

10 November 2025

Australian Reinsurance Pool Corporation Review Team
The Treasury
Langton Crescent
Parks ACT 2600

via email to: arpcreview@treasury.gov.au

Dear Review Team

Review of the *Terrorism and Cyclone Insurance Act 2003*

The Australian Small Business and Family Enterprise Ombudsman welcomes the opportunity to contribute to the Treasury's review of the *Terrorism and Cyclone Insurance Act 2003*.

We acknowledge the Australian Competition and Consumer Commission's (ACCC) finding that the Cyclone Reinsurance Pool is moderating premiums in areas of moderate to high cyclone risk, but for small businesses operating in these areas and across Australia, access to affordable insurance remains an ongoing issue.¹ Consequently, while we support renewal of the *Terrorism and Cyclone Insurance Act 2003* we urge governments to further explore ways to address the underlying issues driving higher insurance premiums and identify pathways to lower insurance costs for small businesses.

Access to affordable insurance that provides adequate coverage remains a significant challenge for many of Australia's small businesses. While households might choose to be underinsured and exercise different options about the level and nature of the risk protection in their policies, small businesses do not have this choice. For many small businesses, insurance cover is compulsory including public liability, professional indemnity insurance and workers compensation insurance. If small businesses do not purchase the required insurance coverage, they cannot engage in trade and commerce.

The ASBFE's 2022 *Small Business Natural Disaster Preparedness and Resilience Inquiry Report* found:

- many businesses cannot secure appropriate insurance at an affordable price
- some businesses are operating uninsured, or significantly underinsured, with excesses that would preclude any claim being made
- insurers are uninterested in the steps individual small and family businesses take to mitigate risks or are dismissive of them.²

These conditions have not changed. Business NSW reports that insurance costs continue to rank as the top concern for New South Wales businesses, a position they have held for over two years.³ We have heard from the Queensland Small Business Commissioner that small businesses in

¹ Australian Competition and Consumer Commission (ACCC), *Insurance Monitoring – Fourth report following the introduction of a cyclone and cyclone related flood damage reinsurance pool*, ACCC, July 2025, p 1

² Australian Small Business and Family Enterprise Ombudsman, *Small Business Natural Disaster Preparedness and Resilience Inquiry Report*, 10 November 2022

³ Business NSW, September 2025 - *Business Conditions Report*, Business NSW, 14 September 2025, p 12



regional and remote areas of Queensland continue to face high insurance premiums that are unaffordable for many businesses, with some areas unable to obtain coverage at all.

Expand the Pool's coverage to include all declared emergencies, such as flood and fire

Many small businesses operating in regions that are at risk of natural disasters are finding it increasingly difficult to access affordable insurance.

We note that the Pool's \$5 million cap on property insurance for small businesses may not meet the needs of many operators and could contribute to underinsurance across the sector. While the Joint Select Committee on Northern Australia's *First Report on the Cyclone Reinsurance Pool* notes that marine insurance will be included in the Pool from 1 July 2023, small business marine property insurance policies have not been included.⁴ Boats, marinas and docks represent a significant investment for small businesses and have a unique level of exposure to cyclone and related flood damage, creating the potential for a significant loss following a declared event.

The review team should consider increasing the \$5 million limit for small business insurance policies to \$10 million to ensure the total sum insured across all eligible risks reflects the aggregate market value of buildings, stock and business interruption. This should incentivise small businesses to acquire adequate insurance cover and reduce the likelihood of them being underinsured.

Natural disasters in Australia are becoming more frequent and intense, affecting businesses, individuals, and communities. Small businesses face a double burden, as their personal and business finances are often closely intertwined. In 2024-25 there were several extreme weather events, with three—one cyclone and two floods—declared “catastrophes” by the Insurance Council of Australia (ICA), alongside multiple locally severe but undeclared events, which resulted in insurance losses of \$1.97 billion.⁵ Small businesses impacted by these events face the immediate challenges of lost income and property damage. However, unlike individuals, they must continue covering fixed business costs, such as wages and rent, even while seeking personal financial relief, such as hardship on mortgage repayments. Often, there is no support available to cover the business owner's own income.

Expanding the Pool to cover all declared emergencies, such as flood and fire, should improve insurance access and affordability in disaster-prone areas, encourage new entrants into the insurance industry, and support higher levels of insurance coverage by property owners.

Engage with the insurance sector and small business representatives to address the underlying issues driving higher insurance premiums and identify pathways to lower insurance costs

We acknowledge that insurance companies and their representatives highlight measures that small businesses can take to reduce their premiums, for example, installing fire alarms and security protection.⁶ However, we note the ACCC's finding that insurers are not doing enough to incentivise consumers to invest in mitigation measures, for example, by providing certainty and

⁴ Joint Select Committee on Northern Australia, *First Report on the Cyclone Reinsurance Pool*, Joint Select Committee on Northern Australia, March 2023, p 46; The Treasury, *Review of the Terrorism and Cyclone Insurance Act 2003*, The Treasury, website, 30 September 2025, accessed 24 November 2025

⁵ Insurance Council of Australia (ICA), *Insurance Catastrophe Resilience Report 2024-25*, ICA, October 2025, p 12

⁶ Insurance Council of Australia (ICA), *Premiums Explained*, ICA, n.d. accessed 28 June 2024



clarity regarding the 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 steps undertaken by their small business customers when calculating their premiums.

The ICA calls for practical, larger-impact measures that reduce the impact of disasters on communities such as flood levees, improved town planning and building regulations to reduce premiums.⁸ Further, global reinsurance firms suggest strategic infrastructure improvements can influence insurers to reconsider offering coverage in high-risk areas.

In September 2023, then Assistant Treasurer and Minister for Financial Services, the Hon Stephen Jones MP, led Australia's first international insurance delegation to meet with a range of stakeholders, including global insurers and reinsurers. The reinsurance companies outlined how the risk of floods had driven insurance companies out of Roma, Queensland, but following the construction of a levee by the Queensland Government the risk profile of Roma was reduced which has changed how insurers and reinsurers assessed risk in the region.⁹

However, in regions such as Charleville, where the Murweh Shire Council made significant investments in flood mitigation infrastructure, this has not been reflected in the pricing of insurance premiums. Moreover, the Murweh Shire reported instances of insurance premiums increasing by as much as 500% within a single year, despite the significant investment in flood mitigation measures.¹⁰

We encourage governments to continue engaging with both the insurance sector and small business representatives to better understand the scope of the affordability challenge and the key drivers behind rising insurance premiums. In addition, we recommend exploring practical pathways to improve access to affordable insurance, such as investing in community infrastructure that may help reduce risk and, in turn, place downward pressure on insurance premiums.

Improving collection and access to climate risk data to inform risk mitigation and resilience

Improving the collection of, and access to, climate risk data would enable businesses to make more informed, evidence-based decisions, helping them identify vulnerabilities, adapt operations, and invest in resilience. It would also support insurers, lenders, and policymakers to better understand risk and consider targeted interventions.

We therefore support the recommendation in the Productivity Commission's Interim Report on '*Investing in cheaper, cleaner energy and the net zero transformation*' to improve data on climate risk by creating a centralised database on climate risk information. In our submission we suggested such a system build on, and leverage, existing frameworks to foster data consistency.

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, July 2025, p 7.

⁸ Insurance Council of Australia (ICA), *Insurance Catastrophe Resilience Report 2024-25*, ICA, October 2025, p 12

⁹ The Hon Stephen Jones MP, *Address to the Insurance Council of Australia Conference*, The Treasury, 12 October 2023

¹⁰ Local Government Association of Queensland (LGAQ), *LGAQ Submission: Senate Inquiry into the Impact of Climate Risk on Insurance Premiums and Availability*, LGAQ, 2 July 2024, accessed 31 October 2025.



Encouraging more insurance companies to enter the Australian market

One of the objectives of the Pool is to encourage greater insurer participation in cyclone-prone areas with the expectation that increased competition between insurers would lead to lower premiums for consumers and small businesses. However, the ACCC's fourth report (July 2025) found no new insurers have entered the northern Australian market since the Pool's establishment.¹¹

If the lack of competition in the commercial insurance market persists, combined with the rising frequency and severity of extreme weather events, small businesses will continue to face higher insurance costs. We continue to encourage the Australian Government to explore options to attract new entrants into the insurance market, including examining strategies adopted overseas and exploring an expansion of membership of the Hazard Insurance Partnership, as described below.

There are overseas examples where governments have taken a more active role in providing catastrophic risk insurance. For instance, Spain's *Consorcio de Compensacion de Seguros (CCS)*, has helped stabilise its insurance market by providing extraordinary risk insurance. This is funded by a small surcharge applied to all Spanish insurance policies covering property damage and personal injury.¹² This model may offer valuable insights and warrants further investigation as a potential approach to encouraging competition in Australia's insurance market.

Another avenue for exploration is membership of the Hazard Insurance Partnership (HIP), which held its inaugural meeting in February 2023. HIP brings together the National Emergency Management Agency, insurance bodies, the Australian Bureau of Statistics and the Australian Climate Service to investigate ways to reduce insurance premiums and strengthen disaster resilience.¹³ While HIP's membership expanded in June 2024 to include more participants from the insurance and reinsurance community, we consider that broadening its membership could be beneficial. We suggest including boutique Australian insurance companies who could provide valuable perspectives and foster innovation in the market.

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

Yours sincerely

The Hon Bruce Billson

Australian Small Business and Family Enterprise Ombudsman

¹¹ Australian Competition and Consumer Commission (ACCC), *Insurance Monitoring – Fourth report following the introduction of a cyclone and cyclone related flood damage reinsurance pool*, ACCC, July 2025, p 1

¹² Consorcio de Compensacion de Seguros (CCS), *Areas of Activity – Extraordinary Risk Insurance*, CCS, website, n.d. accessed 3 November 2025

¹³ Senator The Hon Murray Watt, *Landmark partnership to improve disaster insurance*, Australian Government, 2 February 2023