



24 February 2026

Senator Deborah O'Neill
Chair
Parliamentary Joint Committee on Corporations and Financial Services

Via upload

Dear Chair

Small business insurance

The Insurance Council of Australia (Insurance Council) welcomes the opportunity to provide a submission on behalf of our members on this important topic.

The Insurance Council is the representative body of the general insurance industry in Australia. Our members represent approximately 85 percent of total premium income written by private sector general insurers.¹

This submission will be the first in a series of submissions to the inquiry and provides an overview of Australia's general insurance market; how small business interact with the market as well as issues and themes that require action from government. Subsequent submissions will provide greater detail on each of the following small business insurance lines:

- Public liability insurance
- Professional indemnity insurance
- Cyber insurance
- Industrial special risk insurance
- Business interruption insurance
- Workers' compensation insurance

We look forward to engaging with the Committee throughout this inquiry.

General insurance in Australia

Insurance, whether for households or businesses, serves a critical role in managing risk and ensuring financial resilience. Insurance allows individuals, households and businesses to transfer the financial risk of unexpected events to an insurer. Through this risk transfer, the insurance industry supports its customers to invest and drive economic growth. Given this role, the insurance industry has an enduring interest in ensuring the long-term resilience of Australian households and businesses.

In Australia, there is a larger market for personal insurance products (such as motor, home and contents or travel insurance) than small business commercial insurance lines. To exemplify this, gross written premium (GWP) for home insurance in FY25 was \$16.5 billion, while for business packs, which

¹ Insurance Council of Australia. 2025. [Annual Report 2024](#).



are sold to small businesses, in FY 2025, GWP was \$4.5 billion.² This difference in GWP may be reflective of many factors including the concentration of Australians’ wealth in residential property and the fragmentation of the commercial market.

Insurance market cycles

It is important to acknowledge the cyclical nature of insurance markets globally. Insurance markets are characterised by alternative periods of ‘soft’ and ‘hard’ market conditions. In soft markets, as capital and capacity become more readily available, competition tends to intensify leading to broader coverage terms and a stabilisation or decrease in premium growth. Conversely, hard markets see the limiting of capital supply leading to stricter underwriting terms, lower risk appetite, and premium increases. These cycles reflect broader economic activity and are heavily influenced by high-cost loss events that are traditionally associated with increasing extreme weather events. Commercial lines, including those sold to small businesses, must navigate additional high-loss driving incidents such as major cyber-attacks and litigation. These and other product-specific drivers are explored in greater detail in this and following submissions.

Insurance involves a complex global ecosystem with various market participants undertaking key roles in the provision of insurance to the end customer. There are several participants involved in the provision of commercial insurance lines.

SME insurance ecosystem

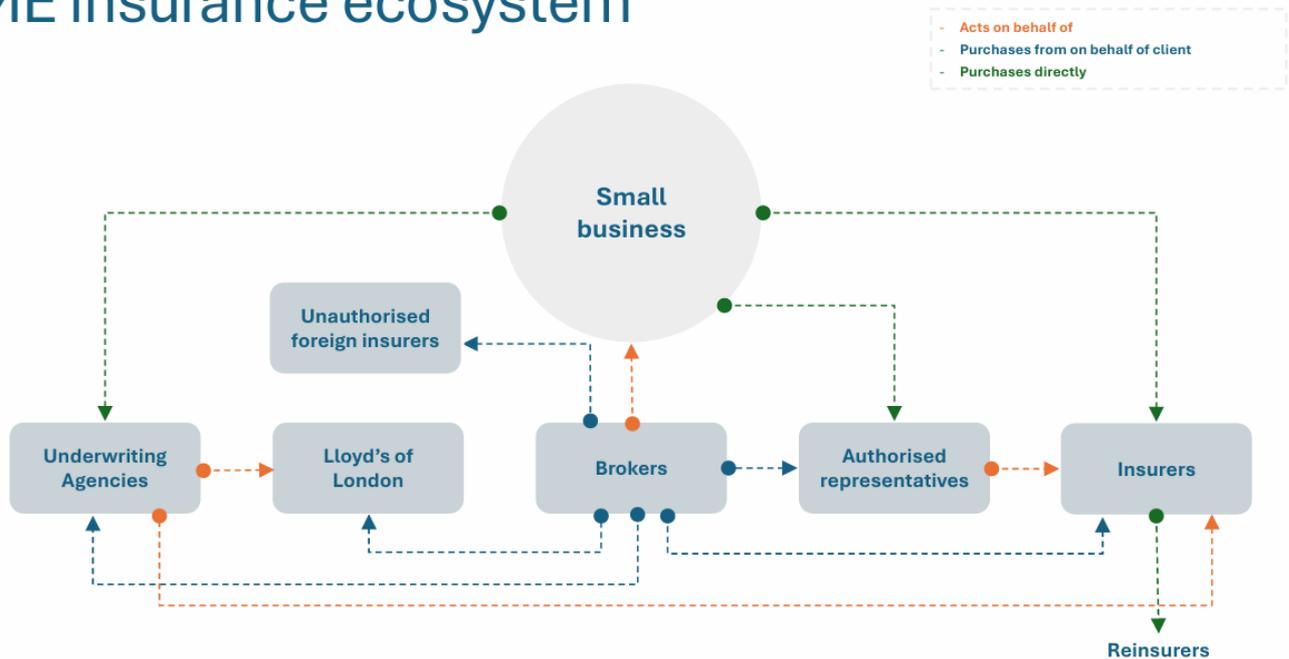


Figure 1. Insurance ecosystem for small business.

Figure 1 sets out the high-level landscape and relationship between each of the participants in the small business insurance ecosystem. Below, further detail is given on each ecosystem participant.

² Finity. 2025. Data available [here](#). Business packs are sold to small businesses and generally include multiple insurance lines.



Reinsurers

Reinsurers provide insurance to insurers, which helps to manage large capital losses, diversify risk, adhere to prudential capital requirements, and navigate economic cycles. This capacity to smooth losses and prudently navigate economic cycles is critical in economic downturns and periods of limited or negative profits, where the absence of access to capital from reinsurers may force insurers to withdraw capacity from some insurance lines to protect the viability of the business. In turn, reinsurers provide their capital into insurance markets around the world to balance the risk of their portfolio. Without reinsurance, the Australian general insurance industry, which holds \$34 billion in capital, would need at least an additional \$57 billion to operate at minimum requirements or \$104 billion to return to current operating levels without reinsurance protection.³ Reduced coverage and increased premiums would likely be a byproduct of a loss to this capital. Ensuring that Australia remains an attractive destination for reinsurers' capital is crucial for keeping insurance affordable.

Insurers

Insurers accept financial risk from either or both individual and commercial customers in return for a premium. Insurers are responsible for designing their products and paying claims after an insured event occurs. Personal lines such as home and contents and motor insurance are largely bought directly by a customer from an insurer. Commercial insurance products often involve intermediaries.

In Australia, insurers and reinsurers are prudentially regulated by the Australian Prudential Regulation Authority (APRA). Their consumer interactions, including those with small business customers, are regulated by the Australian Securities and Investment Commission (ASIC) alongside the Australian Financial Complaints Authority (AFCA) which delivers an external dispute resolution function.

Lloyd's of London

Lloyd's of London (Lloyd's) is a material participant in the Australian insurance market, particularly for commercial lines. Lloyd's is a specialist insurance and reinsurance marketplace where risks are brought to specialist syndicates.⁴ Lloyd's underwriters are APRA regulated. However, as Lloyd's is not itself a direct insurer but a marketplace, this regulation varies from that of other insurers. The importance of Lloyd's to Australian small business insurance markets is explored further below. Australia is also important for Lloyd's as its fourth biggest market.⁵

While other insurance marketplaces that operate similarly to Lloyd's exist globally, Lloyd's remains the most well-known and significant for Australian small businesses.

Unauthorised foreign insurers

Unauthorised foreign insurers (UFIs) are foreign-domiciled insurance companies that sell insurance policies to Australian customers. As UFIs operate offshore, they are not subject to Australian law. They can either sell directly to policyholders or through an Australian intermediary such as an insurance broker who is regulated under Australian law. UFIs largely provide insurance policies to cover specialised or unusual risks. For example, they may be used where a particular insurance is required of a business by foreign law, or where the risk is niche or highly risky and Australian insurers do not have appetite to cover those risks.

³ Kate Bible (for the Actuaries Institute). 2025. [Reinsurance Explained: A Pillar of Strength for General Insurers](#).

⁴ Lloyd's of London. 2025. [Understanding the Lloyd's market](#).

⁵ Ibid. [Welcome to Lloyd's in Australia](#).



Underwriting agencies

Underwriting agencies are specialised intermediaries that sell an insurance product on behalf of one or more insurers including Lloyd's syndicates. Operating under delegated authority agreements, underwriting agencies generally have expertise in niche markets such as cyber, strata, marine or other high-risk commercial lines. Delegated authority agreements give underwriting agencies the authority to sell policies on behalf of the insurers they represent. This underwriting of policies involves the assessment of risk, setting of terms and price, issuing policies and under some agreements, handling claims.

As they deal in financial products, underwriting agencies must hold an Australian Financial Services License (AFSL) and are regulated by ASIC. However, as they do not hold capital against the risks they underwrite, underwriting agencies are not APRA-regulated entities.

Authorised representatives

Similar to underwriting agencies, authorised representatives act on behalf of insurers. However, they have a limited decision making role in the sale of the products on behalf of an insurer. These limitations are set out in the authorisation provided to the authorised representative by the insurer. Authorised representatives operate under the insurer's AFSL. Where underwriting agencies engage in risk assessment, pricing and policy issuance, authorised representatives do not assess technical risk or set prices, rather they generally operate as an insurer's retail face for a particular product.

Insurance brokers

The final element of the insurance ecosystem is insurance brokers (brokers). Where underwriting agencies and authorised representatives act on behalf of insurers, brokers act on behalf of insureds or insurance customers. Brokers are financial services professionals who assess a client's risks and needs and then source appropriate coverage for their clients. This sourcing can involve one or multiple insurers with a broker negotiating coverage limits, conditions and premiums on behalf of their clients. Brokers will also assist clients in lodging and managing claims. As with underwriting agencies, brokers must hold an AFSL and are regulated by ASIC but not APRA. Within the broking industry are two further sub-sectors, open market and non-open market brokers. Their roles are explained in the following section.

Other risk protection mechanisms

- Discretionary Mutual Funds

Some groups of businesses, including small businesses, use discretionary mutual funds (DMFs) to manage some of their financial risks outside of the private insurance market. DMFs provide risk cover on a discretionary basis to a group of individuals or organisations who are the DMF members, owners and customers. Traditionally, where businesses are the owners of a DMF, they will operate in the same industry. A DMF member may make a claim for indemnity to the DMF who may or may not approve the claim, at its discretion. In this way, DMF members do not have the same legal claim to indemnity against an event that holders of traditional insurance products do.⁶ To be successful, DMF members must share a commitment to risk management.

- Captive Insurers

⁶ Australian Small Business and Family Enterprise Ombudsman. 2021. *The Show Must Go On*. Available [here](#). Page 28.



Less relevant for small businesses, but an important part of the insurance landscape for larger commercial and corporate entities are captive insurers. Captive insurers, generally hosted offshore, are used by large Australian businesses as a self-insuring mechanism.

Each of the above ecosystem participants are further supported by additional external expertise as required. These additional experts include but are not limited to risk adjustors, lawyers, actuaries, builders, incident response teams and medical professionals.

Australia's small business insurance market

Intermediation

Insurance lines sold through underwriting agencies, authorised representatives, brokers or a combination of the three are termed 'intermediated'. While personal lines are largely sold as direct policies, commercial policies, including for small businesses, are overwhelmingly sold through intermediated channels. Intermediation occurs because of the specialisation required to understand the suitability of products for a customer's needs, and the customer's risk profile.

The specialist intermediators of the insurance supply chain outlined above play an outsized role in the distribution of small business insurance products.

For most Australian small businesses, insurance brokers represent a trusted advisor who should understand their risk profile and help tailor insurance solutions to meet that profile. There are two channels through which brokers purchase insurance. These are:

- Non-open market

Non-open market brokers place insurance through pre-arranged facilities or schemes, without negotiating individual risks. Non-open market broking generally involves standard terms and prices and is used for standardised or high-volume products such as small business packages. Non-open market brokers may be contracted to a particular insurer, and only sell on behalf of that insurer, pulling together a package from that insurer's offerings.

- Open market brokers

On the other hand, open market brokers can customise coverage for their client by approaching multiple insurers and negotiating on specific elements. Open market broking is usually used to place harder more bespoke risks.

Many small businesses use a combination of the broking markets and may choose to use multiple brokers.

Underwriting agencies are another significant element of the intermediated small business market. The role of underwriting agencies is set out above.

International capacity

Australian-domiciled insurers cannot meet the demand for commercial insurance alone. While most Australian insurers offer commercial products, they are unable to meet the total demand for commercial insurance products in Australia. Given this, international insurers (from places as diverse as Europe, Japan, the United States and South Africa) alongside Lloyd's syndicates, provide critical additional capacity for small business products.

Lloyd's is particularly crucial for Australia's small business insurance sector because it provides specialised underwriting capacity that local insurers often cannot match. It enables coverage for



complex or emerging risks that are essential for small businesses to operate confidently. By offering their global expertise and financial strength, Lloyd's syndicates help maintain competitive pricing and innovative solutions in the Australian market.

Externalities

Climate

Extreme weather events are placing upward pressure on insurance premiums, including in commercial property insurance lines. Since 2010, natural disasters in Australia have generated more than \$34 billion in insurance claims; and over the past five years alone, the total insured cost of extreme weather events has averaged \$4.5 billion per year, a 67 per cent increase on the previous five-year period.⁷

Research by the McKell Institute for the Insurance Council projects that the cost of extreme weather events will grow by around 5 per cent annually, reaching at least \$35 billion per year by 2050.⁸ As risks rise, insurance premiums follow, creating affordability pressures, particularly in high-risk areas. These increasing costs are compounded by the cost of repair and rebuilding properties, losses to business continuity, supply chain constraints, and asset price inflation, which impact the availability and affordability of insurance in some regions of Australia. Small businesses in high-risk areas may experience difficulty accessing affordable insurance as extreme weather risks grow.

Crime

For some businesses, increasing levels of crime is also contributing to rising insurance costs. Crimes such as retail theft, which has been on the rise, are not only traumatic for small business employees and owners but ultimately contribute to increasing claims costs which are reflected in insurance premiums.⁹

Additionally, legitimate businesses, including tobacconists and neighbouring retailers are experiencing rising property insurance costs because of the ongoing threat of damage from firebombings and other criminal damage associated with illicit tobacco and organised crime.¹⁰

Inflation

Inflation has subsided from its post-pandemic high but remains persistent. Households, communities and businesses continue to experience a new economic reality of elevated prices relative to pre-pandemic conditions. Both the Reserve Bank of Australia's Monetary Policy Board and the Australian Government have pointed to higher than desired inflation persisting over the short-term.¹¹

The general insurance industry experiences inflationary pressures particularly acutely because its inputs span the entire economy from labour, construction, and building materials to supply chains and social inflation. Between 2020 and 2024, building construction prices rose 31 per cent, house construction rose 40 per cent, and building material costs have surged 38 per cent since pre-pandemic levels. While these input costs are moderating, they are not expected to decrease.

Importantly, as insurance policies are generally only bought or renewed once a year, insurance is one of the last industries that general inflation washes through. Annual transactions represent the single

⁷ Insurance Council of Australia. 2025. [Australia's insurance industry snapshot](#).

⁸ The McKell Institute (for the Insurance Council). 2022. [The Cost of Extreme Weather](#).

⁹ Australian Bureau of Statistics. 2025. [Recorded Crime – Victims](#).

¹⁰ Australian Criminal Intelligence Commission. 2025. [The impact of serious and organised crime on Australian in 2025](#).

¹¹ Reserve Bank of Australia. 2025. [Minutes of the Monetary Policy Board Meeting](#); Australian Government. 2025. [Mid-Year Economic and Fiscal Outlook 2025-26](#).



opportunity for insurer to adjust their pricing structures to reflect inflation as it moves through the economy. This can make insurance inflation seem worse than products that are purchased more frequently, where price rises may be less noticeable.

Regulation

The general insurance industry in Australia is subject to a comprehensive regulatory framework, which over recent years has been subject to a rapid pace of regulatory reform. A robust regulatory framework is essential for providing consumer protection, including for small businesses, and ensuring financial stability. The general insurance sector operates under a complex framework of over 30,000 discrete obligations from 300+ instruments, enforced by more than 25 regulators. This regulatory framework contains multiple instances of duplication and overlapping regulation, which add consumer costs without providing a meaningful benefit. Analysis commissioned by the Insurance Council of Australia estimates that the cost of regulatory burden on the general insurance industry in Australia is up to \$3.5 billion annually.

The Australian Government's preliminary work on red tape reduction is welcomed, and the insurance industry is committed to working with the parliament on reforms that maintain strong consumer protections without adding unnecessary cost. There are opportunities to streamline the regulatory framework without diluting consumer and small business protections.¹²

Social inflation

Social inflation, or the increase in claim severity beyond economic drivers, reflects changing societal attitudes toward corporations, personal responsibility and who should absorb risk, increased litigation, higher compensation expectations, more aggressive legal strategies and "courts broadening liability beyond original policy intent".¹³ As APRA has pointed out; Australia is experiencing a period of legal and litigation cost inflation.¹⁴ This directly impacts the cost of liability insurance products for Australian businesses of all sizes because it increases the cost of a claim by adding additional legal fees.

These social changes produce more costly legal proceeding for insurers as well as higher levels of compensation, which are in turn reflected in premium prices for relevant insurance lines.

Emerging risks and exposures

Beyond the above topics, Australia currently faces a confluence of emerging risks. Many of these risks are not unique to Australia and can interact with each other as well as those outlined above. For example, Australia is increasingly urbanising. Australia's urbanisation is building on an already high-level of urbanisation.¹⁵ This urbanisation, which creates concentrations of physical assets (both personal and commercial) has largely occurred in our major cities, many of which are in areas prone to natural disasters. This asset concentration creates challenges for the insurance system as insurers must manage their portfolio-level risk. Asset concentration can also impact customers after disaster strikes as insurers assist large numbers of customers in the same location. In this way, Australia's urbanisation is interacting with our changing climate to create a more complex system for insurers and their customers to navigate.

¹² Insurance Council of Australia. 2025. [The Cost of Regulatory Burden](#).

¹³ Kennedys Law. 2025. [Key trends shaping the Australian casualty space: what to expect in 2025](#); Insurance Council of Australia. 2025. [A Sustainable Public Liability Insurance Market in Australia: The Case for Civil Liability Reform](#).

¹⁴ Australian Prudential Regulation Authority. 2023. [NCPD Analysis](#). Page 6.

¹⁵ 87% of Australia's population are considered urban by to the [World Bank](#). The [Australian Bureau of Statistics](#) expects this to continue with all capital cities expected to maintain or increase their proportion of their state's population.



Alongside urbanisation Australia continues to digitise its economy. Digitisation brings significant benefits but contains downside risks that must be managed. Greater digitisation means higher cyber risk as nefarious actors have more methods of attack and channels through which to attack. Similarly, advances in artificial intelligence (AI) offer opportunities for businesses, including insurers, to find efficiencies but are also helping criminals improve the efficiency of and ratchet up the volume of their cyber-attacks. AI use is also creating potential new liability exposures in insurance products such as directors and officers insurance.

Despite seeming far removed from Australian small businesses, global insurers and insurance regulators also recognise geoeconomic fragmentation and economic nationalism as presenting challenges for insurers. Geoeconomic fragmentation, where the global economy breaks into smaller blocks, and economic nationalism are a reversal of the economic integration that has characterised global trade since WWII. These changes to the global geostrategic environment can heighten financial market volatility and inflationary pressures while also disrupting global supply chains.¹⁶ The deterioration in international relations and increasing geoeconomic fragmentation inevitably hampers international cooperation in response to insurance related challenges, including some of those mentioned in this submission, such as climate change and cybersecurity.¹⁷

Areas for action

There are several areas where quick actions could help alleviate premium growth for small business customers. While our subsequent submissions will draw out risks associated with specific small business insurance products, below we set out some overarching areas for reform.

Tax reform

Taxes, duties and levies on insurance products add additional costs for the customer. After peril risk, the second biggest component of the cost of insurance premiums is taxation. Insurance taxes are levied in proportion to the cost of the premium, so they penalise those who face greater extreme weather risk because of the higher insurance premiums they pay. These additional costs can disincentive the purchasing of insurance, in turn lessening financial resilience and heightening risks.

State taxes add between nine and 40 per cent to the cost of a premium and far exceed insurer profits; in FY2024-25, state governments collected \$8.9 billion in insurance taxes, \$1.6 billion more than the industry's cumulative profits as measured by APRA. This was in addition to the GST paid by insurance customers and corporate taxes and payroll taxes paid by insurance companies.

Multiple government reviews have identified insurance stamp duty as among Australia's least efficient taxes due to its distortionary impact on consumer behaviour. The narrow tax base and high rates create substantial economic distortions, reducing insurance market participation. A 2015 Deloitte Access Economics study, commissioned by the Insurance Council, estimated that abolishing insurance taxes and replacing revenue through municipal rates would increase private consumption by \$5.5 billion annually and boost government revenues by \$575 million through improved economic activity.¹⁸

Resilience Investment

The expected increase in more severe and frequent weather events highlights the need for ongoing investment by governments in risk mitigation measures and improved land use planning to ensure future commercial growth and economic activity is not compromised by flooding.

¹⁶ International Association of Insurance Supervisors. 2025. [Global Insurance Market Report December 2025](#). Page 18

¹⁷ The Geneva Association. 2025. [Insurance in a Fragmented World Economy](#). Page 6.

¹⁸ Deloitte Access Economics (for the Insurance Council of Australia). 2015. [Impact of removing stamp duties on insurance](#).



Analysis undertaken by flood risk engineering consultancy Rhelm for the Insurance Council has identified the regions across Australia at most risk of flood damage, and examined the flood management solutions that could be prioritised in these areas. As part of their analysis, they estimate around 73,000 commercial and other properties face severe and extreme flood risk, with more than half of these (41,000) located in NSW. These figures underscore the need for greater investment by all levels of government in flood mitigation works to minimise the economic impact of flooding, particularly around waterways near commercial and industrial precincts. Similarly, it reinforces the importance of appropriate land use planning to avoid future development in high-risk zones. Governments should adopt a risk-based approach that stops commercial development in high-risk areas, and prioritises low risk areas for development.

Education and risk management

As recently recommended by the Australian Chamber of Commerce and Industry (ACCI), small business would benefit from a program that helps them understand how insurance markets work and what actions can be taken to reduce risk and improve insurability.¹⁹ Such actions may be particularly useful in an environment characterised by rising social inflation which small businesses cannot directly combat.

Where large businesses can dedicate resources to insurance and risk management, owners and operators of small businesses must navigate many roles simultaneously, meaning only limited time can be dedicated to understanding commercial insurance markets and how best to interact with them. An education program could provide resources to assist with this learning and be delivered in partnership with a relevant industry association or other trusted intermediaries who understand a business' risk profile.

Government contractual requirements

As highlighted by ACCI, "government procurement processes often impose onerous and sometimes unnecessary insurance requirements to manage risk."²⁰ These requirements, which can at times be unnecessary, exacerbate and in some cases create insurance challenges for small businesses.

As a major procuring entity, governments have the power to right-size these requirements to assist small businesses.

We thank the Committee for the opportunity to comment and look forward to engaging further throughout this inquiry. Should you have any questions in the meantime, please contact Eamon Sloane, Senior Adviser Strategic Policy, at [REDACTED]

Regards

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¹⁹ Australian Chamber of Commerce and Industry. 2025. [Addressing the small business insurance challenge](#).

²⁰ Ibid. Page 13.