Ratio of Indirect to Direct Costs in Worker Compensation

Studies show that the ratio of indirect costs to direct costs in the Worker Compensation claim varies widely, from a high of 20:1 to a low of 1:1. OSHA's approach is shown here and says that the lower the direct costs of an accident, the higher the ratio of indirect to direct costs.


The more accidents that occur in a workplace, the higher the costs — both in increased insurance premiums and greater indirect costs.

See next page...

Call 888-511-2234
**Direct and Indirect Costs of the accident**

The **direct costs** represent the workers compensation and other budgeted miscellaneous medical claim costs. Workers compensation claim costs include:

1. Medical costs
2. Time loss costs
3. Permanent partial disability costs
4. Insurer additional administrative costs (usually about 20%)

**Indirect costs** are all unbudgeted costs associated with the accident that are required to get the company back to pre-accident status. These costs represent a larger drain on the company's resources than do direct costs. They may include:

1. Damage to equipment, machinery, materials, facility etc.
2. Production downtime.
3. Losses or costs from other sources. Includes fire, explosion, chemical, emergency response, disposal, weather, etc.
4. Loss of product/services. Includes spoilage, defects, damage etc.
6. Additional overtime.
7. Supervisor lost time resulting from accident. Includes inspections, accident investigation, meetings, administration, reports, etc.
8. Other managers' lost time resulting from accident. Includes inspections, meetings, administration, reports, etc.
9. Employees assisting with accident. Includes administering first aid, accident investigation, clean-up, repairs.
10. Hiring and training replacement workers
12. Other non-productive time incurred by victim(s). Includes medical follow-up appointments etc.

Thank you for your time.

Please don't hesitate to contact me "Gérard Gaucher" at 888-511-2234 or by email at ggaucher@aaod.com.