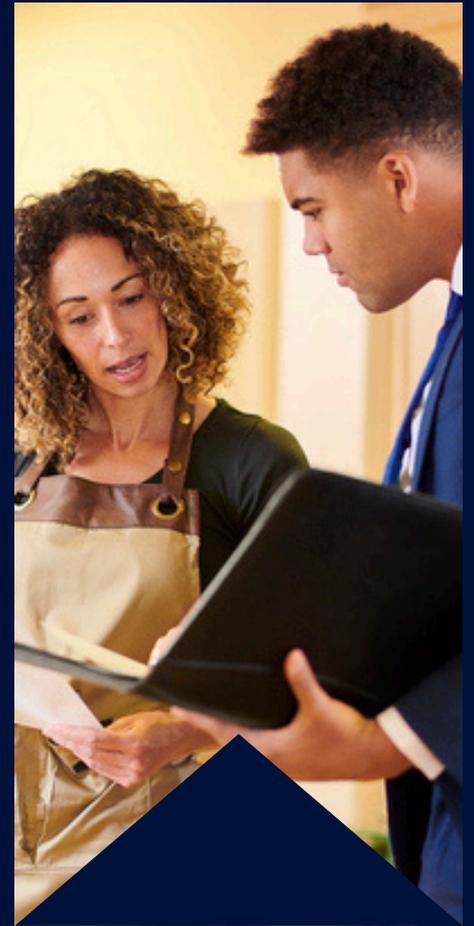

ADDRESSING THE SMALL BUSINESS INSURANCE CHALLENGE



About the Australian Chamber of Commerce and Industry

The Australian Chamber is Australia's largest and most representative business network. Our members are state and territory chambers of commerce, national industry associations and a council of business leaders from individual enterprises across the nation. Together, we represent Australian businesses of all sizes and shapes, across all sectors of the economy, and from every corner of the country.

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Contents

Foreword	4
Executive Summary	5
Recommendations for small businesses	6
Recommendations to governments	7
Introduction	9
About this report	10
Part 1: The Insurance Landscape is Changing	11
The operating environment for small business	12
Insurance in government contracts	13
WFH trends and small business insurance	13
Public liability for tourism and leisure operators	14
Insurance across the states and territories	14
The Upshot	17
Part 2: Ideas to help small business better protect themselves	18
Proactive steps to reduce your risk and burden	19
What kind of insurances should small businesses consider?	23
Part 3: Ideas for governments to support small businesses	27
Recommendations to governments	28
Conclusion	32
References	33



Foreword

Small businesses are the backbone of the Australian economy, driving innovation, employment, and prosperity in communities across the country. They are resilient, adaptable, and ambitious, but they are also under growing pressure. Rising costs, increasing regulatory burdens, and economic uncertainty are making it harder for small businesses to thrive. Among these pressures, the cost of insurance has emerged as a critical issue, with many businesses now facing a stark choice: pay ever-increasing premiums or reduce their coverage, sometimes completely.

The Australian Chamber of Commerce and Industry (ACCI) has long championed the interests of small business, advocating for policies that foster a fair, competitive, and sustainable operating environment. Insurance should be an essential safety net for small businesses, not an unmanageable burden. Yet we hear time and again from businesses that insurance costs are spiralling out of control, with some reporting premium hikes of 30 per cent or more in just a year. Others are struggling with inconsistent requirements across jurisdictions, forcing them to navigate a complex, fragmented system simply to stay compliant.

This report is both a call to action and a practical resource. It highlights the challenges that small businesses face in securing affordable and adequate insurance while offering recommendations for government and industry to work together on solutions. We urge all levels of government to take leadership in tackling these issues, from reviewing taxes and levies on insurance premiums to improving transparency and consistency in policy settings.

At the same time, small businesses must be supported with the right information and tools to make informed decisions about their insurance needs. Whether it is understanding policy options, mitigating risks, or securing more affordable insurance, this report provides actionable insights to help small businesses navigate an increasingly complex insurance landscape.

We cannot allow a situation where rising costs force businesses to forgo the very protections that keep them secure. Ensuring small businesses can access the insurance they need requires a concerted effort from all levels of government to reduce cost pressures, improve transparency, and create a more consistent regulatory environment.



I commend this report to all policymakers, industry stakeholders, and small business owners, and I look forward to working together to ensure that insurance remains an enabler, rather than a barrier, to business success.

Andrew McKellar
Chief Executive Officer



Executive Summary

Small businesses are under increasing strain as the cost of insurance becomes a significant and growing burden. In an already challenging economic environment, marked by rising wages, energy costs, regulatory compliance pressures and subdued consumer demand, insurance premiums are escalating at rates many businesses can't absorb. The result is a troubling trend: growing numbers of small businesses are underinsured or forgoing insurance altogether, placing themselves, their employees, and their communities at heightened risk. This report highlights the scale and urgency of the problem and makes recommendations to restore affordability, accessibility and confidence in the insurance market.

Rising premiums and regulatory inconsistency are compounding business pressure

Insurance costs are rising across all jurisdictions, driven by global reinsurance trends, an increase in extreme weather events, inflationary pressures, and growing legal liabilities. Many states and territories add significant taxes, levies and duties to premiums, sometimes inflating costs by up to 30 per cent. Jurisdictional inconsistency adds complexity and confusion to an already complex challenge.

Insurance expectations in government procurement are locking businesses out

Government contracting processes increasingly impose de facto insurance requirements that are disproportionate to the risk involved. Small businesses, particularly those subcontracting within government supply chains, are increasingly expected to hold costly insurance policies to remain eligible or competitive during procurement processes, often well before any contract is awarded. These expectations create barriers to market entry and reduce competition in public procurement.

New working models are exposing gaps in insurance coverage

Flexible and hybrid work arrangements, now embedded across many sectors, have outpaced traditional insurance models. Many small businesses are unaware that staff working from home may not be fully covered under existing policies. Insurance policies have not always evolved in ways that are clear or accessible to small businesses now operating in hybrid or remote models, creating unintended coverage gaps and growing risk exposure.

Some sectors are becoming uninsurable

High-risk sectors, such as tourism, leisure and regional event operators, are experiencing an insurance crisis at the sector level. In some areas, insurance is either unavailable or prohibitively expensive. This can be driven by global reinsurers who apply pricing models that do not reflect local conditions. Despite attempts by government to intervene, the situation remains largely unchanged.

Small businesses need clear information and practical guidance

Navigating insurance products is time-consuming and complex. Many small businesses do not fully understand the scope of their coverage, policy exclusions, or how to reduce their risk profile. Access to affordable, tailored guidance remains patchy, and support programs are underdeveloped compared to the scale of the challenge.

A coordinated national response is needed

Reducing the cost and complexity of insurance for small businesses will require action from all levels of government and industry. With insurance underpinning risk-taking and innovation, ensuring access to affordable, fit-for-purpose coverage is essential to Australia's future economic resilience. This will require coordinated reforms across education, regulation, procurement, and market design.



Recommendations for small businesses

While stakeholders across the entire insurance ecosystem must take steps to improve the broader operating environment, there are also practical measures that small businesses can take now to better manage risk, reduce premiums, and secure appropriate insurance coverage.

1. Work with a qualified insurance broker

Engage a broker who understands your business operations, risk profile, and industry context. A good broker will help you identify necessary policies, avoid over- or under-insuring, explain policy exclusions, and assist with documentation and claims.

2. Consider a business owners' policy (BOP)

Bundled insurance packages that combine property, liability and business interruption coverage can simplify insurance management for businesses in low- to moderate-risk industries.

3. Start renewals early and compare options

Review your insurance needs 3–4 months before renewal. This allows time to identify changes in risk, seek advice, compare policies and negotiate better terms. Don't assume your current policy remains fit for purpose.

4. Reduce risk to reduce premiums

Improving cybersecurity, addressing workplace hazards, and upgrading physical security can lower your risk of experiencing serious damage, disruption or liability, events that insurance is designed to cover, and may even improve your insurability or premium outcomes.

5. Develop a risk management plan

Document and regularly update a risk management plan that identifies key threats and outlines mitigation strategies. Demonstrating active risk management may improve your attractiveness to insurers.

6. Implement a business continuity plan

Prepare for disruption by mapping critical functions, defining contingency arrangements, and assigning roles and responsibilities. A clear continuity plan can minimise losses and facilitate faster recovery.

7. Review contracts carefully

Contracts, especially in government or corporate supply chains, may include indemnity clauses that make your business responsible for third-party losses, even if you're not at fault. These liabilities may not be covered by standard insurance. Check with your broker or legal advisor before signing.

8. Seek financial advice when needed

Accountants and financial counsellors can help you review business viability, improve cash flow, and assess options for managing insurance affordability. Free confidential support is available through national helplines if you're in financial distress.

9. Check if your industry association offers insurance

Some associations offer collective insurance arrangements tailored to their sector. These can deliver cost savings, simpler application processes, and better coverage for specific industry risks.

10. Stay informed and ask questions

Understand what your policies do and don't cover. Ask your broker or insurer how to reduce risk and whether any changes to your business operations affect your coverage. In a fast-changing risk environment, staying informed is essential.



Recommendations to governments

Governments at all levels have a role to play in restoring insurance affordability, access, and confidence for small businesses. A coordinated reform agenda, across taxation, regulation, procurement, and education, will support business continuity, reduce economic risk, and help small businesses better manage their exposure.

1. Abolish duties, levies and taxes on insurance premiums

Stamp duties, emergency services levies, and other taxes can add 9 per cent to 30 per cent to the cost of premiums, disproportionately impacting small business. All jurisdictions should commit to phasing out these inefficient charges, building on the reform momentum already underway in some states.

2. Fund a Productivity Commission review into small business insurance costs

Structural barriers, such as inconsistent regulation, reinsurance market exposure, civil liability laws, and planning rules, require a comprehensive, national response. A Productivity Commission review should map the drivers of high premiums and identify the most impactful reforms.

3. Modernise civil liability laws to support access to public liability insurance

State and territory governments should revisit tort law settings that affect underwriting risk, drawing on successful reforms from the early 2000s. Proportionate liability, caps on damages, and evidentiary thresholds can help stabilise the market while maintaining access to justice.

4. Establish a national small business insurance and risk support function

A dedicated federal government body should lead policy development, provide business-facing resources, and support improved insurance literacy and risk management practices. This function should bring together regulators, industry, and small business representatives.

5. Improve small business insurance education

Governments should fund programs to help businesses understand why premiums are rising, what is and isn't covered, and what actions can reduce risk and improve insurability. This work should be delivered in partnership with Small Business Commissioners and trusted intermediaries.

6. Reform procurement rules to reduce pre-contract insurance burdens

Large contractors are often required to hold extensive insurance for government work, and these obligations are passed down to small business subcontractors. Procurement rules should ensure insurance requirements are proportionate to risk and not imposed by default through the supply chain.

7. Accelerate access to national hazard mapping data

Support the development of a public, accessible natural hazard database to inform land use decisions and help small businesses understand risk exposure when selecting business locations or leases.

8. Support innovation in insurance product design and reinsurance engagement

Governments should work with insurers to promote tailored small business products, including parametric and microinsurance options. Sustained engagement with global reinsurers is needed to ensure local conditions are better understood, particularly for sectors facing coverage collapse.

9. Introduce a Cyber Resilience Grant Program

A targeted grant or tax incentive scheme should support small businesses to implement core cyber protections such as multi-factor authentication, secure cloud storage, and employee training. This will improve resilience and reduce pressure on the insurance system.





Introduction

Introduction

The insurance conundrum

Small businesses are facing an increasingly difficult balancing act when it comes to insurance. On the one hand, the rising frequency and severity of insurable events driven by natural disasters, cyber threats, and other emerging risks, plus the ongoing impact of inflationary pressures and labour force issues are pushing up insurance premiums. On the other, small businesses are already struggling with higher costs across wages, rent, utilities, and supply chains, and lower consumer spending, leaving little room to absorb rising insurance expenses.

Why are insurance premiums so high?

- State taxes, levies and duties are high and are passed on to businesses and consumers.
- Both the number and the magnitude of insurance claims is increasing due to an increase in extreme weather events, as well as cyber-attacks and outages. Australia's population continues to grow in places with greater exposure to storms, floods, bushfires and cyclones.
- Reinsurance—the insurance that insurers buy on the global market to cover their own risk—is becoming more expensive due to increasing insurable events worldwide.
- The costs of repairs and replacements are increasing across Australia due to both global supply chain issues and inflation. This issue is exacerbated after a natural disaster where the sudden surge in demand in a localised area can overwhelm supply.
- Both workers' compensation and personal injury claims costs are increasing, driven by social inflation, increasing claims for psychological injuries and increasing plaintiff lawyer legal fees. Psychological injury claims are significantly more complex and time-consuming, with approximately 40 per cent taking longer than 12 months to resolve, compared to only 8 per cent of physical claims.
- Additional compliance and regulatory costs on insurers are increasing.

As a result, many small businesses are opting to underinsure or forgo insurance altogether to manage short-term financial pressures. This trade-off, however, carries significant long-term risks. When disaster strikes, underinsurance can leave businesses without the necessary funds to recover, forcing them into insolvency. The irony is clear: the very risks that make insurance essential are also making it less accessible for those who need it most.

This conundrum highlights the urgent need for strategies that ensure small businesses can afford adequate coverage. Solutions could include innovative policy structures, government-funded risk mitigation programs, or targeted incentives to encourage full coverage. Without intervention, the cycle of rising risks, increasing premiums, and declining coverage will only continue, leaving small businesses vulnerable to the next unforeseen crisis.

*Australian small businesses are the backbone of our economy.
They make up over 97 per cent of Australian businesses and
employ over
5 million Australians.*



About this report

This report has several goals. Ultimately, it serves as a call to all Australian governments to take the issue of small business insurance seriously. Although many of the costs associated with insurance premiums, primarily taxes and levies, are a direct result of state and territory government policies, there is a leadership role for the Federal Government to play in addressing these issues. Accordingly, we have identified some actions that can be taken by all levels of government to reduce premiums for small businesses across the country.

There are also some things that small businesses may be able to do to reduce risk and improve their insurability. Through engagement with the Insurance Council of Australia and drawing on a range of resources, this report provides some practical actions that small businesses can take within their control to reduce insurance costs they incur.

This report also serves as a guide for small businesses that may be curious about their approach to insurance and who may be wondering whether they are meeting their requirements or should be exploring other options. There is a plethora of information available to small businesses, but it can be difficult to know what to look for and where, or where to get expert advice when needed. This report provides a compilation of information about different insurance lines and policies that small businesses should consider obtaining and why they're important, drawing together a range of key facts and factors for small businesses to consider around insurance before taking appropriate actions.

Growing costs in all operating areas are having a significant detrimental effect on small businesses. Unfortunately, these growing costs are forcing too many small businesses to reduce their insurance coverage or even opt out of protections entirely.

It's not too late for governments to recognise the insurance dilemma and take practical steps to ensure the engine room of our economy is protected from the heat.





Part 1:
The insurance
landscape is changing

The operating environment for small businesses

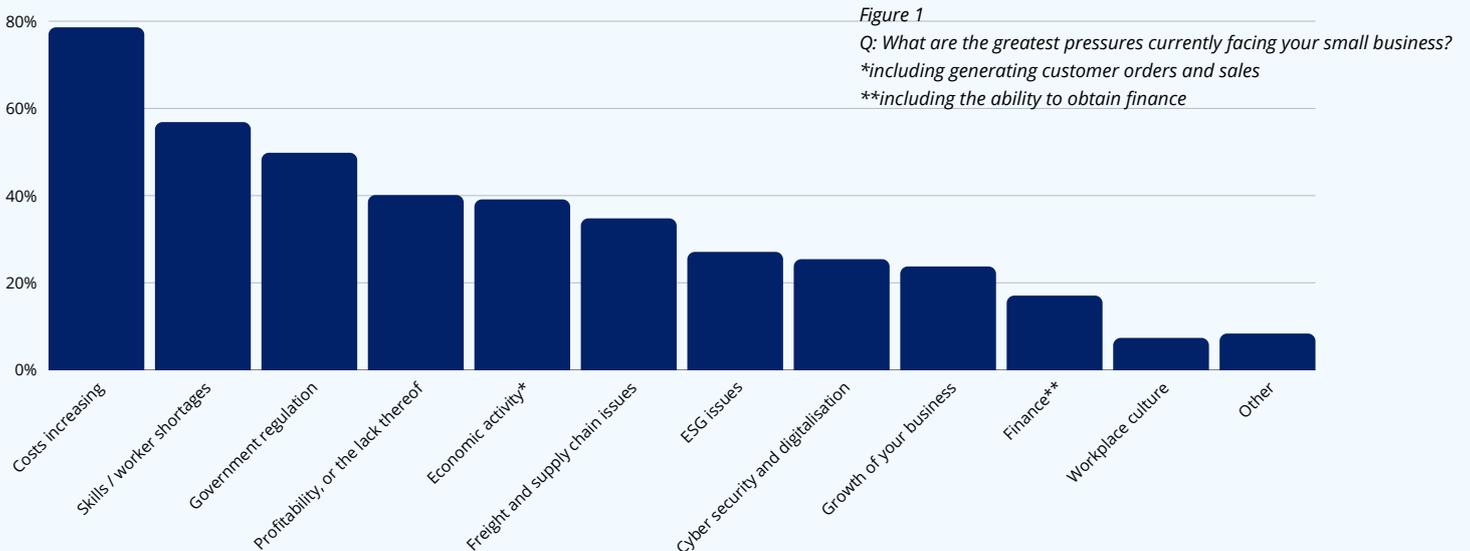
Australian small businesses are the backbone of our economy. They make up over 97 per cent of Australian businesses and employ over 5 million Australians.

However, small businesses are struggling in an operating environment that often conflicts with their needs and under policy settings designed for much larger and more complex organisations.

The last three years have also seen them contend with a host of new and compounding regulatory pressures thanks to the newly introduced *Fair Work Legislation Amendment (Closing the Loopholes No. 1 and 2)*, and they know there are more changes to come. Running a small business has always been a challenge. But in these trying times, small business owners are being forced to navigate these legislative and regulatory changes while grappling with an economic crisis that has seen the costs of doing business go through the roof. And with the emergence of new technologies, there are also new risks and threats to businesses in the form of cyber-attacks, including theft of customer data and ransomware attacks, which increase both the need for businesses to have cyber insurance, but also the costs of that cyber insurance.

It should go without saying that while all this is happening, small business owners are also trying to get on with business as usual but the pressures on both their mental health and the operational health of their businesses are anything but usual right now.

Across Australia, small businesses face the greatest pressures around financial viability. **ACCI's 2024 Small Business Conditions Survey** found that the cost of doing business is the greatest pressure for over 80 per cent of small businesses.

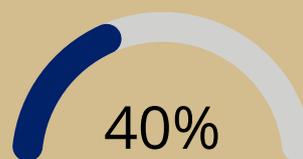


These growing operational costs are contributing to the closure of small businesses across the country and significantly impacting business profitability. 45 per cent of respondents to ACCI's 2024 Small Business Conditions Survey identified that they had considered closing or leaving their small business in the previous 12 months.

Of businesses surveyed on whether profits for the 2023-24 financial year would be greater than the year prior;



only 21 per cent of businesses indicated that their profits would be greater



nearly 40 per cent predicted a lower profit overall

In short, small business owners are exhausted, and for many, the current operating environment is making them feel like **running a small business isn't really worth it anymore.**

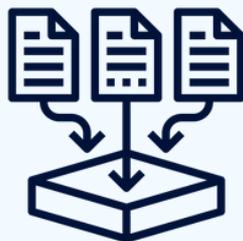


Insurance in government contracts

Winning a government contract can be a significant opportunity for small businesses, but increasingly, certain types of insurance are becoming de facto requirements to stay competitive. While not legally mandated, government procurement processes often impose onerous and sometimes unnecessary insurance requirements to manage risk. These requirements can extend to small businesses subcontracting to larger firms, even though they are typically exempt from such obligations in direct government contracts. As a result, businesses that do not meet these requirements may be automatically disqualified from tenders, reducing their ability to compete. Ensuring that procurement policies are proportionate and do not create unnecessary barriers is the Government's responsibility.

This trend is particularly evident in industries like construction, consulting, and IT, where errors, property damage, or cyber threats pose financial risks to clients. Many contracts now specify minimum insurance coverage amounts, and some industries are seeing cyber insurance become a standard requirement due to rising data security concerns. Even when insurance is not strictly required, contractual clauses often pressure suppliers into obtaining coverage before work begins.

While these expectations help mitigate risk for buyers, they add a financial burden to small businesses already struggling with rising costs. The expense of multiple insurance policies with high levels of coverage can be prohibitive, effectively locking out some businesses from government and corporate opportunities. Addressing this challenge may require alternative solutions to ensure small businesses can remain competitive without undue financial strain.



WFH trends and small business insurance

The rise of remote and hybrid work has permanently reshaped how many small businesses operate, but insurance policies have not always kept pace. Businesses that once operated out of a single shopfront or office may now have staff dispersed across multiple home offices, creating new risk exposures that traditional insurance products were not designed to accommodate. In particular, workers' compensation, cyber liability, and property cover are areas where remote work has complicated what is and isn't included under a business's existing policy.

For example, employees working from home are still entitled to workers' compensation if injured during the course of their employment, but claims can become more complex in the absence of clear policies or agreed work hours. Business property, such as laptops, monitors or other equipment, may not be covered when taken home unless specifically declared, and many employees are unaware that their personal home and contents insurance typically excludes work-related assets. The shift to remote work has also increased exposure to cyber threats, as many small businesses rely on home Wi-Fi networks and personal devices without adequate safeguards or dedicated cyber coverage.

These gaps pose a growing risk of underinsurance for small businesses, particularly those that have adopted flexible work practices without formally reviewing their insurance arrangements. As work practices continue to evolve, greater clarity and education around insurance obligations will be essential to protecting small businesses from unintended liability.



Public liability for tourism and leisure operators

The tourism and leisure sector is experiencing particularly acute challenges in accessing affordable public liability insurance. Some businesses operating in sectors with high underwriting risk, such as caravan parks and businesses providing amusement rides have struggled to secure adequate coverage. In some cases, operators are unable to secure coverage at all, threatening the viability of popular tourism activities and regional businesses.

One critical underlying cause is the behaviour of international reinsurers, who play a dominant role in the Australian insurance market. Industry feedback indicates that major reinsurers have limited familiarity with Australia's regulatory environment and risk management standards. As a result, they are imposing elevated pricing and disproportionate risk mitigation requirements which are often not aligned with local risk profiles or industry norms.

While the Australian Government, through Austrade and ministerial engagement, has sought to address these issues by briefing major reinsurers, these efforts have not yielded material improvements. Greater sustained engagement is needed to educate international reinsurers about the Australian context and to secure more proportionate risk assessments. Without effective action, small and regional tourism businesses will continue to face an increasingly hostile insurance market.

Insurance across the states and territories

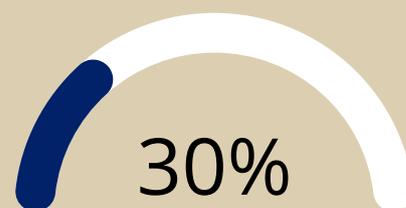
The growing costs of doing business are coming from many angles, including growing energy costs, the costs of wages and finding skilled workers, and other necessary overheads. However, for many small businesses across the country, a significant cost impacting their business is that of growing insurance premiums. Some state and territory governments are approaching this more proactively than others.

Each state and territory has different insurance expectations for businesses. This could be a blanket requirement for all businesses, or only for businesses operating within specific industries to hold certain insurance coverage.

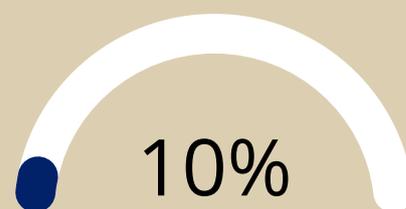
Furthermore, many states and territories apply duties, taxes, and/or levies to insurance policies within their jurisdiction, adding up to 30 per cent to the cost of premiums. This is in addition to the federal Goods and Services Tax (GST) of 10 per cent; collectively, these additional costs make insurance much more expensive up front for both businesses and individuals.

As premiums continue to rise, these taxes act as a disincentive to investment and undermine long-term sustainability. Collecting taxes on insurance is increasingly out of step with the risk environment and should be re-evaluated to support resilience and economic viability, particularly for vulnerable sectors such as tourism.

The next page outlines the current state of play in each state and territory, including an overview of the taxes and levies imposed by each jurisdiction.



Duties, taxes, and/or levies on insurance policies add up to **30 per cent** to the cost of premiums.



This is **in addition** to the federal Goods and Services Tax (GST) of **10 per cent**.



New South Wales

Insurance taxes are higher in NSW than in any other Australian jurisdiction.ⁱⁱ According to Business NSW's Quarterly Business Conditions Reports, insurance costs are consistently listed as a top three significant cost concern for businesses in NSW; in fact, across all four quarters in 2024, it has remained the most significant cost concern.ⁱⁱⁱ Over 90 per cent of businesses surveyed had experienced an increase in general insurance costs in 2024—property and contents, public liability, professional indemnity, equipment and business continuity—in the last 12 months, the majority of which reported an increase of between 11 and 30 per cent. However, about one in four businesses reported an increase of *more than 30 per cent*, which is even more alarming.

Taxes/levies: An additional 30% levy is applied to commercial insurance premiums to fund emergency services in NSW; however, the NSW Government has committed to abolishing this levy and is undergoing public consultation on how to design a new funding system for the emergency services going forward.



Queensland

Queensland businesses are similarly affected by insurance costs. In the Business Chamber Queensland's final pulse survey for 2024, insurance remained one of the top five business constraints, and one of the highest operational costs for businesses across the board.^{iv}

Taxes/levies: Queensland applies a stamp duty of 9 per cent on general insurance premiums (defined as including those that relate to businesses such as commercial property insurance, public liability insurance, business interruption insurance and professional indemnity insurance), and includes a levy in insurance premiums to fund emergency management services (though this is collected through local government rates).



Australian Capital Territory

In the ACT, the Legislative Assembly has recently commenced an inquiry into insurance costs in recognition of the serious concerns from the business community. The inquiry will consider the rising cost of insurance premiums, particularly for small business operators and community organisations, as well as the difference between insurance costs in the ACT and other states.^v

Taxes/levies: Insurance duty was abolished in the ACT on 1 July 2016 as part of the ACT Government's tax reform agenda. The ACT is the only State or Territory to have completely abolished this tax.



Northern Territory

In the Northern Territory, small businesses are burdened with some of the highest insurance premiums nationwide. The ACCC's 2023 report indicated that average premiums for small business building and contents insurance stood at \$3,670, underscoring the financial challenges faced by local enterprises.^{xii}

Taxes/levies: The Northern Territory applies a stamp duty of 10% on general insurance premiums.



Victoria

The Victorian Chamber of Commerce and Industry has been working closely with the Victorian State Government to oversee a series of changes which have been made to how business insurance is handled in that state over the last 12 months. Key changes include the abolition of duty on business insurance premiums over the next ten years (at a rate of 1 per cent reduction per annum);^{vi} and the freezing of WorkCover premiums while both sides of politics work to modernise the WorkCover scheme.^{vii} This comes after businesses were slugged with a 42 per cent increase to WorkCover premiums in May 2023.^{viii}

Taxes/levies: General insurance premiums attract a stamp duty of 10 per cent.



South Australia

“Insurance costs” wasn’t one of the top five issues affecting businesses in the September quarter of 2024, according to the South Australian Business Chamber’s Survey of Business Expectations.^{ix} That said, the Chamber has also heard from members that insurance costs have skyrocketed since Covid, with one events company seeing a 504 per cent increase in 2022 and a further 50 percent in 2023. Regional business owners in South Australia are finding it challenging to even get insurance in high-risk areas with businesses sometimes settling for partial cover with costly premiums.

Taxes/levies: General insurance premiums are subject to a stamp duty of 11%.



Western Australia

In Western Australia, small businesses continue to face high insurance premiums, particularly in the northern regions. The Australian Competition and Consumer Commission (ACCC) reported that, as of 2023, average premiums for small business building and contents insurance in the north of Western Australia were \$6,287, marking a 22 per cent increase from the previous year.^x

Taxes/levies: A stamp duty of 10 per cent is levied on general insurance premiums.



Tasmania

A survey conducted by the Tasmanian Chamber of Commerce and Industry (TCCI) in October 2024 revealed that 76 per cent of businesses identified rising insurance premiums as their primary concern, surpassing other expenses such as employee wages, energy, and transport costs.^{xi} This has been particularly challenging for the agricultural sector due to the combination of rising premiums and increasing frequency of natural disasters.

Taxes/levies: Tasmania imposes a stamp duty of 10 per cent on general insurance premiums and an additional charge on insurance premiums to fund fire services, though the government is considering repealing this. However, commercial public liability insurance is exempt from stamp duty.



The upshot

Rising insurance premiums are not just a financial challenge for small businesses, they are an economic risk that threatens the viability of Australia's most dynamic and essential enterprises. Across all states and territories, insurance costs are rising at an unsustainable pace, driven by compounding risks, policy settings, and government-imposed levies. At the same time, small businesses are grappling with higher operating costs, increasing regulatory burdens, and growing expectations from government and corporate contracts that require extensive insurance coverage just to remain competitive.

Insurance is not just a protective shield, it is also an enabler of business growth and innovation. For many entrepreneurs, having the right insurance in place gives them the confidence to start and expand their ventures, take on new risks, and invest in their businesses without the fear that a single incident could wipe them out. Without access to affordable and effective coverage, fewer businesses will be willing to take those first crucial steps, stifling economic activity and job creation. Recognising the enabling power of insurance is key to fostering a business environment where small businesses can thrive, not just survive.

Without meaningful intervention, the cycle of rising premiums, increasing underinsurance, and heightened financial vulnerability, coupled with rising incidence of natural disasters, will continue to erode small business resilience. Governments at all levels have a role to play in ensuring insurance remains accessible and affordable, whether through tax and levy reform, reinsurance support, or regulatory adjustments that allow for more innovative and cost-effective coverage options.

This report provides an overview of the challenges small businesses face, the factors driving insurance costs, and the steps that both businesses and policymakers can take to mitigate these pressures. The message is clear: small businesses need solutions now. By acting decisively, governments can help ensure that small businesses are not only protected from the risks they face today but are also equipped to thrive in the future.

The Insurance Industry in Australia

As of July 2024, Australia's general insurance industry comprises 86 companies, employing approximately 46,000 people, and managing around 88 million general insurance policies nationwide.

These insurers offer a diverse range of products, including business, motor vehicle, home, travel, and liability insurance. They operate under stringent regulations set by the Australian Prudential Regulation Authority (APRA) and the Australian Securities and Investments Commission (ASIC), to ensure financial stability and consumer protection.

A key part of the industry is insurance brokers, who act as intermediaries between businesses or individuals and insurers. Brokers help clients find the most suitable policies, negotiate coverage, and assist with claims. They are particularly important for businesses with complex insurance needs, providing tailored risk management solutions.

The industry also includes underwriting agencies, loss assessors, claims management firms, and actuaries, all of whom contribute to risk assessment, pricing, and claims handling. Reinsurance providers—which insure insurance companies—play a critical role in managing large-scale risks by spreading exposure globally.





Part 2:

Ideas to help small businesses better protect themselves

Proactive steps to reduce your risk and burden

For small businesses, managing risk is essential to long-term sustainability and financial stability. Ensuring the right insurance coverage is in place can mean the difference between surviving an unexpected event or facing significant financial hardship.

This section outlines ten practical steps businesses can take to protect themselves, reduce insurance costs, and secure appropriate coverage. It also provides an overview of key insurance types that small businesses should consider.

Consider working with an insurance broker

Developing a strong relationship with an insurance broker can help small businesses navigate the complexities of the insurance market. Brokers provide tailored advice, ensuring businesses obtain the right policies without unnecessary expenditure.

When selecting a broker, businesses should look for someone who:

- Understands their specific business operations and risk profile.
- Has expertise in the relevant insurance market.
- Can identify required policies, including those necessary for industry licensing.
- Knows which insurers provide appropriate coverage and how they assess applications.
- Advises on the documentation needed for applications and renewals.

A good broker helps businesses avoid over-insuring (paying for unnecessary policies) and underinsuring (failing to secure adequate protection). They should help you understand your policy exclusions and limitations; many businesses assume they are fully covered until an incident occurs. Ensuring a full understanding of policy exclusions helps prevent unexpected gaps in coverage.

Consider a business owners' policy (BOP)

For small businesses looking to simplify their insurance coverage and reduce costs, a business owners' policy (BOP) can be a practical solution.

A BOP bundles several essential insurance coverages into a single package, keeping everything in one place compared to purchasing each policy separately.

Most BOP's combine three core types of coverage:

- Property insurance: covers damage to business property, including buildings, equipment, and inventory due to risks like fire, theft, or natural disasters.
- General liability insurance: protects against third-party claims for bodily injury, property damage, and legal expenses arising from business operations.
- Business interruption insurance: provides financial support if the business is forced to temporarily close due to a covered event, covering lost income and ongoing expenses.

Why should small businesses consider a BOP?

- Simplified management: instead of handling multiple insurance policies from different providers, businesses deal with a single package, reducing administrative complexity.
- Customisable add-ons: many insurers offer optional coverages, such as cyber insurance or professional liability, allowing businesses to tailor the policy to their needs.
- Favourable risk assessment by insurers: insurers may offer BOPs with favourable terms because they are designed for businesses with lower overall risk profiles.

Who should consider a BOP?

A BOP is ideal for small to medium-sized businesses that:

- Operate in low- to moderate-risk industries (e.g., retail, hospitality, professional services).
- Have physical assets that need protection, such as offices, equipment, or inventory.
- Want to simplify insurance management.

Small businesses should consult with an insurance broker to determine if a BOP meets their needs or if additional standalone policies are necessary for full protection.



Start the insurance renewal process early

Many small businesses leave their insurance renewal to the last minute, which can result in rushed decisions and higher costs. Starting the renewal process early allows businesses to:

- Gather required documentation in advance.
- Identify any changes in risk profile that could affect premiums.
- Shop around to compare policies and negotiate better terms.

A recommended timeline is to begin reviewing policies three to four months before renewal, seek broker advice and alternative quotes, and finalise the selection at least two months in advance.

Identify and reduce risks

Insurance premiums are directly linked to a business's risk profile. Many businesses can reduce their insurance burden by actively mitigating risks. Examples include:

- Updating cybersecurity measures to prevent data breaches.
- Enhancing physical security (e.g., alarm systems, locks, lighting).
- Addressing workplace hazards such as uneven flooring or faulty equipment.

Resources to assist businesses in risk management are available through [business.gov.au](https://www.business.gov.au) and the Australian Small Business and Family Enterprise Ombudsman (ASBFEO).

Develop a business continuity plan

A business continuity plan ensures a business can continue operating during and after a disruption, minimising downtime and financial losses. Key elements include:

- Identify potential disruptions that could impact business operations, such as extreme weather events, cyber incidents, power outages, or loss of a key supplier (these will have been identified while developing a risk management plan).
- Determine which business activities must continue during a disruption, such as customer service, order processing, or manufacturing.
- Outline immediate actions to take when a disruption occurs, including safety protocols, evacuation plans, and incident reporting.
- Establish contingency measures such as remote work arrangements, backup suppliers, or secondary locations to keep the business running.
- Ensure that key business data is backed up and that there are procedures in place to restore critical systems.
- Define how the business will communicate with employees, customers, suppliers, and stakeholders during a crisis.
- Assign responsibilities to key staff members so they understand their roles in implementing the plan.

By developing a business continuity plan, small businesses can better protect themselves against unexpected events, maintain essential operations, and safeguard long-term stability.

Compare policies and shop around

Just as consumers compare prices for fuel, groceries, and services, small businesses should shop around for the best insurance policies. Factors to consider include:

- Premium costs: ensuring affordability while maintaining adequate coverage.
- Coverage scope: confirming that policies cover the specific risks faced by the business.
- Exclusions and limitations: understanding any gaps in coverage.

Insurance brokers can assist with this process, reducing the time burden on business owners and ensuring the best available options are considered.

Develop a risk management plan

A documented risk management plan helps businesses identify potential risks, implement preventive measures, and respond effectively to incidents. Key elements include:

- A risk assessment of potential threats (e.g., fire, theft, cyberattacks).
- Strategies for reducing risk and improving workplace safety.
- Incident response procedures for handling accidents, security breaches, or natural disasters.

Having a structured plan can also help businesses demonstrate their commitment to risk management when applying for insurance.



Review contracts for hidden liabilities

Business owners should carefully review supplier and service contracts to avoid unintended liabilities.

- Some contracts include contractual indemnities, requiring a business to assume responsibility for third-party legal liabilities.
- These clauses may not be covered under standard public liability insurance, leaving businesses exposed to financial risk.
- Businesses should seek legal advice or consult their broker before signing contracts with such provisions.

Check if your industry association offers collective insurance coverage

Some industry groups and professional associations negotiate collective insurance plans for their members. These group insurance policies can offer significant advantages for small businesses, including:

- Cost savings: by pooling members together, associations can negotiate lower premium rates with insurers compared to what an individual business might secure on its own.
- Tailored coverage: these policies are often designed with industry-specific risks in mind, ensuring that members get relevant and comprehensive protection.
- Simplified application process: associations typically streamline the process of obtaining insurance, reducing paperwork and administrative burdens.
- Additional benefits: some association plans include value-added services such as risk management advice, legal assistance, or access to financial counselling.

Small businesses should check with any industry associations they belong to and inquire about available insurance plans. Even if membership fees apply, the cost savings on insurance could outweigh the expense.

Seek financial advice and ask for help when you need it

Small businesses facing difficulties affording insurance are encouraged to first engage with their insurance broker or provider to explore available options. If concerns about insurance affordability persist after these discussions, consulting an accountant is recommended. Accountants can undertake a financial health check of the business and assist with a range of challenges, including:

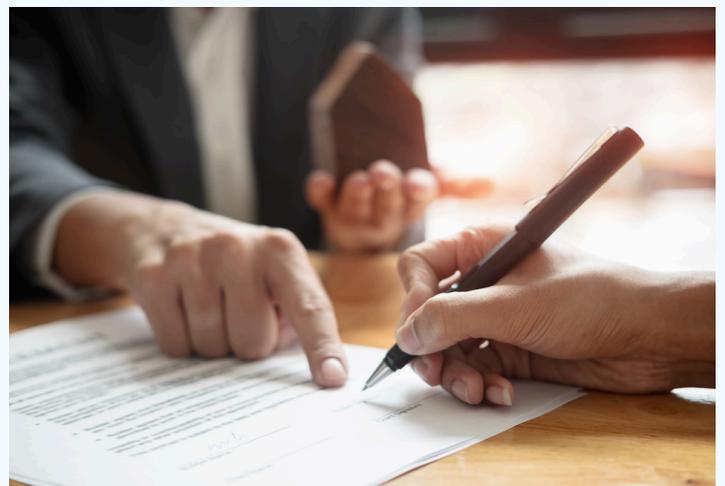
- reviewing budgets and business plans
- identifying opportunities to reduce expenses
- improving cash flow management
- undertaking forward tax planning
- considering business restructuring options.

Providing an accountant with a clear and honest picture of both business and personal financial circumstances enables them to deliver advice that is closely aligned with future goals.

Where financial challenges remain, small businesses can seek advice from a range of sources:

- The Small Business Debt Helpline offers specialised support for small business owners. They can be contacted at 1800 413 828 or via sbdh.org.au.
- The National Debt Helpline provides broader financial counselling and can be reached at 1800 007 007 or ndh.org.au.
- Additional assistance is available through local financial counsellors, and in regional and rural areas, through rural financial counsellors. Both services offer free, independent, and confidential support to assist with immediate issues and long-term financial planning.

Consulting a financial counsellor can help businesses assess their financial situation, explore cost-saving measures, and determine the best approach to securing essential insurance coverage.

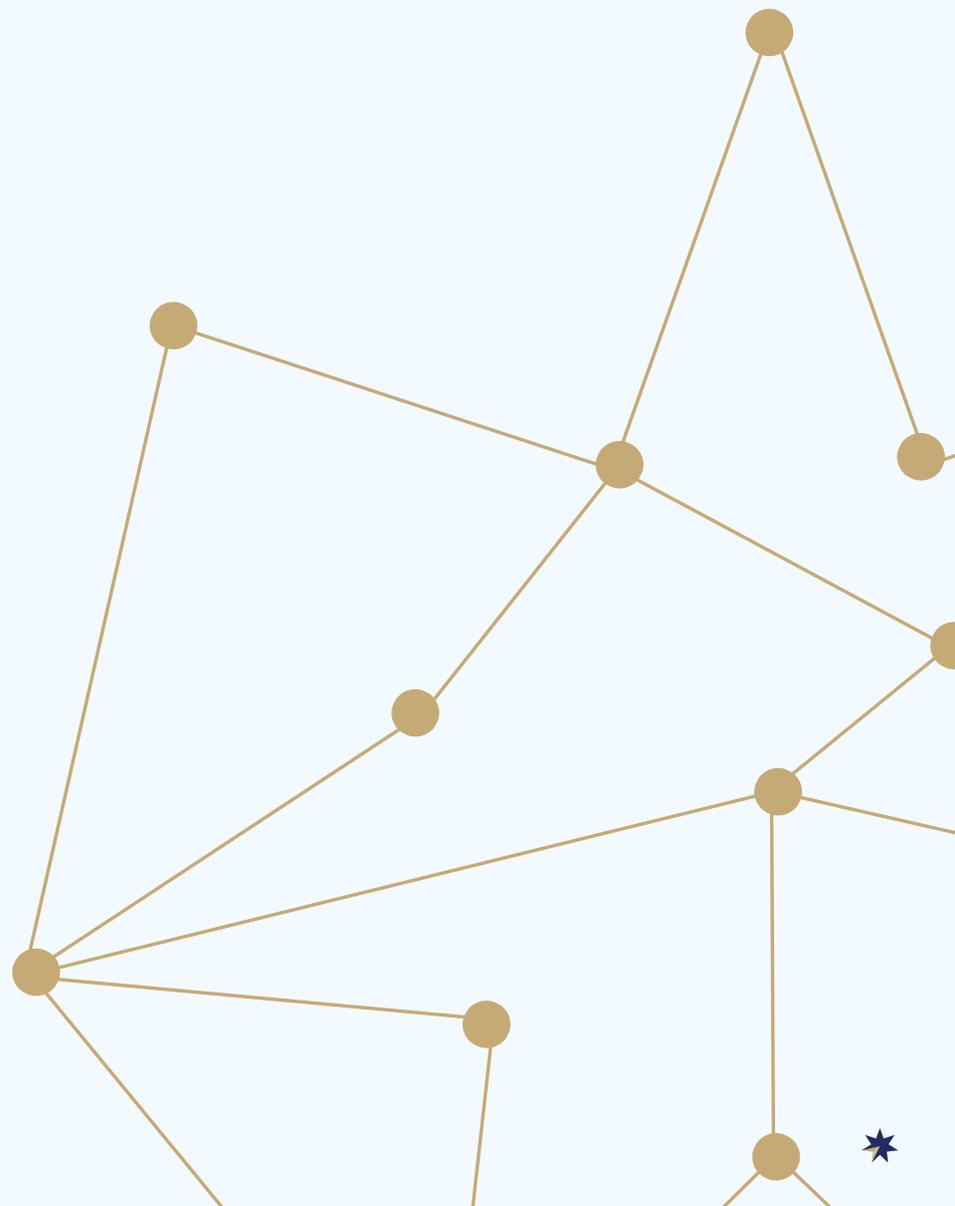


The role of Government agencies in the insurance industry

*The **Australian Competition and Consumer Commission (ACCC)** currently monitors prices, costs and profits relating to the supply of goods and services in the general insurance industry and the auxiliary insurance industry, before and after the introduction of a cyclone and related flood damage reinsurance pool. This is pursuant to the Competition and Consumer (Price Monitoring-General Insurance Policies) Direction 2022, which requires the ACCC to produce a report every calendar year from 1 January 2022 to 30 June 2026. They do not regulate insurance prices.*

*The **Australian Securities and Investments Commission (ASIC)** is responsible for licensing and regulating insurers. ASIC can take action against insurers who fail to comply with the financial services laws, including when insurers are being misleading or deceptive or acting unconscionably.*

*The **Australian Prudential Regulation Authority (APRA)** is the prudential regulator for insurance. APRA is responsible for making sure insurers have sufficient funds to pay claims and meet their financial obligations to policy holders.*



**What kind of
insurances should
small businesses
consider?**

Mandatory insurances

Workers Compensation

If you have employees, you must have workers compensation insurance provided by an authorised insurer. This covers you and your employees against financial hardship if they become injured or sick because of work. Each state and territory operates their own workers compensation scheme. In addition, the Commonwealth Government operates a workers compensation scheme for Commonwealth employees (known as Comcare). Each of the different workers compensation schemes has its own regulator that oversees the operation of the scheme, and they can help businesses check whether they are compliant.

If you're an independent contractor, you may need your own insurance to cover you for lost income in the event of illness or injury; this varies by state and territory. If you employ a contractor in your business, it's best to check with the workers compensation regulator in your [state or territory](#).

In some states and territories, some industries also require insurance in order to operate. For example, in Victoria, licensed plumbers are required to hold a specific insurance policy as a condition of their registration and to perform any plumbing work that requires a compliance certificate. This mandated coverage is unique to Victoria and combines public liability insurance (minimum \$5 million) with consumer protection insurance—often referred to as plumbers' warranty insurance—which covers up to \$50,000 per compliance certificate for domestic work and \$100,000 for non-domestic work. The insurance provides protection for consumers in cases of defective work, non-completion due to death, disappearance or insolvency, and associated legal costs. These requirements are enforced by the Victorian Building Authority to ensure industry standards and safeguard consumer interests.

Third party personal injury insurance

All states and territories operate compulsory third party motor accident injury compensation schemes. Owners of motor vehicles that are required to be registered are legally required to take out CTP insurance for their vehicle as a condition of registration. This insurance covers the driver of the vehicles liability for personal injury sustained to third parties in the event of motor vehicle accident. In some jurisdictions such as Victoria, CTP insurance is included in the cost of motor vehicle registration. In other states and territories vehicle owners, including businesses that own vehicles, need to obtain this insurance separately from a licensed CTP insurer prior to registration of the vehicle.

Recommended insurances

Depending on the industry the small business operates in, there are some other insurances that are not legally required but are recommended or advisable to obtain. For many small businesses, these insurances are the first to be dropped due to growing premiums adding to business cost pressures.

It is important to recognise that these recommended insurances are not 'silver bullets' to addressing the risks they cover. As well as considering and obtaining the necessary insurances, businesses should also ensure they have appropriate risk management measures in place. For example, cyber insurance is increasingly becoming an important insurance policy for small businesses, particularly depending on the industry they operate in. However, cyber insurance is only one element of cyber security – it must be coupled with good cyber security practices to ensure adequate protection.

Public liability insurance

Public liability insurance provides coverage for businesses and their employees for legal liability for any personal injury or property damage sustained to a third party. For example, a restaurant owner would take out public liability insurance to protect themselves, their business and their employees against any claim for compensation made against them by any patrons injured at their premises.

While there is no specific law requiring that a business must have public liability insurance, many business contracts *between parties* require public liability insurance. Furthermore, some states and territories may require that particular professions or trades hold public liability insurance. For example, certain licensed occupations, such as electricians, plumbers, builders and surveyors, may be required to hold public liability insurance as a condition of their registration or trading licence. For some small businesses, insurance is mandatory to legally operate, as it is tied to maintaining a licence.

Property insurance

Property insurance covers the physical property of a business. Depending on the type of business, property insurance can cover buildings, glass, tools and devices against risk such as damage (for example, from fire, flood or malicious damage) or theft.

The property insurance that will be appropriate for a business will vary depending on the business's operations.

Physical damage to or loss of business property can have major implications for cashflow and profit. Property insurance allows businesses to mitigate the financial risks associated with property damage or loss.



Business interruption insurance

Business interruption (BI) insurance is designed to cover an economic loss while a business cannot operate due to certain insured events (for example, the closure of premises by a public authority).

BI is not generally sold as a standalone product; instead it is usually added to a larger package of business insurance.

Cyber insurance

Cyber insurance is not a mandatory line of insurance. However, in an increasingly digital economy, businesses' cyber risk is constantly expanding. Cyber insurance helps businesses prepare for, respond to, and recover from cyber incidents. It helps protect against the loss or exfiltration and ransomware of digital assets such as customers' private data or a business' intellectual property.

Cyber insurance can also provide protection in the case of non-malicious cyber incidents.

While cyber insurance coverage can vary from product to product, cyber insurance generally provides customer access to panels of incidents response professionals in the event of a cyber-attack. These professionals can include dedicated cyber response teams, lawyers, forensic accountants and communications professionals.

As Australian businesses continue to digitise and lean into the digital economy, cyber insurance will play an increasingly important role in helping businesses protect their digital and physical assets.

Ensuring that a business can demonstrate strong cyber security practice and engaging with a broker familiar with cyber insurance will help in obtaining the most appropriate cyber insurance for a particular business.

Professional Indemnity insurance

Professional Indemnity insurance provides financial protection to businesses and individuals against claims for alleged negligence or breach of duty arising from an act or omission in the performance of their professional duties. For example, an engineer or accountant may take out professional indemnity insurance to cover them for any claim by a client for financial loss caused by them.

Directors & Officers insurance

Directors & Officers (D&O) insurance is typically taken out by the business to provide insurance coverage for a company and its management (both executive and non-executive directors) providing financial protection against claims arising from their decisions and actions.

D&O insurance covers monetary damages, settlements, and awards resulting from such claims. D&O insurance also covers the defence costs incurred by board members, managers, and employees in defending against claims made by shareholders or third parties for alleged wrongdoing.





Part 3:

Ideas for governments to support small businesses

Recommendations to governments

The operating environment for small businesses isn't easy right now, but there are things governments can do to help. Below, we outline ideas for ways that governments could help small businesses tackle their insurance challenges.

Abolish state and territory duties, taxes and levies on insurance products

State and territory governments impose a range of taxes, levies, and duties on insurance products. These include stamp duties, emergency services levies, and other charges that can add anywhere from 9 per cent to 30 per cent to the base cost of insurance policies, depending on the jurisdiction. While insurers are liable for paying these duties, these costs are generally incorporated into the premium and passed on to consumers, significantly inflating premium costs for businesses. For small businesses already facing tight margins, these additional costs can create a financial disincentive to maintaining adequate insurance coverage, increasing their exposure to financial risk in the event of loss or disaster.

To address this, governments should abolish state and territory taxes and levies on insurance products. This measure should rapidly reduce premium costs, improving affordability and increasing the likelihood that small businesses can maintain adequate coverage.

Similar approaches have and are being taken in some jurisdictions already. Victoria has announced a ten-year phase-out of duty on all business premiums, while New South Wales has announced an intention to move away from an insurance-based emergency services levy, recognising that such charges unfairly penalise those who responsibly insure their assets. Expanding these kinds of policies to businesses across all jurisdictions would remove a major cost barrier, especially for small businesses, while maintaining the overall integrity of state revenue systems.

Importantly, this reform would also reduce the likelihood that small businesses will underinsure or forgo insurance altogether, an issue that not only puts individual businesses at risk but also creates broader economic vulnerabilities, particularly in regions prone to natural disasters. By protecting businesses from these additional costs, governments can support a more resilient small business sector, ensuring that entrepreneurs and small business employers can invest in their operations with greater confidence.

Fund the Productivity Commission to map small business insurance challenges

A national effort is needed to address the rising cost and complexity of insurance for small businesses. While some taskforces and working groups already exist, they are typically limited to a single level of government and focus on specific risk areas, such as natural disasters.

A more comprehensive, cross-portfolio approach is required to examine the broader structural issues driving up insurance costs and impeding business growth. For example, the Hazards Insurance Partnership (HIP) was created following the 2022–23 Federal Budget to identify insurance challenges in high-risk areas and develop policy solutions to reduce risk and cost. This group included representatives from federal government agencies, the Treasury, and the insurance industry. Similarly, in May 2024, the Federal Government established the Insurance Affordability and Natural Hazards Risk Reduction Taskforce, which focused on cross-government strategies to mitigate disaster impacts and address rising insurance costs caused by extreme weather events.

While initiatives like these have been valuable, they have not specifically addressed small business insurance risks and costs nor provided the cross-jurisdictional coordination needed to resolve systemic issues. Many of the pressures on insurance affordability stem from state, territory and local government policies, including the application of inefficient taxes and levies on insurance taxation, civil liability laws and settings, and inappropriate land use planning.

A federal agency like Treasury or the Productivity Commission should be funded to review the drivers of high insurance costs and identify reform priorities. This would provide an independent evidence base to support changes such as aligning insurance requirements, cutting inefficient taxes, and reviewing civil liability laws, creating a clearer path to long-term, structural improvements that make insurance more affordable for small businesses.



Review civil liability legislation and undertake tort reform

Tort reform remains a powerful policy tool available to governments that can directly impact insurance underwriting risk and the availability of public liability insurance.

This has been effective in the past. For example, in 2002, Commonwealth, state and territory governments agreed to establish a framework for tort reform to limit the scope of public liability and therefore reduce the risk to insurers. Public liability insurance premiums had been steadily increasing due to a spike in the number of personal injury claims, particularly in public places. These rising premiums were putting significant pressure on small businesses, clubs, and not-for-profits such as sporting clubs and community groups who needed affordable coverage to operate.

Limiting the amount of compensation available for certain types of injuries, introducing caps on legal fees for personal injury claims, and requiring claimants to prove that the injury was caused by negligence rather than just an accident decreased the number of claims. This stabilised and eventually reduced insurance premiums. To ensure this continued, the Federal Government asked the ACCC to monitor costs and premiums in public liability and professional indemnity insurance to assess the extent to which insurance companies were passing the benefits of insurance reforms on to consumers.^{xiii}

To address the current public liability insurance constraints, state and territory governments should review and, where necessary, reform current civil liability settings to ensure a sustainable public liability insurance market in Australia where small businesses can access the coverage they need.

Provide funding to develop a small business insurance and risk management support function

Given the challenges small businesses face in accessing affordable insurance, the Federal Government could allocate funding to a relevant body to lead a national small business insurance and risk management support function.

This body would undertake policy coordination to ensure small businesses have better access to risk education and would work with other stakeholders to support improved insurance outcomes.

The body could conduct a national review of risk management practices in small business sectors with high liability claim rates, identifying industry-specific challenges contributing to rising premiums. It could also coordinate with insurance stakeholders to help explain policy information, develop risk assessment tools, and create resources to help small businesses navigate the insurance market and improve risk mitigation.

The support function could bring together members from Federal Treasury, Prime Minister and Cabinet, the Australian Small Business and Family Enterprise Ombudsman (ASBFEO), the state and territory Small Business Commissioners, SafeWork Australia, the Insurance Council of Australia, National Insurance Brokers Association (NIBA), major insurers, industry groups, and independent experts and personal injury and liability specialists, to ensure advice to small businesses is thoroughly interrogated from many perspectives before being provided.

By funding a relevant body to lead this initiative, the Federal Government can support small businesses in reducing claims, improving risk management practices, and strengthening industry standards, ultimately helping to stabilise insurance costs.

Improve insurance education

While small businesses are acutely aware that their premiums are rising, many are unsure why this is the case. Small businesses need to understand:

- Why their premiums are rising.
- What measures they can put into place to help mitigate these rising costs, for example, as outlined in this report.
- Where they can find support as they navigate an insurance application or renewal process.
- What is and is not covered by their policies.
- What needs to be evidenced to make an eligible claim.
- Which mitigation actions may have a beneficial impact on their premiums or risk profile, as opposed to those undertaken for the purpose of reducing the business's own risk of damage.

The government could fund a support and training program for businesses to uplift the level of education around risk management and insurances more broadly. This work could be done through ASBFEO or a similarly relevant body, and/or in partnership with the state and territory Small Business Commissioners.



Develop a portal with disaster-risk area data

As natural disasters become more frequent, it will be crucial to help small businesses identify whether they are leasing or opening in high-risk areas where insurance may be unavailable or unaffordable. This is particularly relevant for businesses in flood-prone areas, but this is not the only natural disaster risk that insurance companies take into account.

Therefore, a robust, national hazard database that streamlines existing national, state and territory datasets and that is accessible to all levels of government, industry, and the public is crucial for improving understanding of climate risk. The Australian Climate Service and National Emergency Management Agency's current development of a national hazard data asset with insurers will help better inform land use planning, building codes and standards, and understanding of current and future hazard risks. Federal Government funding, in partnership with states and territories, alongside prioritising collaboration with industry, will be critical to accelerating this work.

Implement proportional and post-award insurance requirements for small businesses in government procurement and supply chains

To genuinely improve small business participation in government procurement, policies should be reformed to allow delayed insurance requirements and to stop larger prime contractors from passing down excessive insurance obligations due to unnecessary government mandates.

Instead of blanket minimums, insurance requirements should be proportionate to the risk of each contract. Low-risk contracts should carry reduced obligations, while higher-risk projects would still require a higher level of coverage. Importantly, small businesses should only be required to secure insurance *after* being awarded a contract, rather than during the tendering phase, easing financial pressure and improving cash flow.

These reforms would encourage more small businesses to engage in government procurement, increase competition, and drive innovation. By aligning insurance requirements with actual risk and ensuring fair subcontracting terms, this approach would break down barriers across the entire government supply chain, making procurement more accessible for small enterprises while maintaining appropriate financial protections for all stakeholders.

Support market stability and innovation in insurance products

A stable and competitive insurance market is essential for keeping premiums affordable for small businesses. Governments should work collaboratively with the insurance sector to reduce regulatory uncertainty, streamline compliance requirements, and encourage innovation in insurance products. This includes supporting the development of tailored small business insurance solutions, such as parametric insurance models that provide rapid payouts based on predefined triggers like weather events, or microinsurance products designed for businesses with lower coverage needs.

Governments can also play a role in facilitating access to alternative risk-transfer mechanisms, such as captives, discretionary mutuals, and self-insurance arrangements, where appropriate. By fostering a regulatory environment that enables these options while maintaining prudential oversight, policymakers can ensure small businesses have access to a wider range of cost-effective coverage solutions without undermining market stability.

One recent example of an initiative aimed at addressing insurance challenges in high-risk regions is the North Australia Cyclone Reinsurance Pool. The pool was established to reduce the cost of reinsurance and increase market capacity in cyclone-prone areas by stepping in where the private market had withdrawn. While it has contributed to greater insurer participation and improved reinsurance availability, many small businesses and local governments in northern Australia continue to face affordability pressures due to a range of broader issues—such as building cost inflation, labour shortages, maintenance challenges, and limited risk mitigation activity. The March 2025 final report of the Joint Select Committee on Northern Australia acknowledged these complexities and recommended that the legislated review of the pool proceed as planned, alongside broader reforms. This review presents an opportunity to ensure the pool continues to evolve in a way that supports tangible affordability outcomes for small businesses in high-risk regions.



Implement a Cyber Resilience Grant Program

Small businesses are the backbone of the Australian economy, yet they remain the most vulnerable to cyber threats. Unlike large corporations, small businesses often lack dedicated cybersecurity teams and struggle to afford essential protective measures.

While existing government programs provide education and advisory support, many small businesses still face financial barriers to implementing strong cybersecurity protections. Without direct financial assistance, SMEs will continue to be disproportionately exposed to cyber risks, potentially leading to financial loss, reputational damage, and even business closure following an attack. However, any financial support must be carefully designed to encourage proactive risk management rather than simply shifting risk to insurers, which could drive up premiums over time.

The government should introduce targeted, time-limited financial incentives to support small businesses in improving their cyber resilience. This could include a Cyber Resilience Grant Program that helps businesses invest in measurable risk-reducing security measures such as multi-factor authentication (MFA), endpoint protection, secure cloud storage, and employee cyber awareness training.

Tax incentives or rebates could also be introduced for businesses that implement recognised cybersecurity best practices, ensuring that financial assistance supports genuine risk reduction rather than subsidising risk transfer through insurance alone.



Conclusion

Insurance is meant to be a safeguard, an essential tool that enables small businesses to take risks, create jobs, and contribute to the Australian economy with confidence. But right now, that safeguard is slipping out of reach. The system is distorted: taxes discourage protection, procurement rules reward the well-insured rather than the well-qualified, and products are priced for problems small businesses cannot solve alone.

This is no longer a niche concern. When small businesses cannot insure, they cannot invest. When they cannot recover, communities suffer. If governments are serious about building resilience, lifting productivity, and growing the economy from the ground up, small business insurance must be treated not as a private concern, but as a public priority.

There is no single solution but there is a clear imperative. It's time to fix the system before the next disaster does more than damage property. It could hollow out the engine room of the Australian economy.

We urge all governments to act before inaction becomes unaffordable.



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Disclaimers & Acknowledgements

The small business community is incredibly diverse – small businesses operate within every industry and sector. They interact with businesses of the same or smaller size, as well as larger businesses and government. Given their diversity, developing policies and solutions that adequately address the issues of all 2.5 million Australia's small businesses is an ongoing challenge. The insurance conundrum is also more prevalent in some industries than it is for others.

However, this report takes an economy-wide approach with regard to its recommendations, and does not make recommendations for specific industries. We have taken this approach to appeal to the broadest base of small businesses, and to make the case for government easier.

There is room for further specific focus areas in future reports.

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