



6 March 2026

Senator Deborah O'Neill  
Parliamentary Joint Committee on Corporations and Financial Services  
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Parliament House  
Canberra ACT 2600

Suzanne Smith, Executive Board Member

Melbourne

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Dear Senator

## Inquiry into small business insurance

APRA welcomes the opportunity to contribute to the Committee's inquiry into small business insurance. To assist the Committee, this submission outlines APRA's role as a prudential regulator of the general insurance industry.

### About APRA

APRA is an independent statutory authority established under the *Australian Prudential Regulation Act 1998* (APRA Act). Under the APRA Act, APRA has oversight of superannuation funds (excluding self-managed superannuation funds and exempt public sector superannuation schemes), insurers (life, general and private health) and authorised deposit-taking institutions operating in Australia. APRA also serves as Australia's resolution authority and national statistical agency for the financial sector.

### APRA's role as prudential regulator of the general insurance industry

Under the *Insurance Act 1973*, a business that conducts 'insurance business' must be authorised by APRA. 'Insurance business' is defined as the business of undertaking liability by way of insurance (including reinsurance), in respect of any loss or damage. This includes (but is not limited to) providers of commercial classes of insurance to businesses of all sizes.

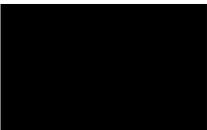
APRA's mandate is to ensure that Australia's financial system is stable, competitive and efficient. Ensuring that, under all reasonable circumstances, insurers meet their financial commitments to pay valid policyholder claims is critical to maintaining confidence in the financial system.

We carry out our mandate by developing prudential standards, supervising institutions, and taking action where necessary to ensure entities appropriately manage risk. However, APRA's role does not extend to setting prices or premium levels. These remain commercial decisions for insurers. To remain prudentially sound, we expect insurers to set premiums that accurately reflect risk, recoup costs over time, and maintain adequate capital (after considering any reinsurance protection) to appropriately manage risks.

To assist the Committee, [Annex A](#) provides further information about the regulatory framework for general insurance and key insights into the affordability and availability of business insurance.

APRA recognises the importance of the issues the Committee is exploring for the Australian community and looks forward to assisting the Committee with its work on this Inquiry.

Yours sincerely



## Annex A

### Regulatory framework for general insurance

APRA's prudential framework requires APRA-regulated entities to comply with requirements relating to a range of areas, including governance, risk management, financial resilience and recovery and resolution. The prudential framework is comprised of enforceable prudential standards and supporting guidance, with compliance monitored through supervision.<sup>1</sup>

APRA regularly undertakes formal, public consultation with regulated entities and other industry stakeholders to develop new, or propose changes to existing standards and guidance to align our regulatory framework to the risk landscape.

Core to APRA's prudential framework is the prudent management of all material risks. For general insurers, we expect, irrespective of the product type, that they price and reserve prudently for the risks they cover to ensure they are in a sound financial position to pay policyholders' claims.

APRA's prudential framework, by design, is aimed at minimising any undue cost of regulation for industry. We take a proportionate, risk-based and outcomes-focused approach to our regulatory framework, recognising that different financial institutions have varying levels of risk and applying requirements accordingly.

Our 2025-26 Corporate Plan outlines '*getting the balance right*' as a strategic priority to ensure our standards and supervisory practices are efficient and proportionate.<sup>2</sup> With a view to '*getting the balance right*', we remain adaptable to developments in our regulated industries and open to considering adjustments to our prudential framework to facilitate better outcomes for the Australian community. APRA's current review of the general insurance reinsurance framework, focused on improving access to all types of reinsurance, exemplifies APRA's commitment to updating the framework in response to market developments.<sup>3</sup>

### Key insights into insurance for (small) businesses and not-for-profit organisations (NFPs)

There are a broad range of commercial insurance products offered in the Australian market, though availability and pricing vary by risk profile, location, and industry. Affordability and availability challenges persist for certain classes of business and risk profiles, as outlined below.

#### Affordability and availability of commercial insurance coverage

Types of products (also known as classes of business) available for small businesses and NFPs include public liability, professional indemnity, cyber and property insurances. Business interruption cover is available typically under a property or cyber insurance policy.

The commercial insurance market is currently going through a 'soft' market cycle, which is marked by falling insurance premiums and increasing competition for some classes of business. This can be seen through a snapshot of APRA's industry data below (Figure 1).

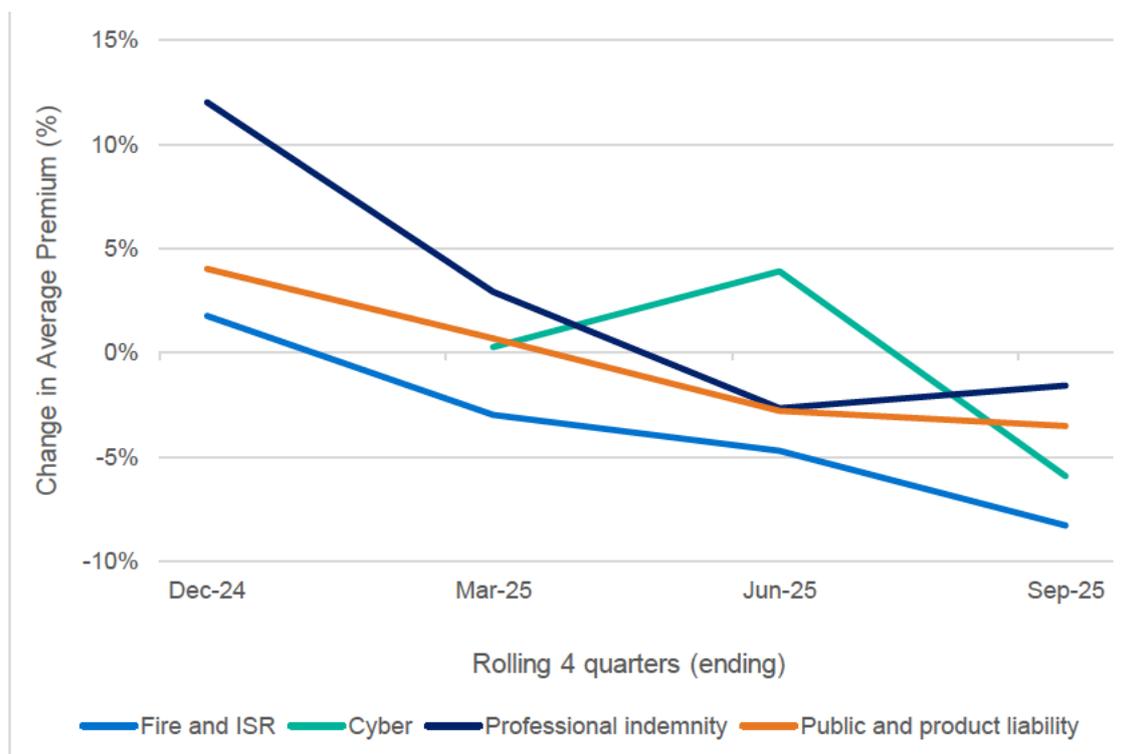
Figure 1 (below) shows 12-month rolling Average Written Premium percentage changes across the various classes of business written by APRA-authorized insurers in Australia from December 2024 to September 2025. These are aggregate trends only. As discussed below, affordability pressures vary by risk profile, location, and industry.

<sup>1</sup> For Prudential Standards, guidance and other relevant information for the general insurance industry, see [www.apra.gov.au/industries/2/standards](http://www.apra.gov.au/industries/2/standards) and [www.apra.gov.au/prudential-map-for-general-insurance](http://www.apra.gov.au/prudential-map-for-general-insurance).

<sup>2</sup> [www.apra.gov.au/apra-corporate-plan-2025-26](http://www.apra.gov.au/apra-corporate-plan-2025-26).

<sup>3</sup> [www.apra.gov.au/targeted-adjustments-to-general-insurance-reinsurance-framework](http://www.apra.gov.au/targeted-adjustments-to-general-insurance-reinsurance-framework).

**Figure 1: 12-month rolling Average Written Premium (AWP) percentage changes for Property (or Fire and Industrial Special Risks (ISR)), Cyber, Professional Indemnity and Public and Product Liability**



Average Written Premium (AWP) refers to the average premium charged for each policy over a specific period and is typically calculated as Gross Written Premium / Number of Risks written. In Figure 1, the AWP has been displayed as a 12-month rolling AWP percentage change, which means the AWP percentage amount at each date snapshot denotes the AWP percentage change over the previous 12 months.

Note for Figure 1: The December 2024 – March 2025 trend line for Cyber insurance has been omitted due to data consistency issues with December 2024 data.

### Insurance affordability and availability in high-risk sectors

Insurance pricing and availability reflects a range of considerations, including the level of risk and exposure and the claims experience for that risk (and similar risks). Insurers also assess risk maturity, controls and mitigation for the business or organisation seeking insurance, which can influence underwriting terms and pricing.

Notwithstanding the softening commercial insurance market, we have observed through engagement with industry that some types of businesses are finding it challenging to obtain public liability insurance. For example, businesses in the adventure tourism, amusement and recreation sectors, live entertainment venues, and community groups that offer outdoor activities. Businesses in these industries require public liability insurance to operate, typically due to state and local government requirements for venues and facilities. However, poor claims experience (both frequency and quantum of claims), and high underlying risk contribute to affordability and availability pressures in these industries.

In Australia, an increasingly litigious landscape (e.g. class actions and no-win, no-fee arrangements) and social inflation (e.g. higher claimant demands, media scrutiny) is also contributing to rising claims costs for public liability and professional indemnity insurances, which provide coverage for civil liability claims.

Additionally, businesses and NFPs that provide care, particularly care for (or services provided for) children, may find it difficult to secure public liability cover that includes physical and sexual abuse. Even if this cover can be

found, the cost may be high. Scouts ACT is one such example, with its public liability premium for 2024-2025 up 112 per cent on what was paid in 2022-2023.<sup>4</sup>

Table 1 (below) summarises the risk factors affecting the affordability and availability of the classes of business and insurance products identified in the terms of reference for this inquiry.

### **Regional factors affecting insurance affordability and availability**

#### High-risk regions

By region, exposure to severe weather can also affect insurance affordability and availability. Australia has seen increasing weather-related claims in recent years. Natural catastrophes such as floods and bushfires remain a major concern for insurers who offer insurance coverage for regions that are highly exposed. According to the Insurance Council of Australia (ICA)<sup>5</sup> extreme weather events cost almost \$3.5 billion in insured losses in 2025, a drastic jump from 2024's \$581 million and 2023's \$2.35 billion.

Given its cover for material damage, property insurance would be the most impacted class of business for regions that are highly exposed to extreme weather events; a small business operating in a flood-prone or bushfire-prone region would likely face into affordability and availability issues when obtaining insurance for its property. Insurers would also likely be cautious when providing business interruption coverage (under the property policies) for these regions, as severe weather events can increase claim complexity and settlement duration, which may affect insurer risk appetite for both property and associated business interruption cover.

#### State insurance taxes and duties

State insurance taxes and duties also contribute to insurance costs for businesses, with differences between jurisdictions. According to the ICA, premiums can be 20 to 40 per cent more in jurisdictions where these charges are imposed.<sup>6</sup> The Australian Capital Territory abolished its insurance duty in 2016,<sup>7</sup> while other jurisdictions have reforms underway. For example, Victoria's duty on business insurance is being phased out over a 10-year period to 1 July 2033.<sup>8</sup> In New South Wales, the Government has committed to reforming the State's Emergency Services Levy.<sup>9</sup>

<sup>4</sup> [www.parliament.act.gov.au/\\_data/assets/pdf\\_file/0008/2826287/Submission-004-The-Scout-Association-of-Australia-ACT-Branch-Inc.-Scouts-ACT-Published-17-March-2025.pdf](http://www.parliament.act.gov.au/_data/assets/pdf_file/0008/2826287/Submission-004-The-Scout-Association-of-Australia-ACT-Branch-Inc.-Scouts-ACT-Published-17-March-2025.pdf)

<sup>5</sup> <https://insurancecouncil.com.au/resource/extreme-weather-cost-3-5-billion-in-2025/>

<sup>6</sup> [https://insurancecouncil.com.au/wp-content/uploads/2025/10/21340\\_ICA\\_CAT-Report\\_2025\\_Final-spreads.pdf](https://insurancecouncil.com.au/wp-content/uploads/2025/10/21340_ICA_CAT-Report_2025_Final-spreads.pdf)

<sup>7</sup> [www.revenue.act.gov.au/tax-reform](http://www.revenue.act.gov.au/tax-reform)

<sup>8</sup> <https://www.sro.vic.gov.au/businesses-and-organisations/insurance-duty/abolition-duty-business-insurance-premiums>

<sup>9</sup> <https://www.nsw.gov.au/ministerial-releases/next-steps-for-emergency-services-levy-reform>

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**Table 1 – Risk factors for classes of business and insurance products identified in the terms of reference for this inquiry**

Class of business/Product	Coverage	Challenged industries	Risk factors
<b>Public liability</b>	Covers liability for claims made against an organisation, arising from injury or damage caused by the organisation's actions.	Out-of-home care, disability service providers and childcare	Physical and Sexual abuse (PSA) insurance cover can be offered under a public liability policy. These challenged industries are highly exposed to PSA claims, given the work with vulnerable communities. Reduced insurer participation in this segment has coincided with heightened availability pressures.
		Adventure tourism, community groups that offer outdoor activities, amusement and recreation sector	High-risk recreational activities offered by these industries are highly exposed to bodily injury claims under a Public Liability policy. Challenges are most acute for the riskiest businesses in the sector such as caravan parks with jumping pillows and travelling amusement ride operators.
		Live entertainment venues	Alcohol service, late operating hours and the use of logistical equipment for staging increases the exposure of bodily injury claims under a Public Liability policy.
<b>Professional indemnity</b>	Covers liability for claims made against a professional arising from a breach of their professional duty.	Financial advisers	Affordability and availability concerns linked to this class of business over a number of years due to tightening regulation and increased regulatory activity in the wake of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry. Availability issues are most acute for financial planners, fund managers and other licensees involved in riskier financial products offered to retail clients.
		Building and construction	Affordability and availability concerns linked to this class of business over a number of years, due to concerns over industry professionals involved in non-compliant use of combustible cladding in buildings and the design and construction of defective apartments.
<b>Cyber insurance</b>	Covers liability relating to cyber events and threats.	Mining, utilities, cryptocurrencies, public sector/government, law firms	A relatively new insurance product, cyber insurance is still generally available for most of the market, including small businesses. Increasing claims frequency and severity may affect future pricing and underwriting appetite.
<b>Business interruption cover insurance</b>	Covers loss of income for a fixed period when the business is unable to operate normally due to a covered event.	Manufacturing, healthcare, transport/logistics	Typically available under Property or Cyber insurance policies. Risk factors include increasing costs of claims associated with natural disasters, supply chain disruptions, and inflation in reconstruction costs.