

# Understanding Workers Compensation for Strata Properties in WA: Risks of Removing Cover

If your Strata Plan in Western Australia engages employees, contractors, tradespeople, or service providers, even occasionally, understanding your responsibilities around Workers Compensation insurance is essential.

Many strata owners and managers mistakenly believe this type of insurance isn't required if no employees are directly hired. However, that assumption could **expose your strata company to significant legal and financial risk**, particularly when dealing with contractors.

## WHEN IS WORKERS' COMPENSATION COVER REQUIRED?

Workers Compensation insurance is a mandatory policy in Western Australia under the [Workers Compensation and Injury Management Act 2023](#). It provides financial support via payment of wage compensation and medical benefits to workers who suffer from work-related injury or illness. In the context of strata, this applies to anyone who may be considered a worker performing duties on behalf of the strata scheme.

Although strata scheme's (Strata Plans) in WA are not legally required to hold Workers Compensation insurance, it is always recommended if:

- A Strata Plan directly employs any workers, including caretakers, cleaners, or maintenance personnel (even casually)
- Engages a contractor who meets the legal definition of a "worker", even if they are a sole trader and not formally employed

## SOLE TRADERS: WHY THE RISK IS HIGHER THAN YOU THINK

It's a common practice to engage sole traders for minor repairs, gardening, or maintenance. However, WorkCover WA considers the nature of the working relationship, not just the contractor's business structure.

A sole trader may be classified as a worker if:

- They personally carry out the work
- They take directions from the strata or are economically dependent on the work
- Majority of their income is from a single source i.e. a single strata management company

## RISKS OF REMOVING WORKERS COMPENSATION COVER

If the Strata Plan chooses not to maintain Workers Compensation insurance, below are the potential consequences:

| Risk                                 | Implication   |
|--------------------------------------|---|
| Legal Liability                      | The Principal Strata Plan could be held responsible if a contractor is injured and deemed a worker                  |
| WorkCover Claims                     | WorkCover WA may pursue the strata for compensation costs if a claim is made without cover                          |
| Fines and Penalties                  | Failing to hold insurance is a breach of WA law and may result in penalties from WorkCover WA                       |
| Uninsured Loss                       | Public liability within the strata policy may not cover injuries that should have fallen under Workers Compensation |
| Council of Owners/Committee Exposure | Council of Owners may face legal action for negligence in not insuring appropriately                                |

## BEST PRACTICE RECOMMENDATIONS

To protect your strata scheme, Honan recommends the following:

- Maintain Workers Compensation insurance as a standard policy, even if no employees are currently engaged
- Request Certificates of Currency from all contractors, confirming they hold their own insurance
- Avoid engaging uninsured entities, or confirm they have adequate personal accident cover (though this does not replace your strata's obligations)

In summary, removing **Workers Compensation** cover may seem like a cost-saving measure, but it can lead to significant and costly consequences if an incident occurs.

Given the potential for contractors to be deemed workers under WA law, maintaining this insurance is a prudent and protective step for any strata scheme.

If you have any further questions about Workers Compensation cover and how its removal may impact your strata policy, please don't hesitate to reach out to one of our dedicated brokers. We're here to help you understand the risks and ensure your property is properly protected.

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