

# Changes to Work Injury Compensation Act

## And how it might affect your business

1 December 2011

### INTRODUCTION

The Parliament has passed the amendments to the Work Injury Compensation Act (WICA) and the changes will take effect on **1 June 2012**.

The changes are made based on two key principles:

- Striking a fair balance between compensation for injured employees and the obligations placed on employers / insurers
- Ensuring that the WICA framework remains expeditious and employees are able to receive compensation promptly

### KEY CHANGES

The key changes are as follows:

#### **a) Higher award limits**

The limits will be increased to account for the change in nominal median wages and healthcare costs.

	Limits	Current Limit (Accidents happened before 1 June 2012)	New Limit (Accidents happened on and after 1 June 2012)
Death	Minimum	\$47,000	\$57,000
	Maximum	\$140,000	\$170,000
Total Permanent Incapacity	Minimum	\$60,000 x % loss of earning capacity	\$73,000 x % loss of earning capacity
	Maximum	\$180,000 x % loss of earning capacity	\$218,000 x % loss of earning capacity
Medical Expenses		Up to \$25,000 or 1 year from date of accident, whichever is reached first	Up to \$30,000 or 1 year from date of accident, whichever is reached first

\* This excludes the additional 25% compensation that is paid to workers with total permanent incapacity to offset the cost of care for the injured worker.

#### **b) Disallowing compensation for work-related fights**

The rationale for the amendment is that while work disputes

may arise from time to time, employees should not resort to fights to resolve them, and employers should not have to bear the cost of injury.

#### **c) Expanding scope of compensable diseases**

Diseases contracted due to work-related exposure to chemical or biological agents will now be compensable. The Second Schedule will also be refined to include a new occupational disease (exposure to excessive heat), remove SARS and Avian Influenza and broaden scope of some of the existing occupational diseases.

#### **d) Disallowing work-related exclusion clauses**

Work-related exclusion clauses, except pertaining to asbestos, will be prohibited for the purpose of WIC insurance. With these changes, insurers will be liable to make payment of the compensation even if work-related exclusions exist in the policy. Insurers will continue to be able to seek contractual recovery from the employer if such recovery is allowed in the insurance policy.

#### **e) Clarifying the liability of employer's insurer to pay when there are multiple insurance policies**

Certain industries have the practice of having multiple parties provide insurance coverage for workers. When there is an accident, the various insurers may dispute liability and compensation to the injured worker is unduly delayed. With the change, where there are multiple work injury compensation insurance policies, the employer's insurance policy will first be used to satisfy a claim. MOM will allow third parties to pay compensation as long as they convey in writing to MOM their intent to pay compensation on behalf of the employer's insurer, before the notice of assessment is issued.

#### **f) Clarifying the timeframe for filing a claim if one wishes to claim under WICA after having filed a common law claim earlier**

Injured employees have up to one year from the date of the accident to decide whether they wish to file a claim under WICA. Claimants who filed a common law claim but subsequently wish to file a claim under WICA have to do so within one year of accident. If the claim was made after this one year timeframe, it will not be admitted under WICA.

### HOW CHANGES TO WICA MIGHT AFFECT YOUR BUSINESS

Willis is of the opinion that the changes will have the following implications:



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### **a) Potential increase in Work Injury Compensation (WIC) insurance**

In a nutshell, the new limits for Death rises by 21% while Permanent Incapacity and Medical rise by 20%. Everything else being equal, the claims cost will increase by up to 20%.

From experience, to cushion the potential increase in claims cost, insurers will likely increase the premium on renewal by a percentage close to 20%.

Businesses should be aware of this and budget an increase in WIC insurance premium for 2012.

### **b) Impact of disallowing all work-related exclusion clauses from WIC insurance policies**

Where work-related exclusions are allowed on WIC insurance policies, the liability to pay compensation remains with the employers. For employers who lack the necessary financial resources, this would result in delayed payments or non-payments to injured workers.

With the prohibition of work-related exclusion, the insurer will remain liable to pay compensation even if these exclusion clauses are present. It is inevitable that insurers will take this into consideration when pricing renewal premiums. This would mean that businesses in certain industries where insurers have generally imposed exclusions on work-related activities or conditions, e.g. working at heights, hot works, etc. will see an even higher potential increase in premium on renewal as the onus is now on the insurers to compensate employees involved in such work-related accidents.

Exceptions are made for clauses pertaining to asbestos, war and terrorism. In other words, these 3 types of exclusion clause will still be allowed.

Notwithstanding the prohibitions, the insurers may seek recovery on the compensation paid to the employee for accidents contractually, if such recovery is provided for in the insurance policy. Employers should examine the policy clauses thoroughly so as to ensure an understanding of their liability that they are subjected to in the insurance contract.

### **c) Employers' WIC policy will respond first**

Currently the market has a general consensus that it will cover all tiers of sub-contractors for project insurance policy. Project policies will have to respond first when there are work-related accidents.

However, there have been disputes due to the "non-contribution clause" on some Insurance Policies. The Ministry of Manpower has decided that the employer's annual policy (and not the project policy) must be the primary policy to respond to any claim irrespective of where it occurs.

With this change, insurers will need to review the premium rating for the annual policies particularly for businesses whose principle activities involve projects. Again annual premium for businesses in this area will likely see a higher potential increase in premium on renewal. There might also be a delay in receiving the renewals for affected businesses as insurers will need to review the rating for the January 2012 renewals.

### **HOW CAN WE HELP YOU?**

Every business is unique. If you need to talk to us to gain a better understanding of how the changes in the WICA might affect your business, we will be delighted to set-up a meeting with you to discuss in detail.

### **ABOUT WILLIS**

Willis Singapore started operation in 1980 and has been delivering optimum insurance solutions to our clients ever since.

Today, Willis Singapore employs close to 100 insurance professionals with expertise across the entire range of insurance products including but not limited to CMM, Corporate, Employee Benefits, Claims and Specialism.

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### **References**

Ministry of Manpower website: <http://www.mom.gov.sg>



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