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Success

3 minutes to  
insurance  
understanding...

Save money and  
cover your  
fatal gaps.

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# Are the hidden costs of Workers Comp eating you alive?

## Workers Compensation

Workers Compensation is one of those “must buy” insurance policies. And you know the more accidents you have the higher your Workers Comp premiums will be. The higher your insurance premiums, the lower your profit margins.

And you’re probably aware, but don’t often think about it, that both direct and indirect costs must be reimbursed through the profit margin on each item you sell. Studies have shown that the hidden costs of workers compensation are 4 to 5 times the direct costs.

### Some examples of these hidden costs:

- Lost productivity of your injured worker.
- Lost productivity and morale of surrounding workers.
- Time spent investigating the accident and processing related paperwork.
- The cost of temporary help or training for substitute workers.
- Incidental costs of interrupted production.
- A potential OSHA investigation

### Let’s analyze a \$2,000 accident from a Peat Marwick study.

- A soft drink bottler would have to bottle/sell 244,200 cans of soda
- A food packer would have to can and sell over 944,000 cans of corn.
- A bakery would have to bake and sell over 952,000 donuts.
- A butcher would have to process and sell about 268,000 pounds of hamburger.

How much more product would you have to sell just to cover your profit when an employee suffers a Workers Comp claim?

#### Accident cost at 1% profit margin

\$1,000	\$100,000
\$5,000	\$500,000
\$10,000	\$1,000,000
\$25,000	\$2,500,000
\$100,000	\$10,000,000

#### Accident cost at 2% profit margin

\$1,000	\$50,000
\$5,000	\$250,000
\$10,000	\$500,000
\$25,000	\$1,250,000
\$100,000	\$5,000,000

#### Accident cost at 3% profit margin

\$1,000	\$33,000
\$5,000	\$167,000
\$10,000	\$333,000
\$25,000	\$833,000
\$100,000	\$3,333,000

#### Accident cost at 5% profit margin

\$1,000	\$20,000
\$5,000	\$100,000
\$10,000	\$200,000
\$25,000	\$500,000
\$100,000	\$2,000,000

Do the math. How much does it really cost you when an employee suffers a workers comp claim?

Now, when you tack the sign “safety pays” onto your bulletin board you can translate that into real dollars. Communicate those real costs of the accident to your employees. Share the wealth for those safety free days.

Accident free days leading to increased profit margins all starts with having the reputation as being a fun and productive place to work. With that reputation, you can find the right employees who practice safety, who care, and who can put those hidden dollars into your pocket. Call for your “hidden cost” checkup today.