



SAFETY ADVISOR

The hidden costs of accidents

Reduce accident costs with your loss control and safety program

The costs associated with work accidents and injuries can play a significant role in determining your business's profits. To an extent, these costs are controllable—the fewer accidents your business experiences, the lower the costs you'll likely face. A key step toward reducing these accidents is developing an effective loss control and safety program.

But first, it's important to understand why even seemingly minor workplace accidents can have long-lasting financial impacts.

All accidents have hidden costs—many of which you may not anticipate until it's too late. These hidden costs can greatly exceed the amount your insurance company pays, and can include:

- Deductibles
- Loss of employee services
- Replacement employee training
- Rescheduled workflow
- Employee disruption
- Customer dissatisfaction
- Uninsured losses
- Minor thefts
- Damaged property
- Equipment downtime
- Disruption of cash flow

If your business experiences an accident, you may be surprised by the amount of products or services you'll need to sell just to make up for lost profits from these hidden costs. For example, to make up the costs of \$10,000 in annual uninsured (hidden) losses from injury, illness, damage, or theft—assuming an average sales profit margin of 5%—you'd need to sell an additional \$200,000 in products or services. The following chart illustrates several such scenarios, based on different profit margins.



SALES DOLLARS REQUIRED TO PAY FOR DIRECT AND INDIRECT COSTS OF ACCIDENTS

| Projected out-of-pocket cost to your business | Your company's profit margin | | | | |
|--|------------------------------|-----------|-----------|-----------|-----------|
| | 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 |

Unfortunately, many businesses fall into the habit of taking a reactive approach to workplace accidents. In doing so, they overlook the positive financial impact that loss control and safety programs can have—particularly during times of intense industry competition and low profit margins, when every cent is vital.

At Sentry, we have the experience and the resources to help you develop a comprehensive loss control and safety program and put that plan into action. To learn more about creating, updating, and implementing a workplace safety program, visit Sentry Connect® via sentry.com, or reach out to our Safety Services team at 800-443-9655.

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