

TRUCK TALK

A Publication of
Continental Western Group®



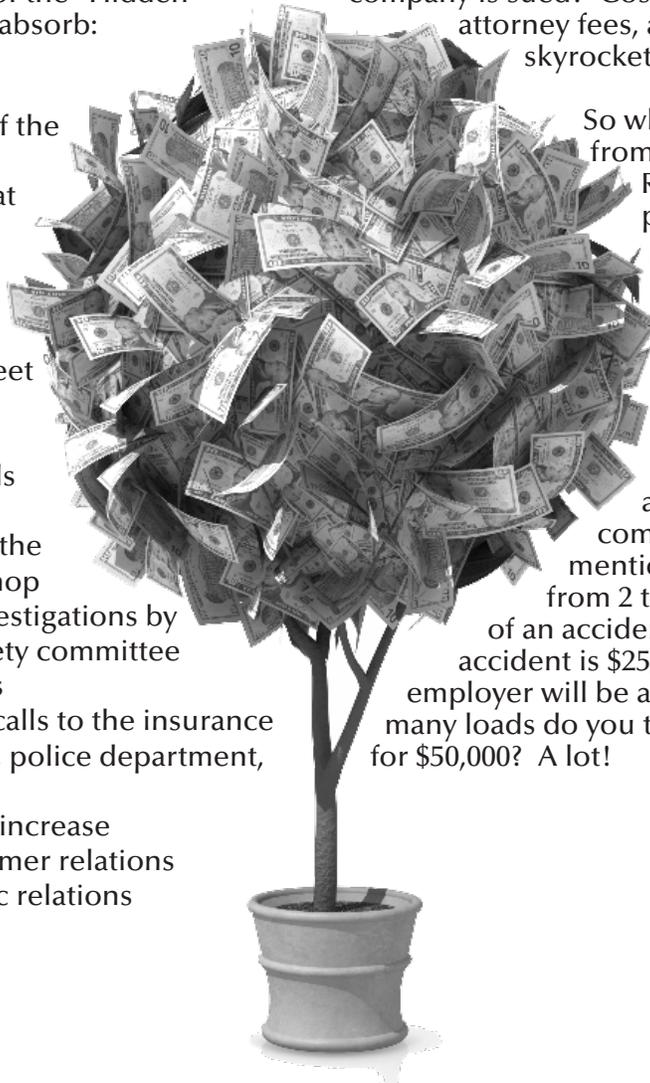
JULY 2008

How Much Does An Accident Cost Your Company?

There is a lot more to the cost of an accident than meets the eye. After an accident some say "it's okay, insurance will pay for it". Insurance does pay for accidents; however, it covers the direct costs of an accident. Direct costs of an accident include property damage, cargo damage, bodily injury, worker's comp, etc. But what about the "Hidden Costs" of an accident, who pays for them? The employer pays for hidden costs. Not only that, but the hidden costs can range from 2 to 10 times the direct costs of an accident, OUCH! How can that be? Well, let's look at some of the "Hidden" costs that an employer must absorb:

- Lost time by one or more employees at the scene of the accident
- Lost time by supervisors at the scene of the accident
- Lost revenue because the equipment is not operating
- Failure to fill orders or meet deadlines
- Lost time by dispatch rescheduling missed loads
- Payments to the finance company continue while the truck or trailer is in the shop
- Lost time on accident investigations by management and the safety committee
- Lost time filling out forms
- Lost time making phone calls to the insurance company, repair facilities, police department, etc.
- Insurance premiums can increase
- Possible damage to customer relations
- Possible damage to public relations

Let's take a closer look at hidden costs associated with an injured driver. Employers do everything they can to prevent injuries; unfortunately, they do occur. Additional costs absorbed by the employer to replace an injured driver include advertising, reviewing applications, interviewing applicants, performing road tests, pre-employment drug testing, background checks, orientation, training, etc. The new driver will not be as efficient as the veteran driver. The driver returning from the injury will not be at 100%. Now on top of that, what if the company is sued? Costs in terms of lost time, attorney fees, and settlements can skyrocket!



So where do the revenues come from to pay for "hidden costs"?

Revenues come from the profit margin. Why from the profit margin? Well, the employer needs to pay taxes, wages, equipment costs, fuel costs, etc. to stay in business. The only place the hidden costs can come from is the profit margin. So how much does an accident cost your company? As previously mentioned, hidden costs can range from 2 to 10 times the direct costs of an accident. If the direct cost of an accident is \$25,000, the hidden cost to the employer will be a minimum of \$50,000. So how many loads do you think it will take to make up for \$50,000? A lot!