



The Uninsured (Hidden) Costs of Accidents

The insured costs of an accident are visible and can be easily calculated. This is done by adding the medical costs incurred and the compensation payments made to the injured employees. These are paid for by the insurance company using your premium dollars. The uninsured costs are paid by you, the employer. Studies indicate that these uninsured costs are 4 to 5 times the insured costs.

The Elements of Uninsured Costs

1. Cost of wages paid because of time lost by the injured employee. This includes medical treatment and time away from the job that is not covered through workers' compensation insurance.
2. Cost of wages paid to other workers not injured. This includes those employees who stopped work to watch or assist the injured and those employees needing product from the injured worker to complete their task.
3. Costs 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. These include costs to make up for lost production, additional supervision, and additional heat, light, etc.
5. Costs of wages paid to supervisor for time spent on activities related to the accident. These costs involve caring for the injured, investigating the accident, and supervising the activities necessary to get the department functioning again. All of the activities will disrupt the supervisor's productivity.
6. Costs associated with instructing, training, and repositioning employees to resume normal production. In some cases, it might even be necessary to hire a replacement with all the associated hiring costs.
7. Medical costs paid by the employer. This encompasses treatment facilities, personnel, equipment and supplies.
8. Costs of manager and clerical personnel processing claim forms and related paper work, telephone calls, interviews and special investigation proceedings.
9. Wages 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. These costs are not incurred in all accidents but can be substantial in some cases, depending on the severity and type of accident.
 - 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	500,000
100,000	10,000,000	5,000,000	3,333,000	2,500,000	2,000,000

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