

CASE STUDY: HOW THE SAFETY FIRST PROGRAM CAN MANAGE YOUR WORKER'S COMPENSATION COSTS.

This case study is based on a real organisation. It compares what has actually happened since the SF program has been in place, with the likely outcome if they hadn't partnered with Safety First.

Workers' compensation is one of the major costs for most employers, many employers find its volatility due to claims and loss ratio difficult to predict and manage as the premium can vary by tens of thousands or even \$100,000s from year to year. This can have a huge effect on an organisations profitability. This case study demonstrates how effective Work Health and Safety Management can both reduce costs and stabilize workers compensation premiums.

	Based on average annual claims prior to starting SF program	Based on actual figures after starting SF program	BENEFIT TO THE ORGANISATION
Reserve end yr 8	\$156,000*	\$800,000	+\$644,000
Reduced claims costs over 8 years	\$1,804,000	\$1,004,000	+\$800,000
Hours lost to injuries p.a.	1,789 hrs	1,027 hrs	+762 hrs
Insurer charge to client per hour of claim	\$126 p/hr	\$94 p/hr	+\$32 p/hr

WHAT DOES THIS ALL MEAN FOR THE CLIENT?

Actual stabilized Workers Compensation Costs due to higher reserve

The Safety First Program enabled the organisation to reduce the average of its paid claims by \$100,000 per annum. This allowed the organisation in year six to absorb a major claim without a loading to the premium because it had a high premium reserve with the insurer. By the end of the six years the organisation had a premium reserve approaching \$800,000.00. The benefit to the organisation being it can budget forward the next year's premium with some confidence.

Reduced claims costs

Implementation of the Safety First program has resulted in a greater focus on safety within the organisation. This has led to not only a lower number of claims on average, but the claims that have been made have been for less serious injuries generating lower costs to the insurer.

Reduced Lost Time Hours

By reducing the number of injuries the organisation gained on average 762 hours per year of productivity in the workplace or over 4,500 hours over the past six years.

Reduced Claim treatment costs

Though there are still injuries occurring after the safety program has commenced they are generally less severe and are being managed better at a site level. This is reflected in the reduction in total claim costs and also the average cost per hour of claim.

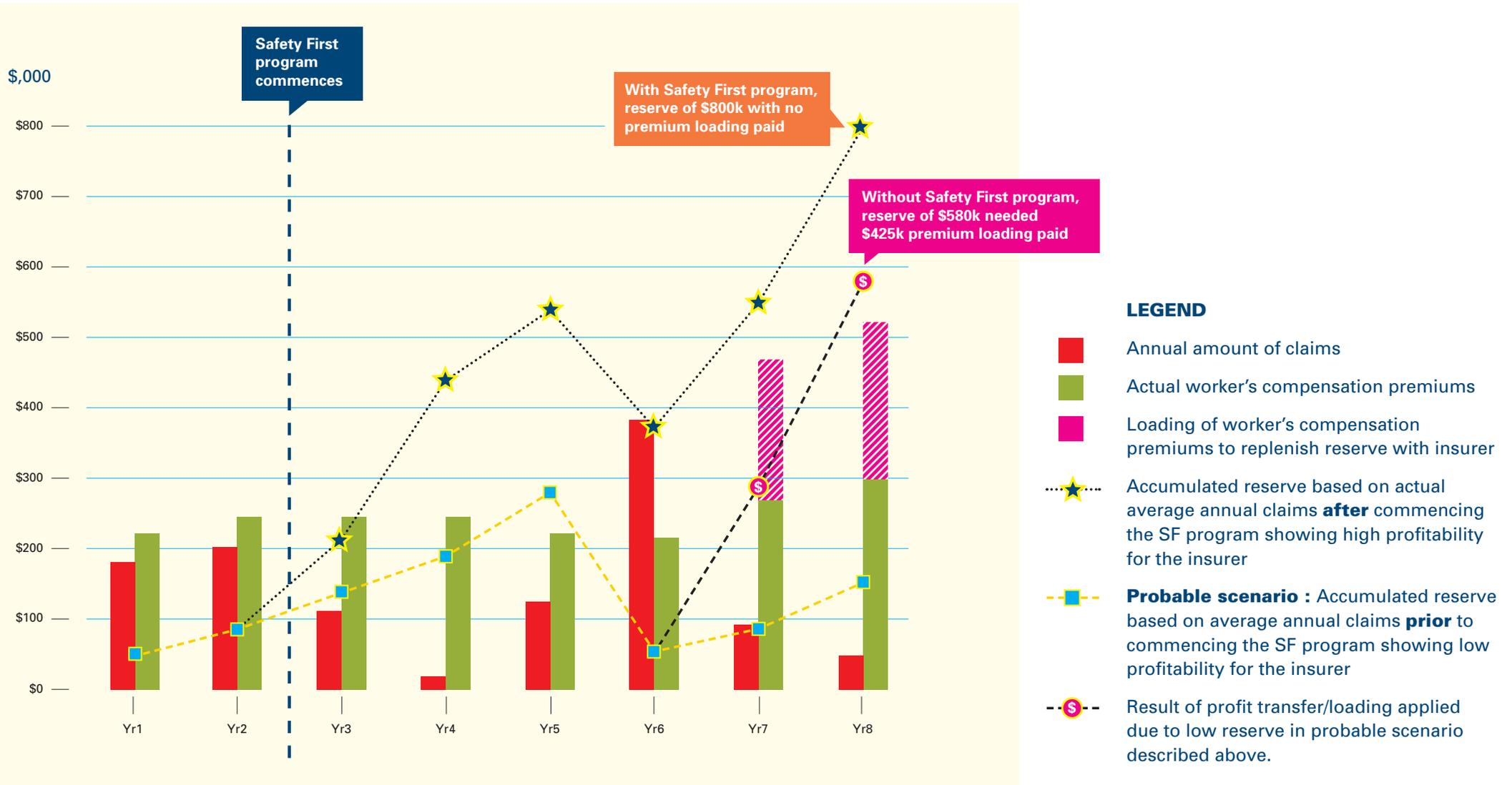
Probable scenario: volatility of premium due to low reserve*

The client on average has been claiming a high percentage of his premium each year to pay claims this is reflected in the low premium reserve. In year six when a large claim occurs the profitability of this account for the insurer over its life is just \$54,000 with their average claims per annum at almost \$200,000.

Profit transfers / premium loading are used to realign the account to be profitable an increase of up to 75% of the base premium or with permission from Workcover higher is applied often for between 3-5 years and would have likely cost this client at least \$425,000 over the next two years.



CASE STUDY: BREAKING THE MYTH THAT WORK HEALTH AND SAFETY IS A COST TO BUSINESS



Safety First Risk Management is certified to AS/NZS ISO 9001:2008 for the Design and Implementation of Safety Systems Complying With AS/NZS 4801:2001.

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