

Licensing of Insurers

The *Workers Compensation and Injury Management Act 2023 (WCIMA23)* provides for a modernised licensing framework for the approval and regulation of workers compensation insurers.

Key Points

Act ref: ss. 226-235; 597. Reg ref: r. 96

- Insurers are required to hold a licence from WorkCover WA to issue workers compensation policies.
- Regulations specify criteria that must be satisfied for the grant of an insurer licence.
- An insurer licence is subject to conditions prescribed by the Act and WorkCover WA (e.g. compliance with liability decision timeframes and principles and standards).
- An insurer licence may be granted, subject to a specialised insurer condition, that limits the insurance business carried out under the licence to particular industry classes or classes of business or employer
- An insurer licence remains in force indefinitely for insurers operating in the scheme on 1 July 2024. New applicants will be subject to an initial fixed term, following which a decision can be made to convert to an indefinite licence.
- WorkCover WA monitors and reviews the functions of insurers to determine whether they are being carried out in compliance with the Act, regulations and licence conditions.
- WorkCover WA may suspend or cancel an insurer licence (and / or issue an improvement notice) if an insurer fails to satisfy the criteria for the grant of a licence or fails to comply with any provision of the Act or regulations, or a licence condition.

Questions & Answers

Q. Will the insurers approved under the 1981 Act have to reapply to become licensed insurers when the new Act commences?

A. No. Savings and transitional provisions provide that an approved insurer under the 1981 Act is taken to be a licensed insurer under the *WCIMA23* but is subject to the new Act. This means insurers approved under the 1981 Act are subject to the licence criteria, conditions, performance monitoring and compliance requirements in the *WCIMA23* and regulations.

Q. Why is there a need for specialised insurers and will this enable insurers to avoid insuring higher risk employers or industries?

A. Workers compensation insurance is mandatory for employers. It is a fundamental requirement in the privately underwritten competitive market system that insurers are required to insure any employer in any industry that requests a workers compensation policy. WorkCover WA has discretion to grant a licence subject to a specialised insurer condition. This discretion will not be used to permit insurers to avoid high insurable risks, but may be exercised if the circumstances justify it.