

EXERCISE TWO
 (PG.16)

ESTIMATING THE IMPACT OF ACCIDENTS

OBJECTIVES

- To show that accidents cost more than might initially be apparent.
- To convince a Safe Supervisor to invest in safety.

This worksheet will assist you in determining the costs of injuries and illnesses and their impact on your business operations.

DIRECT COSTS

To calculate the direct cost, enter the following information:

Total value of the insurance claim for an injury or illness. _____ \$
(this includes medical costs and indemnity payments)

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INDIRECT COSTS

To calculate the indirect cost of this injury or illness, multiply the direct cost by a cost multiplier. The cost multiplier that you use will depend on the size of the direct cost.

If your direct cost is:

Use this cost multiplier:

\$0 - \$2,999	4.5
\$3,000 - \$4,999	1.6
\$5,000 - \$9,999	1.2
\$10,000 or more	1.1

Direct Cost	x	Cost Multiplier	=	Indirect Cost
\$ _____	x	_____	=	\$ _____

BREAKOUT ACTIVITY

TOTAL COST

Direct Cost +	Indirect Cost	=	Total Cost
\$ _____	+ _____	=	\$ _____

IMPACT ON PROFITABILITY

To calculate the impact of an accident on profitability, use your profit margin to determine the sales your company will need to generate to recover the cost of the injury or illness.

First, divide total profits by total sales to get the profit margin. Keep the profit margin in decimal form:

$$\frac{\text{Total Profits}}{\text{Total Sales}} = \text{Profit Margin}$$

$$\frac{\text{_____}}{\text{_____}} = \text{_____}$$

Next, divide the total cost of the injury or illness by your profit margin. This will determine the sales your company will need to generate to pay for the injury or illness.

$$\frac{\text{Total Cost of Injury or Illness}}{\text{Profit Margin}} = \text{Sales Required to Pay for Injury or Illness}$$

$$\frac{\$ \text{_____}}{\text{_____}} = \$ \text{_____}$$