

Compulsory Insurance Requirement

- 1) Is it mandatory for employers to buy insurance for all employees eligible for compensation under the Work Injury Compensation Act?**
- 2) Who are required to be insured under the Work Injury Compensation Act?**

It is not mandatory for employers to buy insurance for employees who are newly covered under the Act (i.e. employees who are involved in non-manual work and have monthly earnings of above \$1,600).

Nonetheless, employers will be required to pay compensation in the event of a valid claim, even if they do not buy insurance. As such, employers can decide whether or not to buy insurance for these newly-covered employees, after weighing their risks with the cost of insurance premiums.

There is no change to the compulsory insurance requirement for employees who are already covered under the Workmen's Compensation Act prior to 1 April 2008 (i.e. manual workers regardless of their level of earnings, and non-manual workers with monthly earnings of \$1,600 or less).

Employers are required by law to buy insurance for these employees, unless they are specifically exempted.

3) If employees are already covered by existing insurance policies (e.g. group personal accident insurance), is the employer still required to buy work injury compensation insurance?

Employers are allowed to use one or more insurance policies to cover all the liabilities that they may incur under the Work Injury Compensation Act.

Companies with existing insurance policies may therefore choose to either switch to work injury compensation insurance policies or adjust their existing policies (e.g. by adding riders) to ensure that their overall insurance coverage meets the requirements under the Work Injury Compensation Act.

The current practice of not accepting individual-based insurance policies such as the Shield plans, remains unchanged.

This is because claims made against such individual-based insurance policies would typically prejudice the employee and result in a subsequent premium increase or coverage reduction for the employee.