Loss Control = Profit

Profit is the ultimate goal of all business enterprise. It is the motivation for the establishment and perpetuation of a business. In the broadest sense, profit equals sales minus the cost of producing and distributing a product.

The cost of work accidents and injuries is one of the controllable costs of producing a product and a factor in determining profit. During periods of highly competitive markets and low profit margins, an improved safety record with reduced accident and injury costs may contribute more to profit than the best salesman.

Every functional operation of a business should be making a contribution toward profit. Loss control is no exception. If loss control is not making this contribution, a check should be made to determine why.

Ask these questions:

1. Has the loss control policy been clearly communicated to all employees? Is it understood that the prevention of accidents and injuries is as important a goal as maintaining production and quality control? If not, a reminder or restatement of the policy is in order.
2. Are the best available applicants being hired for each job? Square pegs in round holes are a loose fit at best and cannot be expected to contribute to an efficient operation.
3. Is training provided that will teach employees to perform their jobs in the safest manner? Is retraining provided as jobs change and people transfer from job to job? The safe way to do the job is usually the most efficient and cost-effective.
4. Are regular inspections made of work areas? Are observations made of employee activities? Try to detect problems before they become serious. Be inquisitive and imaginative in the search.
5. Are all injury-producing accidents investigated for the purpose of determining their true causes? Is there equal concern about incidents that do not cause injuries but do cause damage to material or equipment? Scrapped materials and products, damaged machinery, delays in production schedules and the resultant customer unhappiness or loss may cost as much or more than personal injury and will offer a poor return on investment.
6. Are safety rules, laws and ordinances obeyed at all times? Penalties paid to enforcement agencies can be extremely damaging to profits.

Emergencies can be planned for, and the U.S. Department of Homeland Security and the American Red Cross can help Americans become better prepared.

Sales dollars required to pay for uninsured costs* of accidents at profit margins of:

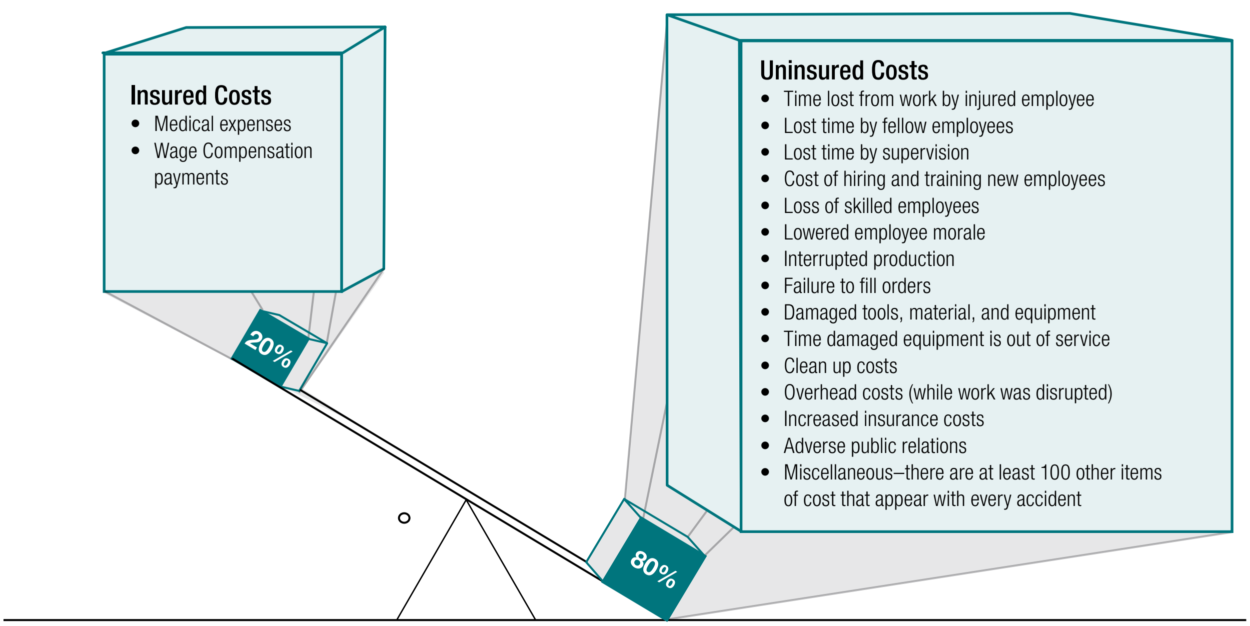
Insured Costs* of Accidents	1%	2%	3%	4%	5%
$500	$200,000	$100,000	$66,000	$50,000	$40,000
1,000	400,000	200,000	132,000	100,000	80,000
1,000	2,000,000	1,000,000	668,000	500,000	400,000
10,000	4,000,000	2,000,000	1,333,000	1,000,000	800,000
20,000	8,000,000	4,000,000	2,666,000	2,000,000	1,600,000

The above chart shows the dollar sales required to pay for uninsured costs* of accidents at varying profit margins. (Example: If the profit margin is 4%, sales of $500,000 will be required to pay for every $5,000 of insured accident costs*.)
*See definitions of Insured/Uninsured Accident Costs. Insured costs of accidents are those direct costs which are covered by workers' compensation insurance. Uninsured costs of accidents are those indirect costs which must be borne by the employer, and which will ultimately impact profit.

Correction of loss control deficiencies will get your program back on track and make a contribution to profit. Always remember, accidents that produce personal injury, damage material or equipment , alter production schedules, and alienate customers are controllable–but only when there is a managed effort to do so.

Yes, you can profit by loss control!

Studies have shown that insured costs make up only 20% of the costs of a work accident. Examples of each type of cost are shown below.



Great American Insurance Group, 301 E. Fourth St., Cincinnati, OH 45202. F13552-LP (01/16)

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