



Australian Government



Australian
**Small Business and
Family Enterprise**
Ombudsman

6 March 2026

Committee Secretary
Parliamentary Joint Committee on Corporations and Financial Services
PO Box 6100
Parliament House
Canberra ACT 2600

via email: corporations.joint@aph.gov.au

Dear Committee Secretary,

Small business insurance

The Australian Small Business and Family Enterprise Ombudsman (ASBFEO) welcomes the opportunity to make a submission to the Parliamentary Joint Committee on Corporations and Financial Services inquiry into small business insurance.

Insurance cover is compulsory for many small businesses. Since 2020 many small businesses have struggled to find adequate insurance cover at commercially viable terms. Many small businesses are either underinsured or, where insurance cover is available but unaffordable, are foregoing insurance altogether. Business NSW's survey of NSW Business Conditions has consistently reported the rising cost of insurance since December 2021, and their December 2025 quarterly report found that it remains the top concern.¹

While households, for a variety of reasons, might be either uninsured or underinsured and can exercise different options about the level and nature of risk protection policies they subscribe to, small businesses do not have this discretion. A small business must have appropriate insurance cover for areas such as public liability, professional indemnity and workers compensation. If they do not, they cannot engage in trade and commerce.

Governments and the insurance sector need to map out realistic pathways to solutions to give small business the chance to operate and stay in business. Urgent and decisive action is needed to ensure that essential insurances for small businesses are understandable, accessible and affordable. In this regard, the ASBFEO has identified 3 areas requiring action: unaffordable insurance due to high premiums; lack of available insurance in certain sectors and regions; and improving small business awareness of insurance.

Unaffordable insurance due to high premiums

Access to affordable insurance that provides adequate coverage continues to be a significant challenge for many Australian small businesses. Escalating premiums have made insurance increasingly unattainable, leaving many businesses underinsured or without any coverage.

Stakeholders in the allied health sector, for example, report substantial difficulties obtaining reasonably priced insurance for remote service delivery, such as virtual consultations or sessions conducted without an instructor physically present. These challenges range from a lack of suitable policy options to prohibitively high premiums that are unaffordable for many small businesses.

¹ Business NSW, *NSW Business Conditions – Tough trading amid rising costs*, Business NSW, December 2025, accessed 4 March 2026.



There are similar reports of unaffordability in the live music industry, civil and property construction, and the visitor economy.

Our stakeholder consultations and other research have found that compliant small businesses are facing increased premiums due to risk factors beyond their control – such as poor practices by other businesses in the sector, or a perceived increase of property damage driven by illegal activity.

For example, legitimate tattoo parlours report higher insurance premiums due to inconsistent hygiene standards in their industry and insurance companies linking criminal and gang activity to tattoo parlours.² Tobacconists report higher premiums due to the increased risk of property damage because of the illegal tobacco trade, a risk that has also increased the insurance premiums of other small businesses located in the same strata complex.

The ASBFEO therefore encourages the Committee to consider the broad range of issues that are driving higher insurance premiums and the risks they pose to the viability of small businesses.

Stakeholders have reported issues in relation to government procurement, where some processes require businesses to obtain specific levels of insurance coverage before they are eligible to tender. This means that small businesses tenderers may need to incur upfront insurance costs despite having no certainty of winning the contract.

The ASBFEO notes that the Commonwealth Procurement Rules (CPR) require, in most circumstances, that insurance only needs to be in place immediately prior to, or from the commencement of, a contract (after the contract has been awarded). The CPR states that procuring agencies should only consider placing an obligation on tenderers to hold current insurance at the time a tender is submitted where mitigation of a risk deems it necessary.³

However, for some state government procurement rules, such as Western Australia's Procurement Insurance Requirements Guidelines, entities are required to have insurance prior to contract award.⁴ To reduce the upfront cost and red tape of tendering, the ASBFEO recommends that all state and local government adopt proportional insurance requirements and implement post-award insurance obligations for small businesses, consistent with the CPR.⁵

The ASBFEO continues to advocate for insurance companies to recognise the measures small businesses take to mitigate their risks. It is frustrating for many small, family and farming businesses who are individually taking risk mitigation measures, that these are not reflected in lower insurance premiums or availability of insurance cover.⁶ The ACCC found, in its 2025 *Insurance Monitoring – Fourth report*, that insurers are not doing enough to incentivise consumers to invest in mitigation measures, for example, by providing certainty and clarity regarding the

² E Ramsay, 'Tattoo artists say insurance companies are treating them like criminals', *A Current Affair Channel 9*, 19 November 2025, accessed 5 March 2026.

³ Department of Finance, *Insurance Requirements – Commonwealth Procurement Rules – Procurement Risk (paragraph 8.4)*, Department of Finance, March 2022, accessed 5 March 2026.

⁴ Western Australia Government, *Procurement Insurance Requirements Guidelines*, Western Australia Government, July 2025, accessed 5 March 2026.

⁵ Australian Chamber of Commerce and Industry (ACCI), *Addressing the Small Business Insurance Challenge*, ACCI, 2025, accessed 25 February 2026.

⁶ Australian Small Business and Family Enterprise Ombudsman (ASBFEO), *Energising Enterprise*, ASBFEO, Australian Government, August 2024, accessed 26 February 2026.



positive impact this is expected to have on their premiums.⁷ These findings are equally applicable to small businesses, and we consider that insurers should do more to account for the risk-mitigation measures undertaken by their small business customers when calculating their premiums.

Lack of available insurance in certain sectors and regions

The lack of available insurance cover is a growing issue for small businesses operating in high-risk sectors.

We have heard, for example, of the significant difficulties the amusement, leisure and recreation industry face in securing suitable public liability and professional indemnity insurance.⁸ The open-ended nature of personal injury claims and the potential for substantial damages have contributed to reduced availability, with many insurers either charging unaffordable premiums or withdrawing entirely from offering public liability products to these sectors. While some insurers have returned to the market, the premiums are still unaffordable for many small businesses.

The ASBFEO notes that the Australian Amusement, Leisure and Recreation Association regards Discretionary Mutual Funds (DMFs) as the most suitable and viable long-term solution for its members and the industry,⁹ and we advocate for the Australian Government to support DMFs where appropriate by:

- encouraging best practice and good governance in the establishment, management and operation of DMFs, and engage with industry to incorporate and refine existing standards, risk management and mitigation initiatives
- engaging with state and territory governments to pursue necessary legislative and regulatory reform to recognise and support the effective operation of an industry-led DMF
- seeking to ensure that the beneficiaries of DMFs are Australian operators, consumers and activities.¹⁰

For many small businesses operating in regions that are at higher risk of natural disasters, they are increasingly finding it difficult to access affordable insurance, particularly for insurances that cover commercial property and, in some areas, public liability. We have heard from stakeholders that small businesses in regional and remote areas of Queensland continue to face high insurance premiums that are unaffordable for many businesses, with businesses in some areas unable to obtain any coverage.

The ASBFEO continues to advocate for the Cyclone Pool through the Australian Reinsurance Pool Corporation to be expanded to provide reinsurance for all natural disasters for commercial

⁷ Australian Competition and Consumer Commission (ACCC), *Insurance Monitoring – Fourth report following the introduction of a cyclone and cyclone related flood damage reinsurance pool*, ACCC, Australian Government, July 2025, accessed 26 February 2026.

⁸ ASBFEO, *Additional Insights Supporting a Discretionary Mutual Fund for the Amusement, Leisure and Recreation Industry*, ASBFEO, Australian Government, 2023, accessed 4 March 2026.

⁹ ASBFEO, *Additional Insights Supporting a Discretionary Mutual Fund for the Amusement, Leisure and Recreation Industry*.

¹⁰ ASBFEO, *Additional Insights Supporting a Discretionary Mutual Fund for the Amusement, Leisure and Recreation Industry*.



property insurance, instead of limiting the pool to cyclone and cyclone-related floods.¹¹ In doing this, we emphasise that expanding the coverage of the pool should not be an incentive to build commercial properties in areas at high risk of natural disasters, and that local governments that release new land for development or rezone of existing land must undertake a sustainability and natural peril assessment.¹²

More broadly, the ASBFEO recommends that governments collaborate with industry associations and specialist insurance brokers with sector-specific expertise to support small businesses operating in high-risk sectors and regions. Such partnerships can help identify viable insurance solutions and promote access to essential coverage for businesses that may otherwise face closure due to the lack of available insurance.

Improving utilisation of the Professional Standards Scheme

The Professional Standards Scheme (PSS) framework provides caps for civil liability for professions like law or accounting, while simultaneously protecting consumers, by regulating practitioners and ensuring they maintain high professional standards. By seeking to ensure professional competencies, currency of knowledge and practice and the active monitoring of standards, coupled with limiting the amount of civil damages a professional is liable for if a claim is upheld within their recognised fields of competence, insurance is more affordable and accessible.

While the benefits of PSS are clear and uncontested, providing for more affordable professional indemnity insurance while preserving consumer safeguards, professional bodies report obstacles in the form of a lack of awareness of the PSS framework, expensive application and renewal processes, complex and data-intense compliance obligations, and limited familiarity about the PSS amongst key international underwriters and insurers.

The Committee would do well to examine if the PSS is fulfilling its public policy potential and whether application, reporting and maintenance obligations are potentially an impediment to participation. The ASBFEO has regularly raised the potential for PSS to assist professional and technical bodies to assist with challenges accessing affordable insurance, only to find very limited awareness beyond current participants.

Improving small business awareness of insurance

While small businesses are aware that their insurance premiums are increasing, many do not fully understand the reasons behind these rises nor the cover most appropriate for their needs. There is a clear need to improve small business awareness of insurance, including the factors driving premium increases, the practical steps businesses can take to mitigate risk, how businesses can assess their insurance needs and the support available when navigating insurance applications or renewals, and the specific inclusions and exclusions that apply to their policies.

For example, cyber security is a growing business risk where small business awareness and uptake of risk mitigating measures is low. Small businesses are particularly vulnerable to cyber threats due to the low adoption of cyber hygiene practices and limited resources to acquire cyber security expertise. Government should therefore continue to play role in encouraging risk mitigation

¹¹ ASBFEO, *Insurance Inquiry Report*, ASBFEO, Australian Government, December 2020, accessed 3 March 2026.

¹² ASBFEO, *Insurance Inquiry Report*.



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through initiatives such as the Cyber Wardens program, ACSC resources for small businesses and support of IDCare's Small Business Cyber Resilience Service, but there is also the opportunity for the insurance sector to raise small business awareness about the role of cyber insurance.

Across all areas of small business insurance, insurers, insurance brokers and governments all have a role to play in improving small businesses' awareness of insurance, including their insurance needs and risk mitigation options. Government could provide guidance on effective risk-reduction practices to empower businesses to take steps that may help moderate premium costs over time, and consider instituting an initiative aimed at improving small business insurance literacy and broader risk management. This would help ensure small businesses are better equipped to make informed decisions, understand their risk exposures, and operate sustainably in an increasingly complex insurance environment.

If you require any further information, please do not hesitate to contact the ASBFEO Policy and Advocacy team via email at advocacy@asbfeo.gov.au.

Yours sincerely

The Hon. Bruce Billson

Australian Small Business and Family Enterprise Ombudsman