

Any business which operates in North Carolina should have a workers compensation insurance policy in place to protect them from financial losses caused by accidents which may injure or disable their employees. And for many small businesses, buying a workers comp policy is the beginning and the end of their analysis of this risk. But a small business with employees should understand that their risk of loss does not end with their work comp insurance policy. There are many more hidden costs that will affect a company with each and every workplace injury. Knowing these costs and running the numbers can help a business owner to justify and implement safety procedures to try and reduce both the frequency and the severity of on the job accidents.

Workplace accidents generate both direct costs to the employer as well as indirect costs. Let's take a moment to explore each of these costs and how they can impact your bottom line.

Direct costs are the easiest to measure and understand. They include the medical costs for the injured employee, from hospital and physician expenses to pharmacy and physical therapy expenses. In addition to these, there are the compensation payments to the injured worker for loss of income as well as dependent payments and death benefits. If the claim turns ugly, you can add in legal fees and settlement costs with that. Now most all of the direct costs we have mentioned so far are costs that are paid by the workers compensation insurance company.

There are also direct costs that are paid by the employer. The most obvious of these is the workers compensation insurance premium. You can control this cost to some extent by shopping for better insurance rates and keeping your payroll numbers lower. The other direct cost that an employer could face here are the increase in workers compensation premiums due to past losses. This is the additional costs that are associated with an increase in your experience modification factor.

Now, let's take a look at some of the indirect costs associated with workplace accidents and injuries. These can vary from one type of business to another but your business could face higher costs in terms of lost productivity and service standards, the costs of hiring temporary labor to replace the injured worker or perhaps the additional costs of paying non-injured workers overtime pay. In addition, your business might face the additional costs of hiring and training replacement workers for the injured ones. There are also accident investigation and administrative follow up costs associated with any work place injury claim. And your company could also face lost business or sales because of a workplace accident.

Most experts estimate the average indirect costs of a workplace accident to be roughly 4 times as high as the direct costs associated with a claim. One way to understand how this can impact your business is to run a test case of numbers. Let's say you have a workplace accident that generates a workers compensation claim of \$10,000. That would not be a large claim, just an average sized one. This means that your indirect costs would run at about \$40,000. Now if your company has a profit margin of 5% (which is pretty close to an average), then you will need to generate additional sales in your business of \$800,000 to cover the indirect costs of this claim. These numbers are a real head turner.

What this information says to a business owner is that reducing the frequency and severity of workers compensation claims is a critical link in your profit equation. So what steps can you take? I would suggest that you choose an insurance company that specializes in workers compensation insurance only to write your work comp policy. These specialty companies have real world expertise in claims management as well as loss control programs. Often they offer these loss control programs at no charge to you. If you would like help with your workers compensation insurance as well as help getting your workplace accident indirect costs under control, please call us, toll free, at 877-687-7557 and we will put our experience and know how in this area to work for you, saving you money and helping you reduce your workplace accidents.