

TRANSPORTATION

INSIGHTS

The Cost of Recovering from Accident Losses

You already know that driver accidents cost your company in many ways, but do you know exactly how much money you are losing each year because of them?

It is important to note that accident costs can be either direct or indirect. The only way a company can pay for these direct and indirect costs is from company profits.

Consider this: the extra revenue motor carriers must generate to cover for accident losses gets exponentially higher the greater your costs and the lower your profit margin. For example your company would need to generate an additional \$1,250,000 in revenue to pay the cost of a \$25,000 accident, assuming a 2 per cent profit margin.

PROFIT MARGIN

	2%	5%	10%	
ACCIDENT COST	\$25,000	\$1,250,000	\$500,000	\$250,000
\$50,000	\$2,500,000	\$1,000,000	\$500,000	
\$100,000	\$5,000,000	\$2,000,000	\$1,000,000	
\$250,000	\$12,500,000	\$5,000,000	\$2,500,000	
\$500,000	\$25,000,000	\$10,000,000	\$5,000,000	

Now that we understand how these costs impact a company from a loss perspective, businesses can also identify where these direct and indirect costs are impacting their current operations and make changes to **improve** their profit margins. Many accidents can be avoided so having proper risk management in place can prevent you from having to recoup the losses from an accident.

EXAMPLE DIRECT COSTS

- Cargo damage
- Vehicle damage
- Injury costs
- Medical costs
- Loss of revenue
- Administrative costs
- Police report
- Possible effect on insurance costs
- Potential legal costs
- Towing costs
- Storage of damaged vehicle

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EXAMPLE INDIRECT COSTS

- Lost clients, prospects and sales
- Missed meetings or missed drop-offs/pickups
- Lost work time
- Cost to hire/train replacement employees
- Loss of personal property
- Replacement vehicle rental
- Damaged equipment downtime
- Accelerated depreciation of equipment
- Poor public image
- Increased public relations costs

To learn more about the true cost of risk to your organization contact Lloyd Sadd Insurance Brokers today.

LET US HELP YOU MANAGE YOUR RISKS

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