

Financial aspects of occupational accidents

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Abstract

Insurance of an employee injury is now an integral part of the list of Czech employer's duties. For flat-rate premium rates within the enterprise, static amount of premium is independent of the employer's accident load and especially non-recovery of unspent funds, this form of insurance unable to meet modern economic needs of employees, business or even the state. Moreover, these deficiencies together with the government directive in this area is some form of insurance, taxes, because employers do not have the opportunity to positively influence the amount of money. In the Czech Republic there are many companies that did not show any accident in the last three years but always pay the same premiums. Article illustrates these facts and explains the options that would modernize and make more objective approaches used in the insurance of occupational accidents not only in the Czech Republic.

Keywords: corporate costs, liability insurance, occupational accidents

1. INTRODUCTION

Employer liability insurance provides compensation for injury accidents and the related harm. Currently, it is a system with a turnover of around six billion. Resources of the system represents premium paid by employers, the costs are the actual costs of administration and insurance. As far as these costs are direct costs rather than total. The complementary nature of the system makes it possible to monitor only the costs directly associated with the injury and the compensation for incapacity or after. However, injury is often associated with increased costs in the form of sickness, disability retirement or retraining of the victim. Flat-rate premium rates do not reflect the real burden from workplaces level of risk, particularly the number of accidents and their financial impact. In this context, the system lacks a reserve fund to ensure this function and thereby free them from the links, already loaded, the state budget. Generated surpluses are fed directly into the state budget. All tables and figures in paper are my own contribution. Literature below was used for principles recognition.

2. COSTS AND SAVINGS OF EMPLOYER

The Czech Republic has one of the world's largest differences in total costs per employee and gross wages. This is primarily due to the high social security contributions and state employment policy. Costs of Czech companies in the insurance against industrial accidents are prescribed in a specific amount. That gives the product of premium rates and aggregate bases. The premium is based on the classification of the company to a group of industrial classification of economic activities (OKEC). A summary of the assessment bases applies to all employees for premiums four times a year. In a simple example to illustrate, we show how these costs are classified into the enterprise manufacturing sector.

The premium is fixed, immutable and the calculation of premiums applies only to include an undertaking by the said classification. In other words, a single rate applies to every employee from the company production departments for administrative services. In this context, it offers inspiration in Germany, where the classification of economic activities of the company calculated as a weighted average of the activities of all employees in the company.

Table no. 1 is a model indicated the difference in the cost of insurance at normal rate and weighted rate, with regard to various economic activities in the enterprise. The example considers the weighted rate calculated from the rate of 8.4% for 80 production workers and 2.8% for the 20 employees the company management.

	Normal rate [%]	Weighted rate * [%]	Number of employees			Basis of assessment [CZK]			Annual premium [CZK]	Annual premium calculated on the weighted rate [CZK]
			Total	Production	Management	Average	Production	Management		
Employer	8,4	7,3	100	80	20	20 000	20 000	20 000	201 600	174 720

Tab. 1 Example of calculating the weighted premium rates [1]

Enterprise classification of businesses into one group, however, rates in this area supports the consideration of the imbalance between the level of risk of workplaces with the same job description, but located in different sectors. In particular, it is a non-production positions like administration. The issue of risk categorization of work is obviously very demanding, but these specific relationships are examined only at the corporate level, where the possibility of access to individual observers, and even a central national level. If so, the impact on neighborhood risk workplaces is not studied, is the imposition of flat rate corporate rates, and thereby unduly unjustified increases in mandatory spending company.

Despite the downward trend in accident rate, the amount of total premiums rise year on year. This is due to the prolonged duration of illness, number of paid rents and rising cost of treatment. For example, the number of annuities between 1995 and 2008 increased from 2 693 to 14 101 cases. This is alarming, more than fivefold increase can only explain the change in the assessment of insurance claims, because the severity of cases also tends to decrease.

3. THE FINANCIAL PERFORMANCE OF INSURANCE SYSTEM

The financial performance of the system is shown in table 3. It is necessary to notice that in 2002 there was a reduction in administrative charge from 25% to 13.5% while there was also a one-time increase in premium rates, which resulted in an increase in premium income by 55%.

The next table shows selected data of the system.

year	accidents	policyholders	payments (thaus. CZK)	revenues (thaus. CZK)	average payment	average revenue	Average payment to employer	Average revenue from employer
2004	109 243	4 389 251	2 595 600	4 550 996	591	1 753	59 135	175 335
2005	111 039	4 442 703	2 713 900	4 859 277	611	1 791	61 087	179 051
2006	111 539	4 497 033	2 973 255	5 199 571	661	1 749	66 116	174 878
2007	106 039	4 597 021	3 098 801	5 675 928	674	1 832	67 409	183 165
2008	99 931	4 572 443	3 269 080	6 222 365	715	1 903	71 495	190 340
2009	73 331	4 253 139	3 397 763	6 139 931	799	1 807	79 888	180 705

Tab. 4 Comparison of annual selected data of employer's liability insurance scheme

Figure no. 2 present the proposal for the new calculation of revenues. Each employer should have his own "account bill" which should be one of the tools of revenue calculation.

	payouts (thous. CZK)	revenues (thous. CZK)	malus koef.		payouts (thous. CZK)	revenues (thous. CZK)			payouts (thous. CZK)	revenues (thous. CZK)		
2006	69	126			2007	69	126		2008	69	126	
2007	69	126	year	average value	2008	69	126		2009	69	126	
2008	69	126			2009	69	126		2010	69	126	
2009	69	126			2010	69	126		2011	100	98	
2010	69	126	surplus (S)		2011	100	97,5	S	2012	200	97,75	S
sum	345	630	285		sum	376	602	226	sum	507	573	66
mean (M)	69	126			M	75	120		M	101	115	
aktual revenue		97,5					97,8				108,0	
2011					2012				2013			
1 year					2 year				2 year			
	payouts (thous. CZK)	revenues (thous. CZK)			payouts (thous. CZK)	revenues (thous. CZK)			payouts (thous. CZK)	revenues (thous. CZK)		
2009	69	126			2010	69	126		2011	100		Bak to normal revenue
2010	69	126			2011	100	98		2012	200		
2011	100	98			2012	200	98		2013	200		
2012	200	98			2013	200	108		2014	69		
2013	200	108,025	S		2014	69	165,88	S	2015	50	165,88	S
sum	638	555	-83		sum	638	595	-43	sum	619	635	16
M	128	111			M	128	119		M	124	127	
		165,9	Malus efekt				165,9				125,4	
2014					2015				2016			
2 year					5 year				6 year			

Fig. 1 Proposal of employers revenues calculation tool

4. CONCLUSION

It can generally be summarized that the insurance scheme for accidents at work in the Czech Republic is functionally deficient in particular because it contains the necessary incentives.

It should be noted that the proposed solution is based on individual knowledge of current business practices and approaches to reducing costs. Likewise, but also on the external and internal changes and increased precision determination of hazardous phenomena. Clear in this context is the need truthful reporting financial results, while knowledge of real state business.

The main objective of the project, which is prepared at the end of 2011 in relation to this issue, is an open application model, which will help to simulate at the corporate level and a summary of the above data surveyed enterprises. The topicality of the project lies in the constant need to reduce costs in business - Management duplicate records (MDR) helps to compare summaries of mandatory costs and the causal and create effective tools along with a better environment for manufacturing cost reductions as a whole. Despite the fact that Czech companies are burdened with mandatory spending more than businesses in neighboring countries, the principle of MDR is not used enough.

An accompanying goal of the project is the creation and development of both practical and theoretical modelling methodology solved the problem and ensure the accuracy of the measurement procedure responsible business units and their relevance adequate comparability with regard to graduation from business responsibilities of a negative result to a positive outcome.

5. REFERENCES

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