

Workplace Safety Group

September 2008

Monthly News e-Letter

Ministry of Labour Court Bulletins:

Guelph construction company fined \$200,000 after death of worker

Cox Construction Ltd. of Guelph was fined \$200,000 on August 20/08 in connection with the death of a construction worker. The worker had approached a machine that grinds trees, stumps and roots. One of the excavator operators noticed the worker, made eye contact and signaled an intention to move a log.

The court found that the company had not ensured an adequate, standardized system of communications between workers. The court also found that the company failed to ensure that the excavator operator was assisted by a signaler.

Cox Construction was found guilty of: 1. failing to ensure that procedures prescribed by section 104(3)2 of Ontario Regulation 213/91 were carried out. The company was also found guilty of: 2. failing, as an employer, to take every precaution reasonable in the circumstances for the protection of a worker, contrary to section 25(2)9h) of the Occupational Health and Safety Act.

A fine of \$100,000 on each of the two counts was imposed. In addition, the court imposed a 25-per-cent victim fine surcharge, as required by the Provincial Offences Act.

Showing Losses That Insurance Doesn't Cover

by Glenn Demby, Esq.

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Most senior officers realize that accidents cost money; but few understand just how much. One reason so many underestimate the cost of accidents is that they assume that insurance covers all losses. A worker gets hurt? No problem, they think. Workers' compensation will pay for the medical bills and cover the worker's wages during recovery. As a safety coordinator, it's incumbent upon you to point out the real costs of accidents. Here's how:

The Costs of Accidents

When an accident occurs, a company incurs all kinds of losses. Insurance covers only a small percentage of them! Most of the costs of an accident are from losses not covered by insurance. To win support for your safety program, you need to explain the real impact of uninsured losses on the company's bottom line. To do this, you need to understand that losses related to accidents come in two varieties:

Losses Covered by Insurance. These are the direct costs a company pays for an accident, including the victim's medical bills and wages for lost work time.

Losses Not Covered by Insurance. These are indirect or hidden costs and typically include:

- Costs of finding and training a replacement for the victim;
- Overtime and extra wages the company must pay other workers to make up for the victim's lost production;
- Medical costs and payments to the victim not covered by insurance;
- Increases in insurance premiums;
- Delays in production which may also lead to loss of contracts and/or reputation;
- Damage to equipment and other capital assets;
- Damage to morale and decline in productivity that inevitably follow on the heels of serious accidents;
- Time spent investigating the accident;
- Legal costs and fines.



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Mississauga company fined \$70,000 after worker injured

A Mississauga cardboard box maker was fined \$70,000 August 12, 2008, in connection with an injury to a worker.

An employee of Cascades Canada Inc. was working at a conveyor system when the bottom one in a stack of cartons got caught under the conveyor belt. While trying to free the carton, the worker's finger got caught in the belt. When the worker tried reaching for the emergency stop on the side of the machine, another finger became caught. Amputation of part of both fingers was required.

A Ministry of Labour investigation found the pinch point areas on the belts and rollers were not guarded.

In addition to the fine, the court imposed a 25-per-cent victim fine surcharge on the total, as required by the Provincial Offences Act.



Uninsured losses are generally at least three times and up to 50 times greater than insured losses, depending on the industry. But senior officers typically overlook these losses and consequently overestimate the financial protection of insurance.

Case Study to Shatter Complacency

You need to demonstrate the impact of uninsured losses to your officers so they understand that insurance isn't enough to protect the company. Here's a case study to drive home the point:

A skilled machine operator at a company employing 100 workers averaging \$15 per hour gets his sleeve caught in the moving part of an unguarded press machine and hurts his right arm. The machine is shut down, completely stopping production for two hours. All workers accrue full wages during the two-hour shut-down (\$3,000). Morale is shattered and production drops in the two weeks following the accident resulting in a loss of \$2,000.

The machine is damaged and needs \$10,000 in repairs, slowing production even further. The company must pay 10 workers 10 hours of overtime (\$2,250) to make up for the lost time. But it still misses a delivery date causing an angry customer to cancel a contract worth \$40,000.

Meanwhile, the victim undergoes extensive surgery. After a 10-day hospital stay, he's released but can't return to work for six months. It costs the company \$1,000 to find and train somebody to replace the victim. Insurance covers all medical bills (say, \$50,000) and 50 percent of lost wages (say, \$7,700). When the victim gets back, his productivity is 50 percent of what it was before the injury. It takes him another six months to get back up to speed. Let's say this loss in productivity costs the company \$7,700.

The government investigates the accident and charges the company with failing to guard the machine. The charge is later dropped because of a technicality, but only after the company runs up \$30,000 in legal fees. The company incurs another \$10,000 in administrative costs to defend itself. Moreover, the accident and prosecution damage the company's reputation and ability to compete for contracts. Although hard to value, this loss of good will costs the company at least \$30,000.

Finally, adding insult to injury, as a result of the accident, the workers' comp carrier raises the company's annual premium \$5,000.



Questions, Concerns, Comments?

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DO YOU:

Wonder what you need to do to comply with labour legislation?

Know where to find answers to occupational health & safety questions?

What it would cost your company if a critical accident or death did occur?

Worry about worker (un)safe behaviours?

Pay worker compensation insurance fees?

Understand "Due Diligence" compliance?

Have a published health & safety policies & procedures manual?

Understand First Aid/CPR training requirements for all workplaces?

**For a NO COST
Health & Safety
Needs Analysis**



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LOSS INCURRED	APPROXIMATE COST
Medical Bills	\$50,000
Lost Wages	\$7,700
Wages to Worker During Shutdown	\$2,800
Lost Productivity	\$2,000
Overtime	\$2,250
Costs to Replace Worker	\$1,000
Lost Productivity When Worker Returns	\$7,700
Machine Repairs	\$10,000
Value of Lost Contract	\$40,000
Legal Fees/Admin. Costs	\$40,000
Increase in Workers' Comp Premiums	\$5,000
Loss of Good Will	\$30,000
TOTAL COSTS	\$198,450
Insured Costs	\$57,700
Uninsured Costs	\$140,750

Conclusion

The costs of an accident are analogous to an iceberg. All that most corporate executives see are the direct costs—the tip of the iceberg. The indirect costs are buried below the surface and represent the greatest percentage by far. Your job as safety coordinator is to steer your company a course through the icebergs and protect it from "titanic" catastrophe.



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