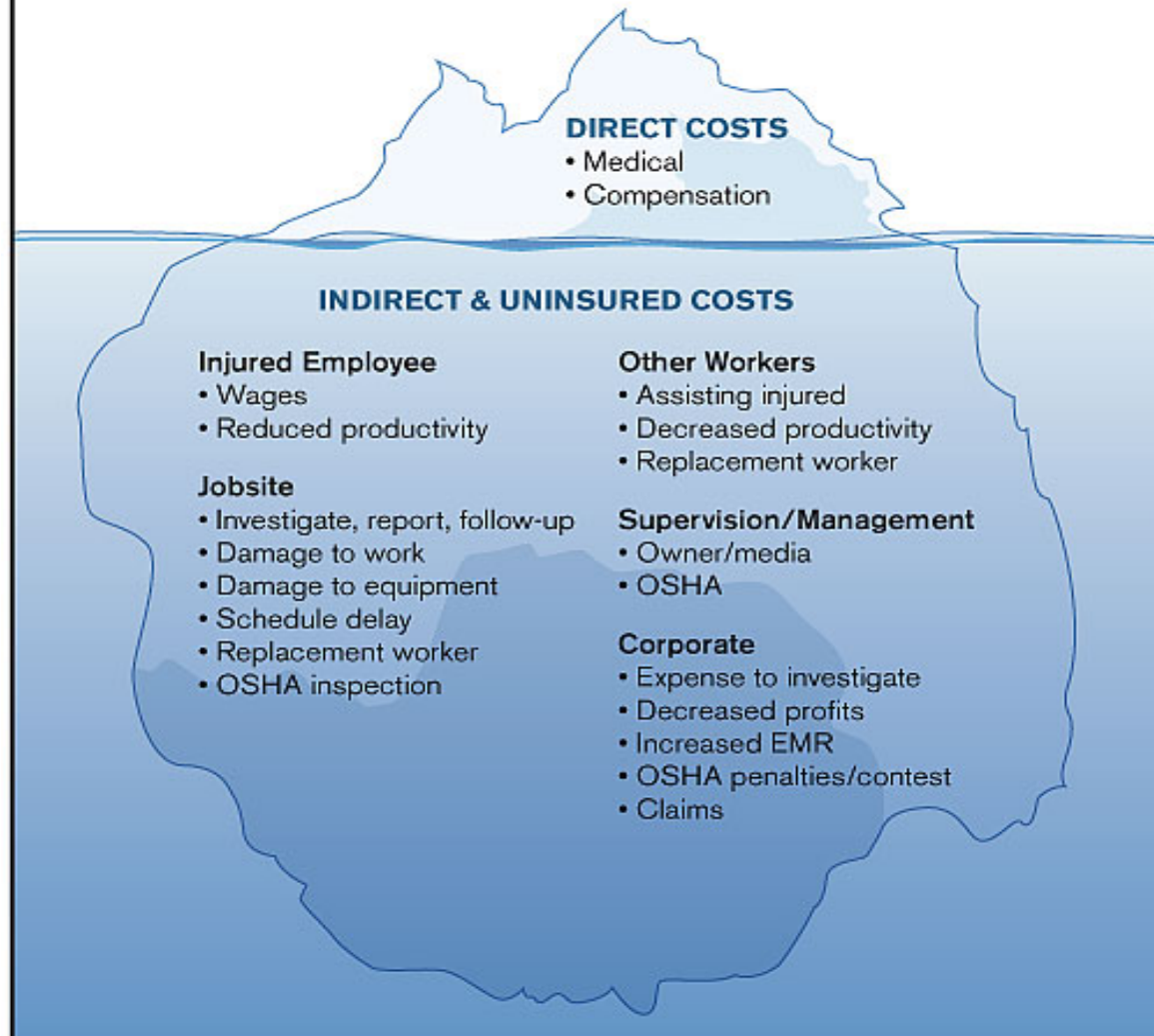
Increased ERM

Clean-Up Time

Legal Fees

Insurance Challenge

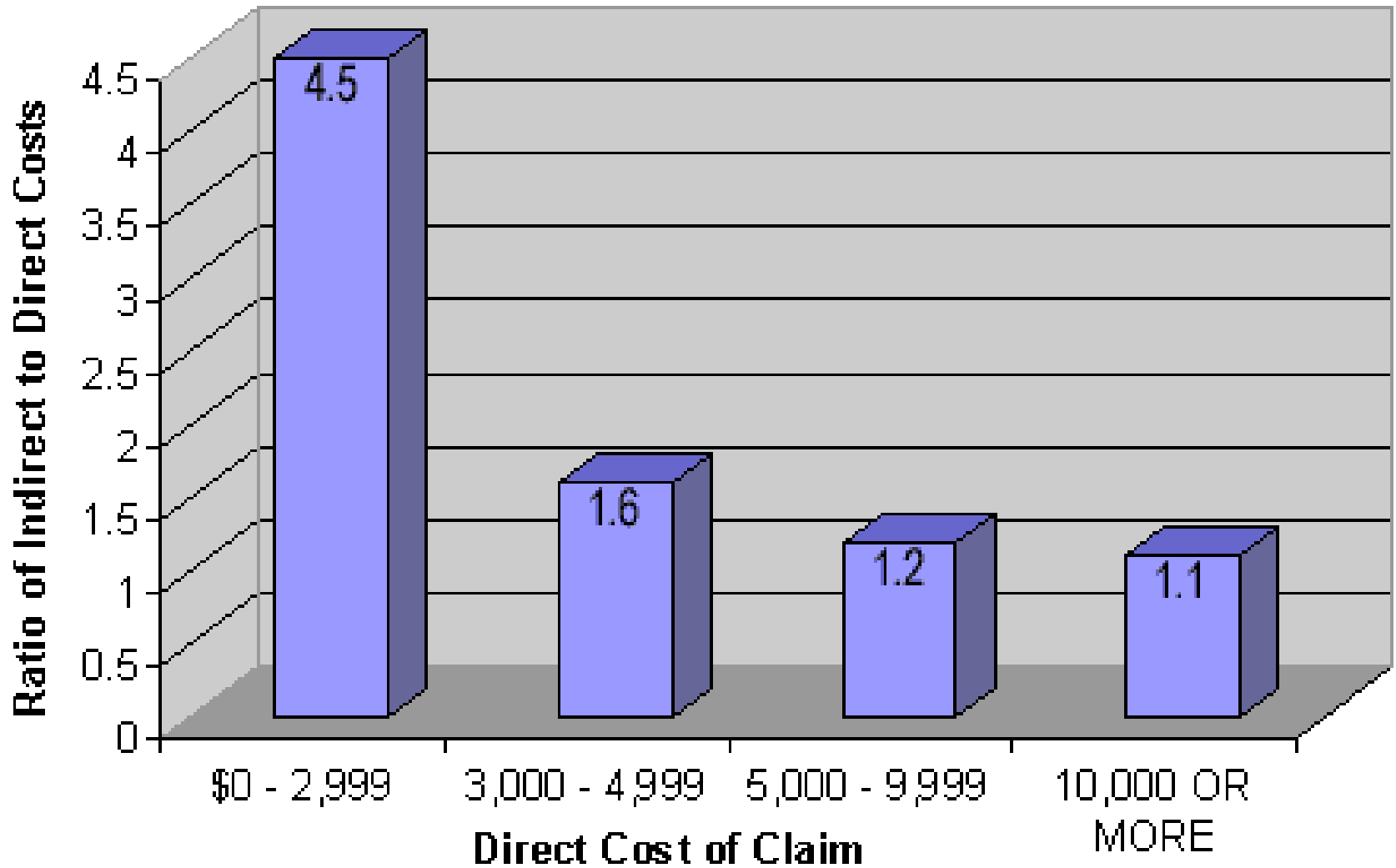
COSTS OF ACCIDENTS ARE LIKE AN ICEBERG



So, how to estimate **indirect costs**?

Direct Costs	Indirect Cost Ratio
\$0 - \$2,999	4.5
\$3,000 - \$4,999	1.6
\$5,000 - \$9,999	1.2
\$10,000 or more	1.1

The average claim cost estimates are provided by National Council on Compensation Insurance, Inc. (NCCI). The data reflects the average cost of lost time workers' compensation insurance claims derived from unit statistical reports submitted to NCCI for policy years 2006-2008.



Policy Year – 2013 - 10% Profit Margin

DIRECT COST	INDIRECT COST	TOTAL COST	SALES NEEDED TO PAY CLAIMS
\$164	\$738	\$902	\$9,020
\$1,500	\$6,750	\$8,250	\$82,500
\$600	\$2,700	\$3,300	\$33,000
\$800	\$3,600	\$4,400	\$44,000
\$10,125	\$11,137	\$21,262	\$212,620
\$13,189	\$24,925	\$38,114	\$381,140

* Indirect cost ratio derived from NCCI information based on unit statistical reports and a study conducted by Stanford University

Policy Year – 2013 - 10% Profit Margin

DIRECT COST	INDIRECT COST	TOTAL COST	SALES NEEDED TO PAY CLAIMS
\$164	\$180	\$344	\$3,440
\$1,500	\$1,650	\$3,150	\$31,500
\$600	\$660	\$1,260	\$12,600
\$800	\$880	\$1,680	\$16,800
\$10,125	\$11,137	\$21,262	\$212,620
\$13,189	\$14,507	\$27,696	\$276,960

* Indirect cost ratio derived from NCCI information based on unit statistical reports and a study conducted by Stanford University

Indirect Cost Broken Down

Category	Number of EE's	Time Per EE's (hr.)	Days per EE's	Total Time	Cost per Hour	Total Cost
Day of Injury	1	8	1	8	\$12.00	\$96.00
Follow-up Visits	1	2	4	8	\$12.00	\$96.00
Rehab. (3x per week)	1	1	12	12	\$12.00	\$144.00
Overtime (others)	3	2	10	20	\$18.00	\$360.00
EE's who assisted	3	1	1	3	\$12.00	\$36.00
EE's who watched	5	1	1	5	\$12.00	\$60.00
EE's who interviewed	3	1	1	3	\$12.00	\$36.00
Supervisors Time	1	11	1	11	\$25.00	\$275.00
Lost Production	7 – 25 units per hr.	Actual units per hr. = 0	175 units lost	\$50.00 value per unit		\$8,750
Equipment damage/repair						\$1,100
Total Indirect Costs						\$10,953

So, where do we **Go** from here?



If we want to create change and prevent accidents, we must manage safety **AT THE BOTTOM** of the accident pyramid **AND KNOW** the real cost of accidents

So, where do we **Go** from here?

1. Communication must be **open** and **transparent**
2. We must work to make Safety a **Value** not a priority
3. We need to manage safety at the **bottom** of the accident pyramid
4. We need to **engage** Employees in the process

Get Creative

LUKE's Accident Prevention Iceberg Theory



This is what it **Looks** like...



Safety is a Priority

- Management commitment
- Imposed from above
- Condition of employment
- Reliant on rules
- Under supervisor control



Safety is a Value

- Team commitment
- Looking out for others
- Personal commitment
- Open dialogue
- Company Pride
- Always seeking improvement

Bottom Line...

**If We Can't
Manage Safety,
We Can't Manage...**