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**MONTHLY NEWSLETTER**

**It's time to service your IIPP**

Most manufacturers perform routine maintenance on machinery, equipment and vehicles. This preventive practice keeps things running smoothly. Employees receive refresher training from time to time, which is another form of routine maintenance. Safety procedures and protocols can also benefit from a tune-up. To work effectively, you should review and update your Injury and Illness Prevention Program (IIPP) annually. This will ensure your IIPP is compliant with Cal/OSHA requirements and that it addresses the safety needs of your organization.

Having an IIPP that is not functional is one of the most frequent citations issued to businesses in California by Cal/OSHA. It is as important to your safety program as properly maintained equipment is to a manufacturing process. Does your organization treat your IIPP as a "living" document? If not, you could incur penalties and fines. Just as important, failing to keep it current can compromise the effectiveness of your safety and loss prevention programs. Your IIPP is considered so important that it's the first item Cal/OSHA asks to see when they conduct an inspection. They carry out a thorough review of the IIPP and expect to see evidence that it is functional, flexible and addresses the specific safety needs of the employer.

Employers have a legal and moral obligation to provide and maintain a safe and healthful workplace for their employees. More importantly, there is a moral obligation to protect those people that are the foundation of your company's success.

If you look beyond the compliance requirements, the costs associated with work related injuries should motivate most employers to maintain a current and working Injury and Illness Prevention Program. The total cost of an injury resulting in lost time is substantial. In California the average lost time injury costs in excess of \$80,000. And consider that for every dollar spent on the direct costs of a worker's injury or illness, employers will spend significantly more to cover the indirect or hidden costs of work related injuries. Think about what one lost time injury might cost your company:

1. Productivity lost by an injured employee
2. Productivity lost by employees and supervisors attending to the accident victim
3. Clean up costs associated with the accident
4. Time and expense to hire or to retrain other individuals to replace the injured worker until his/her return to work
5. Time and cost for repair or replacement of any damaged equipment or material
6. The cost of continuing all or part of the employee's wages and benefits, in addition to the workers' compensation benefits associated with a work related injury
7. Reduced morale among your employees and perhaps lower efficiency
8. Increased workers' compensation insurance rates and higher premiums
9. Potential Cal/OSHA fines for non-compliance

## Direct and indirect costs of an accident

What does an accident really cost? To answer that question you need to understand that accidents of any kind have both direct and indirect costs. Direct costs are usually the cost of insurance increases that you might experience as a result of that accident such as a rate increase due to increased accident frequency or severity and any out-of-pocket costs you have associated with damages, such as a direct payment to a third party or your deductible. Indirect costs are those costs that are not direct damage expenses, pre-funded loss allocations or losses covered by insurance.

Before we examine the direct and indirect costs, let's make sure we understand what an accident is and what the truth is about the "hidden" costs of an accident.

### What is an accident?

*An accident is an unplanned event definite to time and place that results in injury or damage to a person or property. An accident's impact can be measured monetarily.*

The direct costs are outlined above, the **indirect costs or hidden costs** might include:

- ◆ Lost productivity due to the absence of an injured worker or workers.
- ◆ Lost productivity of employees who assist in the rescue, cleanup, and repairs caused by an accident.
- ◆ The cost to repair or replace damaged property, equipment or vehicles.
- ◆ Rental costs while equipment or vehicles are repaired.
- ◆ The loss of a revenue stream or contract.
- ◆ Damage to an organization's public image.
- ◆ Overtime expenses incurred by additional staff needed to make up for the lost worker or workers.
- ◆ Lost time of supervisors and management who must respond to the accident (assisting injured workers, conducting accident investigations, or dealing with regulatory agencies).
- ◆ Fines paid to regulatory agencies.
- ◆ Cost of first aid supplies used to treat the injured.
- ◆ Costs of hiring and training new employees to fill in for the injured.
- ◆ Your involvement in any lawsuit.
- ◆ Negative impact on customer relations due to reduced quality or service.
- ◆ Loss of customer loyalty due to negative publicity.

The indirect costs of accidents can be even greater than the direct costs. As a conservative estimate, on average for every \$1 in direct loss costs per accident there are \$3 of indirect costs. In fact, some studies indicate the indirect costs can be 4 to 10 times the direct costs.

To begin identifying the direct and indirect loss costs for an accident, ask this question.....

*"What happened inside our organization because of this loss?"*

The answer to that question will be the starting point for categorizing the direct and indirect cost factors of the accident. Consider the following when answering the question:

1. **Don't underestimate the accident's impact to your "Brand"**. In the event that a loss disrupts your business in some way, some of your customers are also affected (deliveries not made, contracts unfulfilled, bad press, etc.). The damage to your brand or the organization's reputation can be the most expensive part of the indirect loss costs.
2. **Always focus on "Business Impact"**. Consider how this accident will have an impact on your organization's financial statement. You must understand how it translates to productivity, profitability, competitiveness and human factors expense.

Just as there are many indirect costs associated with accidents, there are indirect savings associated with **accident prevention**. For this reason, the phrase "loss prevention" is often used to describe those practices that are implemented to reduce the frequency and severity of accidents. Every accident you prevent saves direct and indirect accident costs to your organization, both of which affect your bottom line. Other benefits of accident prevention efforts include:

- ◆ Safe/uninjured employees.
- ◆ Property and materials will not be damaged.
- ◆ No disruption to production, supervisors/managers can focus efforts on other priorities.
- ◆ Increased employee security at work.

Lost prevention requires an investment of time, capital and management support. But, when you evaluate or forecast the direct and indirect costs associated with any type of accident you realize it's an investment worth making.

*continued from "It's time to service your IIPP"*

As 2015 draws to a close, you may want to take time to review your IIPP. Like any tool in your operation, your program requires routine inspection and maintenance to ensure it performs as expected and meets the safety needs of your organization. Be critical of your plan. Make certain it addresses the safety and compliance requirements of your organization.

Take your annual assessment of your IIPP seriously, don't just go through the motions. Make sure:

- ✓ Your Injury and Illness Prevention Program is a comprehensively written plan that serves as your safety procedures and direction. Make certain it is specific in purpose and application.
- ✓ There is evidence/documentation that those procedures that comprise your IIPP are put into practice and are operational.
- ✓ That if you have multiple locations a copy of the IIPP is located and functional in each location.
- ✓ Your IIPP identifies the individual responsible for safety at each location and outline their responsibilities. Additionally, make certain your safety director is identified clearly at the beginning of the document.
- ✓ Communication is identified as a key element of the program. Evidence that hazards are identified and addressed and communicated to employees is extremely important.

As a reminder, the following components are required to be included in your IIPP:

1. A management commitment/assignment of responsibilities
2. A safety communications system with employees
3. A system for assuring employee compliance with safe work practices
4. A system for scheduled inspections/evaluations of your IIPP
5. An accident investigation policy
6. Procedures for correcting unsafe/unhealthy conditions
7. Safety and health training and instruction
8. Recordkeeping and documentation

When management demonstrates a strong commitment to workplace safety and a successful IIPP, your employees will embrace the organization's dedication to safety. You will begin to foster a Safety Culture. At this point safety becomes a practice and not just a procedure. At this point the IIPP is no longer just a document, but is now part of the business plan.

As an owner or manager you can demonstrate your commitment to safety by making each employee's safety and health a business priority and your personal concern. By controlling potential work-place hazards and correcting hazardous conditions you will find that workers stay safe and productivity increases.

If you'd like help in bringing your Injury and Illness Prevention Program up to a functional level, contact CMTA at (916) 498-3340 or e-mail [cmtasource@cmta.net](mailto:cmtasource@cmta.net).



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