

A Financial Business Case for Health and Safety in Ontario Workplaces

A Simple Cost Tool using your NEER Statement



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Demonstrated commitment and improvement to health and safety management will prevent workplace injuries and illnesses and directly affect the company bottom-line results and shareholder value. You may be surprised at how much injuries and illnesses are actually costing your organization. And don't forget that the following calculations do not include the human costs of pain and suffer or the indirect costs of workplace injuries.

Use the following cost sheets to build the financial business case to help you secure commitment for better health and safety management in your organization. To perform the following simple calculations, you will need your organization's **NEER Firm Summary Statement** and **NEER Claim Cost Statement**.

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Part 1

Calculating the Financial Business Case for Health & Safety
Using Your NEER Firm Summary Statement

Part 1

Cost Sheet 1: Determining Maximum Potential NEER Rebate

EXAMPLE

ACME Corp
123 Safety Way
Anytown, ON
K0K 0M0

NEER Firm Summary Statement

Account Number	9876543
Firm Number	567890
Rate Number	999
Past Awards to:	30SEP11

Accident Year	Premium (\$)	Expected Cost Factor (%)	Expected Costs (\$)	NEER Costs (\$)	Rating Factor (%)	Performance Index
2011	550,000	33.12	182,160	18,641	75.68	0.10
2010	500,000	32.25	161,250	645,000	74.63	4.00*
2009	475,000	33.55	159,362	23,012	73.39	0.14
2008	450,000	32.97	148,365	32,865	72.40	0.22

* Subject to maximum surcharge

Line 1. Expected Costs	\$161,250
Line 2. Rating Factor	74.63%
Line 3. Maximum Potential Rebate (Line 1 x Line 2)	\$120,340.88

This is the **maximum potential rebate** which could have been received if there were zero NEER costs. (i.e., no injuries/illnesses)

DO YOUR OWN

**Fill in the blanks below using your NEER Statements from WSIB.
Pick a full year to do your calculation (e.g., 2010)**

Line 1. Expected Costs	\$
Line 2. Rating Factor	%
Line 3. Maximum Potential Rebate (Line 1 x Line 2)	\$

Part 1

Cost Sheet 2: Determining Your Actual NEER Rebate/Surcharge

EXAMPLE

NEER Firm Summary Statement

ACME Corp
123 Safety Way
Anytown, ON
K0K 0M0

Account Number	9876543
Firm Number	567890
Rate Number	999
Past Awards to:	30SEP11

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2008	450,000	32.97	148,365	32,865	72.40	0.22

* Subject to maximum surcharge

Line 4. NEER Costs \$645,000

Line 5. Expected Costs \$161,250

Line 6. Difference
(Line 4 – Line 5) \$483,750

Line 7. Difference x Rating Factor
(Line 6 x Line 2) \$483,750 x 74.63%

Actual Rebate (-) or Surcharge (+) = \$361,022.63

(+)

If the result is negative (-), the company receives a rebate. If the result is positive (+), the company receives a surcharge. Enter the amount in whichever box applies.

Surcharge:
\$361,022.63

A Surcharge would apply if NEER costs were higher than Expected Costs

(-)

Rebate:
\$0.00

A Rebate would apply if NEER costs were lower than Expected Costs

Part 1

Cost Sheet 2: Determining Your Actual NEER Rebate/Surcharge

DO YOUR OWN

**Fill in the blanks below using your NEER Statements from WSIB.
Pick a full year to do your calculation (e.g., 2010)**

Line 4. NEER Costs	\$		
Line 5. Expected Costs	\$		
Line 6. Difference (Line 4 – Line 5)	\$		
Line 7. Difference x Rating Factor (Line 6 x Line 2)	\$	x	%
Actual Rebate (-) or Surcharge (+) = \$			

If the result is negative (-), the company receives a rebate. If the result is positive (+), the company receives a surcharge. Enter the amount in whichever box applies.

(+)

Surcharge:

\$ _____

(-)

Rebate:

\$ _____

Part 1

Cost Sheet 3: Determining Average Unrecovered Rebate **OR** Lost Rebate + Surcharge Per Claim (Use one of the two formulas below)

EXAMPLE For **Surcharges** from Line 7, Use this Formula:

Line 8. Unrecovered Rebate OR Lost Rebate + Surcharge (Line 3 + Line 7)	\$361,022.63 + \$(120,340.88)
Maximum potential rebate from Cost Sheet 1 plus Actual surcharge from Cost Sheet 2	= \$481,363.51

This Company lost out on this opportunity by not recovering the potential rebate **and** by paying a surcharge

EXAMPLE For **Rebates** from Line 7, Use this Formula:

Line 8. Unrecovered Rebate OR Lost Rebate + Surcharge (Line 3 – Line 7)	\$ – \$
Maximum potential rebate from Cost Sheet 1 plus Actual surcharge from Cost Sheet 2	= \$

Line 9. Unrecovered Rebate OR Lost Rebate + Surcharge per Claim (using <i>Surcharge</i> example) (Line 8 ÷ Number of Claims in a given year)	\$481,363.51 ÷ 7 Claims*
Average Loss per claim	= \$68,766.22

*Include lost time injuries and health care claims in a given year. Determine this number from your NEER Claim Cost Statement.

Part 1

**Cost Sheet 3: Determining Average Unrecovered Rebate OR
Lost Rebate + Surcharge Per Claim (Use one of the two formulas below)**

DO YOUR OWN

For **Surcharges** from Line 7, Use this Formula:

**Line 8. Unrecovered Rebate OR
Lost Rebate + Surcharge**
(Line 3 + Line 7)

\$ + \$

**Maximum potential rebate from
Cost Sheet 1 plus Actual surcharge
from Cost Sheet 2**

= \$

DO YOUR OWN

For **Rebates** from Line 7, Use this Formula:

**Line 8. Unrecovered Rebate OR
Lost Rebate + Surcharge**
(Line 3 – Line 7)

\$ – \$

**Maximum potential rebate from
Cost Sheet 1 plus Actual surcharge
from Cost Sheet 2**

= \$

**Line 9. Unrecovered Rebate OR
Lost Rebate + Surcharge per Claim**
(Line 8 ÷ Number of Claims in a given year)

\$ ÷ Claims

Average Loss per claim

= \$

Part 1

Cost Sheet 4: Determining Your Gross Sales Required to Recover NEER Costs

EXAMPLE

If the unrecovered rebate OR lost rebate + surcharge is \$481,363.51 using the surcharge example (Line 8, Cost Sheet 3) and the company profit margin is 6%, then the gross sales required to recover from the unrecovered rebate OR lost rebate + surcharge is:

Line 10. Unrecovered Rebate OR Lost Rebate + Surcharge (Line 8)	\$481,363.51
Line 11. Company Profit Margin	6%
Line 12. Gross sales required to recover from Unrecovered Rebate OR Lost Rebate + Surcharge (Line 10 ÷ Line 11)	\$481,363.51 ÷ 0.06
	= \$8,022,725.17

Since the company ended up forgoing \$481,363.51 in unrecovered rebate OR lost rebate + surcharge, they would have to generate \$8,022,725.17 more in revenue to end up with the same year end financial statement.

DO YOUR OWN

Line 10. Unrecovered Rebate OR Lost Rebate + Surcharge (Line 8)	\$
Line 11. Company Profit Margin	%
Line 12. Gross sales required to recover from Unrecovered Rebate OR Lost Rebate + Surcharge (Line 10 ÷ Line 11)	= \$

Part 2

Calculating the Financial Business Case for Health & Safety
Using Your NEER Information and the Indirect costs of
Incidents/Injuries

Part 2

Cost Sheet 5: Determining Approximate Total Cost Per Injury/Illness (for any given year)

EXAMPLE

Line 13. Unrecovered Rebate OR Lost Rebate + Surcharge (Line 8)	\$481,363.51
Line 14. Determine Indirect Incident/Injury Costs for all events in a given year (Appendix A or B)	\$617,483.56
Line 15. Add Unrecovered Rebate OR Lost Rebate + Surcharge AND Indirect Incident/Injury Costs for a given year (Line 8 + Line 14)	\$1,098,852.07
Line 16. Determine # of Claims in a given year (Derived from your NEER Claim Cost Statement)	7
Line 17. Determine Approximate Total Cost per Injury/Illness (Line 15 ÷ Line 16)	\$156,978.87

DO YOUR OWN

Pick a full year to do your calculation (e.g., 2010)

Line 13. Unrecovered Rebate OR Lost Rebate + Surcharge (Line 8)	\$
Line 14. Determine Indirect Incident/Injury Costs for all events in a given year (Appendix A or B)	\$
Line 15. Add Unrecovered Rebate OR Lost Rebate + Surcharge AND Indirect Incident/Injury Costs for a given year (Line 8 + Line 14)	\$
Line 16. Determine # of Claims in a given year (Derived from your NEER Claim Cost Statement)	Claims
Line 17. Determine Approximate Total Cost per Injury/Illness (Line 15 ÷ Line 16)	\$

Part 2

Cost Sheet 6: Determining Your Gross Sales Required to Recover from Overall Costs of Claims (NEER Costs + Indirect Incident/Injury Costs)

EXAMPLE

If the unrecovered rebate OR lost rebate + surcharge AND the Indirect Incident/Injury Costs of Claims are \$1,098,852.07 (Line 15, Cost Sheet 5) with the company profit margin being 6%, then the gross sales required to recover from Overall Costs of Claims is:

Line 18. Unrecovered Rebate OR Lost Rebate + Surcharge AND Indirect Incident/Injury Costs (Line 15)		\$1,098,852.07
Line 19. Company Profit Margin	÷	6%
Line 20. Gross sales required to recover Overall Claims costs (Line 18 ÷ Line 19)		= \$18,314,201.17

Since the company ended up forgoing \$481,363.51 in potential WSIB savings and incurred \$617,488.56 in indirect incident/injury costs (Line 14), they had to generate \$18,314,201.17 more in revenue to end up with the same year end financial statement.

DO YOUR OWN

Line 18. Unrecovered Rebate OR Lost Rebate + Surcharge AND Indirect Incident/Injury Costs (Line 15)		\$
Line 19. Company Profit Margin	÷	%
Line 20. Gross sales required to recover Overall Claims costs (Line 18 ÷ Line 19)		= \$

Appendix A

Calculating Indirect Incident/Injury Costs (short-cut method)

NEER Claims Cost Statement

Accident Year	2011	2010	2009	2008
Claims Cost Limit (\$)	398,000	388,000	373,000	366,500
Overhead Factor (%)	36.00	35.00	26.00	26.00

Account Number	9876543
Firm Number	567890
Rate Number	999
Past Awards to:	30SEP11

Claim Number	Worker's Name	Accident Date	Claim Type	Claim Age	Non Pension (\$)	Pension (\$)	Discounted Past Awards (\$)	Projected Future Costs (\$)	Overhead Costs (\$)	Limited Claim Costs (\$)
23456	O'Shanter, Tom	04JAN10	09	20	83,421.58	0.00	83,421.58	235,498.51	111,393.12	388,000.00**
24680	Blair, Charlie	13APR10	02	17	110.26	0.00	110.26	0.00	38.59	148.85
25814	Bush, Henry	15JUN10	02	15	135.86	0.00	135.86	0.00	47.55	183.41
26048	Kerr, Kim	24JUL10	06	14	12,342.26	0.00	12,342.26	10,183.60	7,884.05	30,409.91
27272	Cooper, Alice	27AUG10	09	13	57,327.65	0.00	57,327.65	239,963.49	103,749.39	388,000.00**
28406	Harper, Richard	11OCT10	01	11	658.62	0.00	658.62	0.00	230.52	889.41
29630	Howard, Rick	22DEC10	01	09	375.91	0.00	375.91	0.00	131.57	507.48
Total 2006:					154,372.14	0.00	152,853.79	485,645.60	223,474.79	808,138.78
									Total NEER Costs (\$):	645,000.000

**Subject to Claim Cost Limit

NOTE: INDIVIDUAL NEER COSTS CHANGE OVER TIME

Step 1. Costs on claims paid to date

(Add up the Non-pension (\$) and Pension (\$) for all claims in a given year from your NEER Claim Cost Statement

\$154,372.14

Step 2. Multiply the total in Step 1 by 4

x 4

= \$617,488.56

This is a **rough** estimate of the Indirect Incident/Injury Costs for that given year.

Your Company Incident/Injury or Illness Detailed Costing Form

This chart will enable you to detail and estimate the total costs of an incident and/or an injury or illness within your organization.

The intent is to be able to build a complete picture of what accidents, injuries and occupational illnesses cost. This will help an organization better understand the financial impact of injuries and illnesses on their operations.

Some of the cost information may be straightforward. However, the methods to calculate or estimate some elements of the costs will vary from organization to organization. This is especially the case in estimating the cost of lower productivity or not being able to carry out work or production because equipment is unavailable. Further, there may be other impacts which may be more difficult to assess, such as reduced customer service due to inability to produce.

The "Costing an Individual Incident/Injury Form" contains questions to help you account for all the costs of an incident or injury. Although the form is intended to be comprehensive, there may be additional areas of cost or impact. These should be included as well.

Completing a costing form on a number of incidents/injuries will give a better picture of the costs of incidents/injuries in your organization.

Use a "Costing an individual Incident/Injury Form" for each incident/injury occurring in your organization.

**Instructions to complete
Costing an Individual Incident/Injury Form**

To determine indirect incident/injury costs using this form, ADD up Sections B, C, D, E, F, and G. Do NOT use Section A in this calculation. Do this process for all incidents/injuries for a given year. Use the total for ALL incidents/injuries in a given year in your calculation for **Line 14** of this document.

Appendix B

Costing an Individual Incident/Injury Form

Name: _____

Date and Time of Incident/Injury: _____

Location: _____

Brief Description of Incident/Injury: _____

Incident/Injury Costing

DIRECT INCIDENT/INJURY COSTS		COST	Section A
Compensation/Medical/Rehabilitation Costs			
Description of Injury:			
Time Away from Work: days/weeks			
1. Compensation/medical/rehabilitation costs. (Use the "Estimated Actual Claim cost" from your latest NEER statement. If the claim has had the Maximum Claim cap applied, use the value before the cap has been applied.)		\$	
2. Wage supplements/Continuation of benefits etc		\$	
3. Other compensation/Benefit Related Costs		\$	
TOTAL DIRECT INJURY COSTS		\$	
INDIRECT INCIDENT/INJURY COSTS		COST	Section B
Property/Equipment/Material Damage			
Was there equipment or structural damage? Was it repaired or replaced? Was equipment rented for temporary replacement? Was there material or product damage or loss?			
Summary:			
1. Costs of Cleanup/salvage		\$	
2. Equipment Repair/Replacement Cost		\$	
3. Property/Structural Repair Cost		\$	
4. Equipment Rental Cost		\$	
5. Material/Product Loss		\$	
6. Material/Product Rework		\$	

INDIRECT INCIDENT/INJURY COSTS (continued)		COST
Administrative Costs		
Administrative costs include extra management and administrative time as a result of the injury/illness. Examples include managing the accident scene, conducting accident investigation and follow up actions, arranging compliance to MOL orders, rescheduling of people and work, arranging/supervising clean up and salvage, arranging for repair or replacement of equipment or other property, hiring replacement staff, training of replacement staff, follow up with injured or ill employee, arranging for return to work and modified work.		
1. Management effort at time of incident/injury		\$
2. Management effort: clean up, restoration, rescheduling, MOL order compliance, replacement hiring and training etc.		\$
3. Follow up with injured employee including return to work, modified work etc.		\$
4. Administrative effort in claims management, medical and personnel effort, public relations etc.		\$
5. Lost opportunity cost: If management had not been spending its time on incident follow-up, what could they have been doing? What is the value of that lost opportunity?		\$
Productivity Costs		
These involve the costs associated with the work interruption due to the incident, and ability to carry out work following the incident. Calculations for these cost items will vary depending on how your organization values the cost of work interruptions, equipment unavailability, and reduced employee capability. There is also the lost opportunity cost, as above.		
1. Work interruption at time of incident (# of people, length of interruption)		\$
2. How was work time made up: costs, overtime etc		\$
3. Rescheduling Costs: New set up, delays in equipment availability, idle people, time, costs		\$
4. Cost of learning curve of replacement employees		\$
5. Equipment out of service: MOL stop work orders, time to repair damage or replace.		\$
6. What was the impact of loss of use of equipment, processes, or skills of injured person <ul style="list-style-type: none"> • Alternate processes more costly, time consuming • Customer Service issues: out of stocks, delays in delivery • Scheduling inefficiencies 		\$
7. Cost of reduced productivity while employee on modified work.		\$

Section C

Section D

Appendix B

INDIRECT INCIDENT/INJURY COSTS (continued)		COST	Section E
MOL Orders			
1. Additional cost of complying with MOL orders <ul style="list-style-type: none"> • Equipment/process modifications • Administrative Procedures 		\$	
2. Consultant Fees		\$	
Legal Costs			Section F
1. Legal Counsel Fees		\$	
2. Management/Employee time (preparation, witnesses, etc)		\$	
3. Expert Witness Fees		\$	
4. Fines		\$	
5. Other Costs (Settlements etc)		\$	
Other Costs			Section G
1.		\$	
2.		\$	
3.		\$	
TOTAL		\$	

