Small Business Insurance

Submission to Parliamentary Joint Committee on Corporations and Financial Services

06 March 2026

1. Introduction

This submission responds to the Parliamentary Joint Committee (PJC) Inquiry into insurance affordability and availability by providing a **Tasmanian-focused perspective** on the challenges (and potential solutions) facing small businesses and not-for-profit and community organisations operating in Australia.

While the Inquiry considers insurance affordability and availability from a national perspective, the challenges experienced in smaller more regional jurisdictions such as Tasmania can differ from those observed in larger markets. Tasmania's geographic and climatic characteristics, industry composition, scale of the insurance market and strong reliance on micro and small businesses create distinct dynamics affecting insurer participation, pricing outcomes and product availability.

RACT provides a **distinctive perspective** as both an **active participant** in the insurance market through RACT Insurance and a **member-owned mutual organisation** representing Tasmanians across the state's metropolitan, regional and remote communities.

The **purpose** of RACT's submission is therefore to provide a Tasmanian context to assist the PJC in understanding how national insurance settings and market trends may have different impacts in regional and smaller economies, and to highlight considerations relevant to improving insurance affordability, availability and resilience in these environments.

To assist the Committee, this submission is structured to first establish the Tasmanian context before outlining the key insurance market challenges and potential areas for consideration.

The submission is organised as follows:

- **2. Background** - Introduces **RACT** and its **role within Tasmania**, including its connection to members, communities, small businesses and the local insurance landscape.
- **3. Tasmanian Business Profile** - Addresses **regional economic characteristics** relevant to the Inquiry, including industry composition, the importance of small businesses within Tasmania and trends therein. This section provides context for understanding how insurance market outcomes uniquely affect Tasmania.
- **4. Tasmanian Small Business Insurance Market** - Responds to the Inquiry's focus on **access**, **affordability**, and **availability** of insurance products by examining **current challenges** facing Tasmanian small businesses. This includes climate-related risks, inflationary cost pressures, business vulnerability, regulatory impacts, and product coverage limitations.
- **5. Points for Consideration** - Presents **observations** and **considerations** relevant to policy, regulation, and market settings, supporting the Committee's oversight role in assessing whether the current regulatory framework appropriately addresses modern insurance challenges.

Terms of Reference Mapping

The table below maps the key areas addressed in this submission to the PJC's Terms of Reference.

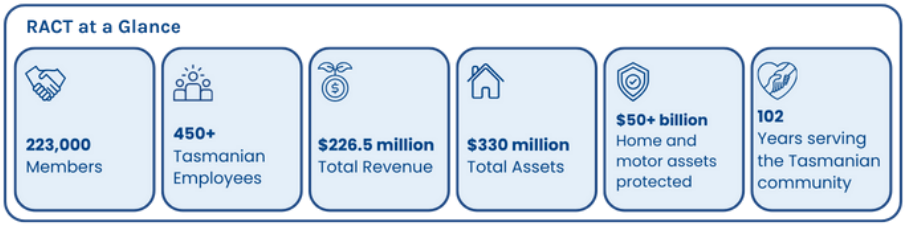
Terms of Reference	Document Section
(1) access to insurance coverage which meets contemporary business needs, including public liability, professional indemnity, cyber threats, and business interruption	Section 4 – Tasmanian Small Business Insurance Market. Insights from Tasmanian small business.
(2) the affordability and availability of these insurance products across different regions and sectors, including regional and remote Australia and high-risk industries	Sections 3 and 4 – Tasmanian Business Profile; Tasmanian Small Business Insurance Market
(3) the adequacy of the current regulatory framework in addressing modern insurance challenges	Section 5 – Points for Consideration
(4) any related matters	Sections 2–5

2. Background

2.1 RACT Company Overview

RACT is Tasmania's largest mutual organisation with more than 223,000 members across the state, including regional and remote Tasmania. With a population in Tasmania of approximately 600,000 (and approximately 480,000 being over 18 years of age and therefore most likely to require asset protection / roadside assistance), RACT connects with around half of the Tasmanian population that requires core insurance products.

RACT was established in 1923 by a small group of local motorists advocating for better roads and support for drivers, we have a history of over 100 years of supporting Tasmanians through roadside assistance, driver training, member advocacy and insurance. We are proud to be Tasmania's most trusted brand[1]. As a mutual, RACT is a **profit-for-purpose** entity. We have no external shareholders, being fully owned by our Tasmanian members. Profits stay in Tasmania, funding member benefits, local employment, and community benefit.



RACT, in line with the mutual objectives, is already investing in understanding and developing solutions that reduce risk and support our members and communities to be more resilient.

- RACT invests significantly in understanding Tasmania's insurance risk profile working with local, national and international organisations to continue to deliver insurance products to support and enable resilience in the Tasmanian community.
- In late 2025, RACT announced a **$1.2 million partnership with UTAS Fire Centre** for world-leading bushfire research to support households and global markets understanding of changing bushfire risk and potential mitigation actions in a Tasmanian context

2.2 RACT Insurance (RACTI)

RACTI is Tasmania's only locally owned and operated general insurance underwriter, providing personal lines insurance products including motor, home and contents insurance tailored to Tasmanian conditions and risks. It is a 100% owned subsidiary of RACT.

Through its personal insurance portfolio, RACTI serves Tasmanian households and maintains strong relationships with members across metropolitan, regional and remote communities. This presence provides direct experience in underwriting Tasmanian risks, responding to natural hazard events, and understanding insurance affordability challenges faced by local customers.

Additionally, many Tasmanian small business owners are already RACT members and personal lines insurance customers. This overlap provides RACT with an established understanding of the needs and challenges facing small businesses.

[1] https://www.ract.com.au/about-us

3. Tasmanian Business Profile

Tasmania's business sector shares many structural similarities with the broader Australian economy, while also exhibiting **distinct characteristics** driven by its **geography**, **industry mix** and **scale**.

3.1 Industries in Tasmania

By industry composition, Tasmania broadly mirrors the national profile, with Construction, Agriculture, Professional, Scientific and Technical Services representing the largest shares of businesses. However, Tasmania stands out for the relative importance of **agriculture**, which accounts for **13%** of businesses compared with **7% nationally**, highlighting the state's stronger reliance on primary industries relative to the rest of Australia.

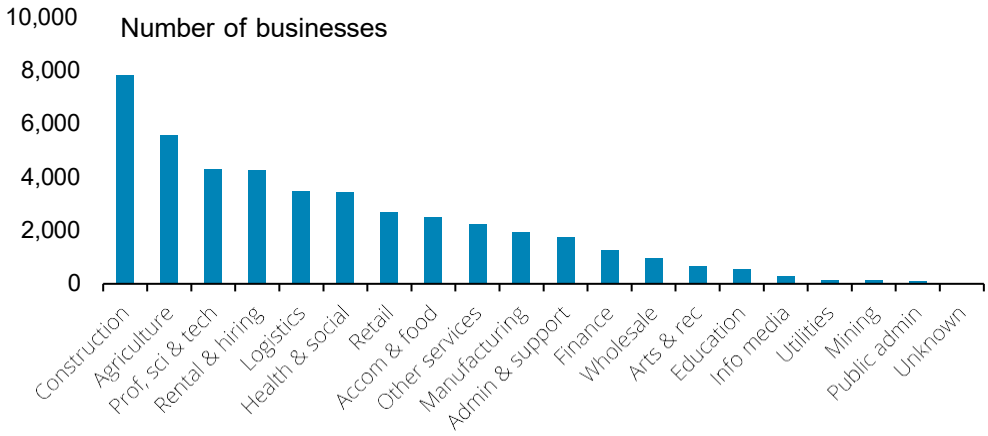


Figure 1 Number of businesses in Tasmania, by industry, 30 June 2024[2].

3.2 Role of Small Business in Tasmania

Small businesses form the backbone of the Tasmanian business community, and nationally Tasmania's small business sector had the highest share total private sector employment in June 2018 (at 47.3%).[3] Of the 44,100 businesses operating in 2024[4]:

- Around 60% (26,500 businesses) are non-employing
- Of the 17,500 employing businesses, approximately 92% (16,100) are small businesses, defined as employing fewer than 20 people

This structure is broadly consistent with the national picture. However, small businesses play a particularly prominent role in employment, accounting for approximately 88,300 jobs, or 31% of total employment in Tasmania in 2024[5].

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[2] Source: ABS, Counts of Australian Businesses, including Entries and Exits, Catalogue No. 8165.0 (2024)
[3] Source: Parliamentary Library, *Small business sector contribution to the Australian Economy* (2020) p6
[4] 30 June 2024 was the most recent dataset available at the time
[5] Source: ABS, Counts of Australian Businesses, including Entries and Exits, Catalogue No. 8165.0 (2024), Note: Employment in small businesses in Tasmania is estimated as a weighted-average using the mid-point of employment bands distinguishing business size (e.g. 1-5, 5-19) and the number of businesses in each category.

Employment by small businesses is especially concentrated in:

- Construction,
- Accommodation and Food Services, and
- Agriculture,

together accounting for around 35,000 jobs.

The presence of small businesses varies significantly by industry. Small businesses account for a larger share of employment in:

- Wholesale Trade (73%),
- Agriculture (67%), and
- Other Services (56%)

than is observed nationally, highlighting Tasmania's reliance on small businesses in several key sectors. This is illustrated in the graph below:

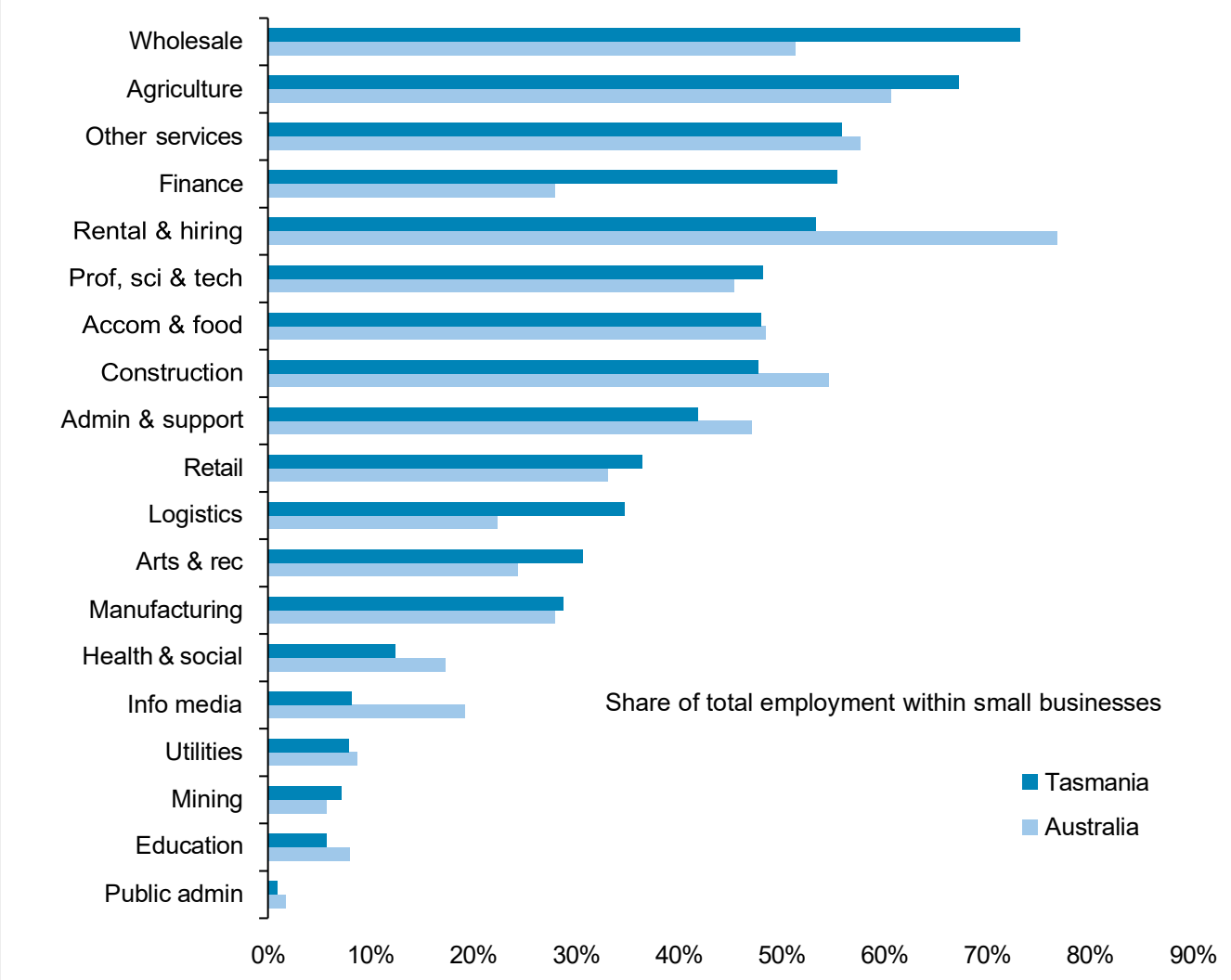


Figure 2 Estimated share of industry employment accounted for by small businesses, 30 June 2024

At the end of June 2024, the ABS identified 44,000 Tasmanian businesses. As shown in the graph below, businesses with less than 20 staff employ 96.9% of Tasmanian businesses.

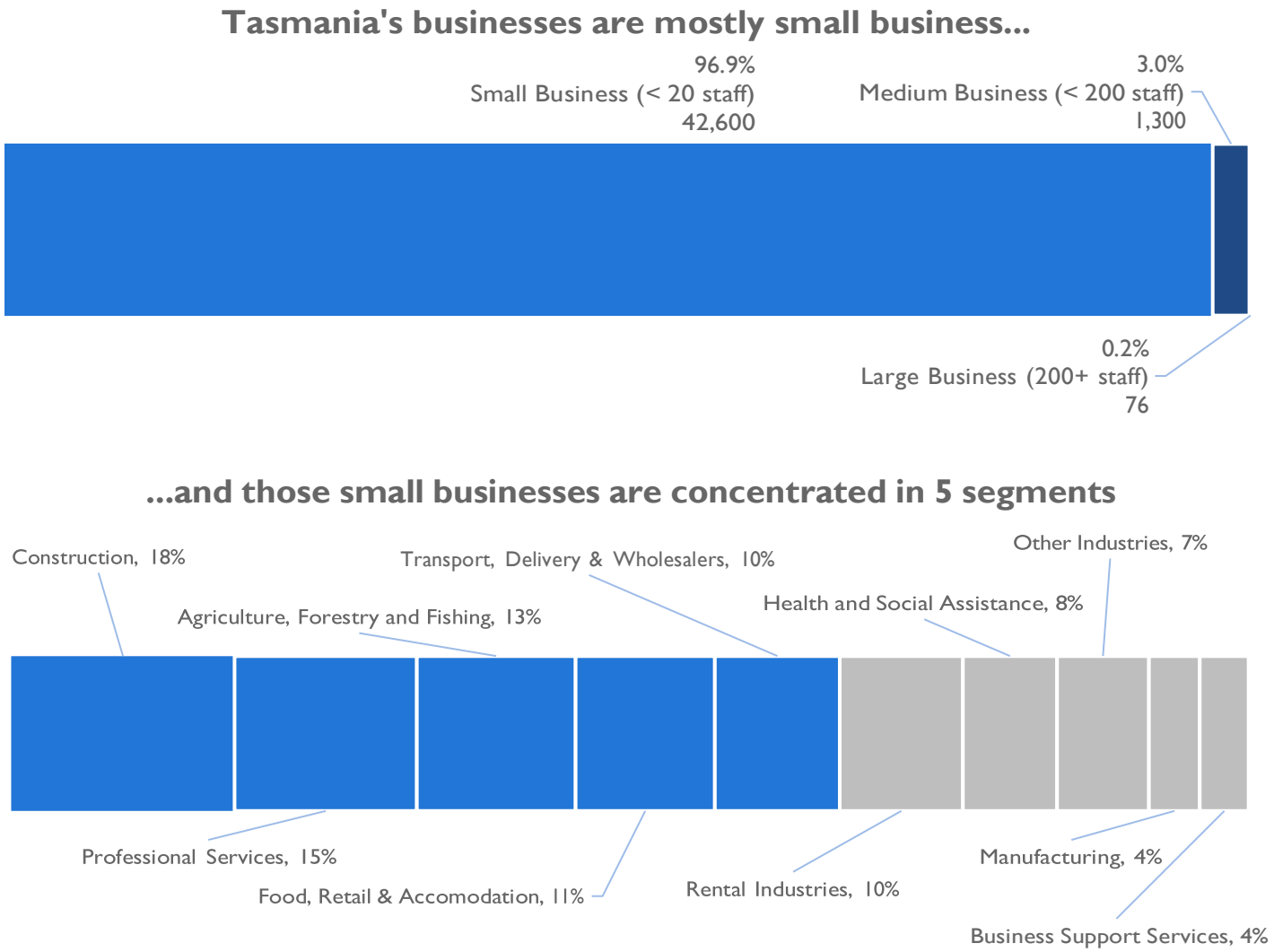


Figure 3 Tasmania's businesses are mostly small business

Small businesses form a significant part of Tasmania's economic landscape, with a large proportion operating as small or non-employing businesses. Unlike larger corporations, these businesses typically operate with narrower profit margins and more limited financial resources, reducing their capacity to absorb unexpected shocks or prolonged disruptions.

Given the substantial contribution of small businesses to employment and local economic activity, disruptions affecting these enterprises can have broader flow-on impacts for regional communities and the Tasmanian economy. Without appropriate insurance support, events such as property damage, business interruption or liability incidents may threaten business viability. In this context, access to affordable and appropriate insurance coverage becomes increasingly important to support operations and long-term business resilience.

3.3 Growth in Small Businesses

The graph below presents the Compound Annual Growth Rate (CAGR) of small businesses in Tasmania compared to Australia nationally. Even after excluding non-employing businesses, Tasmania's CAGR exceeds the national average in the most recent period. Together, these indicators demonstrate that small businesses are a key driver of employment growth and economic activity in Tasmania.

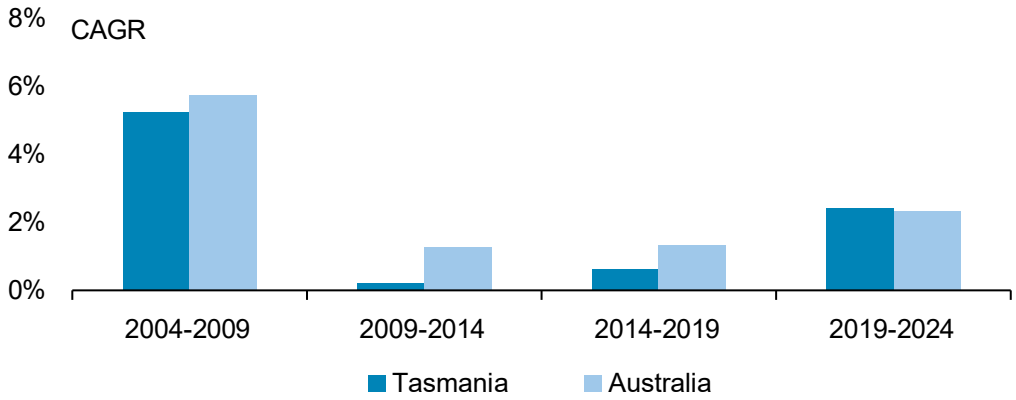


Figure 4: Compound annual growth rate (CAGR) of small businesses (excluding non-employing businesses)

Projecting forward, the total number of businesses in Tasmania is expected to grow modestly, reaching around 46,200 by 2034[6]. The number of small employing businesses is projected to increase at an average rate of 0.5% per annum, slightly faster than the growth expected for medium and large businesses. This increased growth can be attributed to the improvement across technology and Artificial Intelligence (AI), which work to lower the barriers of entry to support small business growth. While these projections assume a stable small business share over time, actual outcomes will depend on broader economic conditions, structural change within industries, and evolving factors such as regulation, technology adoption and the use of AI-enabled tools to improve productivity and reduce barriers to entry.

[6] Deloitte Access Economics (2025). "AI for Business: APAC trends in AI platform adoption". https://www.deloitte.com/au/en/services/economics/analysis/ai-business-apac-trends-platform-adoption.html

4. Tasmanian Small Business Insurance Market

Small businesses typically need insurance that provides cover for workers' compensation, property damage, liability to third parties with some seeking business interruption. Most business insurance products provide cover for these except for Workers' compensation insurance, which is separately underwritten due to the statutory / legislative nature of this product.

Insurance Type	Coverage
Workers' Compensation	Mandatory requirement for businesses who employ staff to operate in Tasmania. It provides wage replacement, medical and other benefits to employees injured at work, under a no-fault system.
Asset Damage (including Property and Vehicles)	Covers loss or damage to the insured business's own physical property, premises and business-use vehicles from insured events such as fire, storm, theft or vandalism.
Public and Products Liability	Protects against claims of third-party injury or property damage, including accidents in your shop or faults in products you sell.
Business Interruption	Covers lost revenue and operating expenses if your business is forced to shut down due to an insured event.
Other Risks	Small business are also exposed to other risks for which insurance may be necessary. For example, **Professional Indemnity** insurance may be required to protect against claims of professional negligence or bad advice, and **Cyber Liability**, which protects against data breaches and digital risks.

Tasmanian small businesses are facing rising insurance cost pressures, along with some facing increasing difficulty in securing coverage that is both available and fit for purpose.

For many Tasmanians, business insurance costs and availability are impacting investment decisions, fiscal positions and potentially their resilience. Insurance feels too expensive for some Tasmanian businesses, while others find it difficult to arrange the right level of protection.[7]

Some key drivers of less affordable and available business insurance policies include:

- **Climate risk**, particularly bushfire and flood risks. This increases the risk of business interruption, noting many small businesses operate in climate-exposed and regionally concentrated industries such as agriculture, tourism, and hospitality. Without additional natural catastrophe resilience, the underlying claims cost that drives the setting of insurance premiums continues to escalate.
- **Macroeconomic pressures** and geopolitical tensions straining global supply chains, driving up inflation on materials and labour that form key components of claims costs and therefore premiums.
- **State insurance taxes**, which add up to 54%[8] to small business insurance premiums.
- **Nationally misaligned laws**, including civil liability settings and workers' compensation reforms, have not kept pace with the changing environment relative to other states, leading to higher claims costs that insurers need to allow for in premium setting. This is discussed further in Section 5.

[7] Australian Chamber of Commerce & Industry (2025) *Addressing The Small Business Insurance Challenge*
[8] 28% Fire Service Levee, alongside 10% Stamp Duty and 10% GST.

- **Reduced insurer participation** and market consolidation, resulting in lower competition within the Tasmanian SME insurance market compared to household insurance markets. Fewer participating insurers can constrain product availability, reduce innovation in risk-sharing arrangements, and increase pricing pressure for small businesses seeking coverage. This can also limit access to appropriately tailored cover, particularly for public liability insurance where risk characteristics are highly business-specific and therefore do not fit typical underwriting categories.

RACT **views** that for the most part, the regulatory framework, supervision and enforcement appear to enable stability in the financial system, which is critical to ensuring a sustainable insurance environment. The remainder of this section provides further details on the key drivers of less affordable and available business insurance policies outlined above.

4.1 Climate Risk

Tasmania's natural peril risk profile is evolving. Climate modelling indicates ongoing increases in bushfire risk, flood frequency and storm intensity. While Tasmania has historically experienced fewer and less severe natural disasters than mainland Australia, the state is not immune to these escalating climate-related risks.

Over the past 15 years, Tasmanians have incurred more than $330 million in insured losses from major bushfire and storm events, marking one of the most significant periods of insurance damage in the state's history. The increasing frequency and severity of these events has materially reshaped Tasmania's risk landscape, with impacts driven by local events rather than spillover effects from mainland disasters.

As underlying risks increase, insurance pricing must respond to reflect higher expected claims costs and capital requirements. For households and small businesses located in bushfire and flood-prone areas, this can translate into:

- Higher premiums;
- Increased excesses;
- More restrictive terms; and/or
- In some cases, difficulty obtaining cover.

Home insurance affordability has been defined by the Actuaries Institute as households facing insurance premiums that are more than four weeks of gross household income. While Tasmania's estimated affordability stress (9%)[9] remains below the national average (15%), cost pressures are becoming more evident. Over the past two years, average household premiums have increased by $365 per policy annually (compared to $458 nationally). For small businesses, these pressures are often more acute, particularly where property assets are concentrated in higher-risk regional or coastal areas.

For small businesses operating on tight margins, sustained premium increases can materially affect viability, investment decisions and the ability to maintain adequate coverage, increasing the risk of under-insurance and non-insurance, and reducing resilience following major events.

4.2 Macroeconomic Pressures

Premium increases in Tasmania are not solely climate driven. They also reflect broader structural and inflationary pressures affecting the insurance supply chain. Between 2020 and 2024:

- Building costs in Tasmania increased by approximately 35%;
- Tradesperson labour rose by approximately 28%; and

[9] https://content.actuaries.asn.au/resources/resource-ce6yyqn64sx3-2093352434-52239

- Input costs across insurance-related sectors saw annual inflation peak above 20%.

These increases significantly exceeded the Reserve Bank of Australia's long-term inflation target of 2-3% p.a..

Post-COVID supply chain disruptions and ongoing geopolitical tensions have contributed to elevated material costs, increasing the expense of repair and rebuilding following insured events. Labour shortages further added upward pressure. Insurers must price policies to reflect these higher replacement values and claims costs.

Importantly, insurers were among the later sectors to materially adjust pricing in response to input cost increases. While premiums for Tasmanian households and small businesses have risen, these increases are part of broader macroeconomic pressures experienced nationally.

For small businesses in particular, higher rebuild costs can create compounding challenges, including:

- Increased premiums due to higher sums insured;
- Greater exposure to underinsurance if asset values are not updated; and
- Higher excesses and reduced coverage flexibility.

4.3 Reduced Insurer Participation

Tasmania's economic structure and insurance market structure interact in ways that can amplify affordability and availability pressures for small businesses.

Tasmania has a high proportion of small businesses, many operating in climate-exposed and regionally concentrated industries such as agriculture, tourism and hospitality. These sectors underpin regional employment and economic resilience but are inherently exposed to natural perils and business interruption risk.

Unlike homeowners' insurance, where competition in regional markets remains relatively robust, the SME insurance market shows lower insurer participation. This is shown below in Figure 5. Reviews, including the Australian Small Business and Family Enterprise Ombudsman's 2020 Insurance Inquiry, have noted a longer-term trend toward consolidation within the general insurance sector.

Business insurance **pricing** tends to adopt standardised risk segmentation rather than individually tailored assessment, meaning insufficient granularity and therefore lower relevance of small business risks to standard underwriting categories.

This issue is particularly evident in **public liability insurance**, where many Tasmanian businesses report difficulty obtaining coverage that reflects their specific activities and risk controls[10]. Public liability insurance is often a prerequisite for operating, enabling access to contracts, leased premises, tourism participation, and customer engagement. Between 2019 and 2024, average public liability premiums increased by approximately 55–60%[11], driven by rising claims costs associated with injury settlements, historical abuse claims, and psychosocial injury exposures. As a result, insurance costs and availability are increasingly influencing business investment decisions, operating viability, and resilience.

Reduced insurer participation in Tasmania may therefore translate into:

[10] Australian Chamber of Commerce & Industry (2025) Addressing The Small Business Insurance Challenge
[11] Finity (2024) Optima Report

- Reduced product availability;
- Increased pricing pressure; and/or
- Limited scope for tailored coverage or innovative risk-sharing solutions.

These pressures are particularly challenging for businesses operating in agriculture and tourism, where exposure to natural hazards, seasonal revenue volatility, and geographically concentrated operations increase sensitivity to premium changes or coverage restrictions. Even moderate increases in premiums or exclusions can therefore have disproportionate impacts on business sustainability, regional employment, and community resilience.

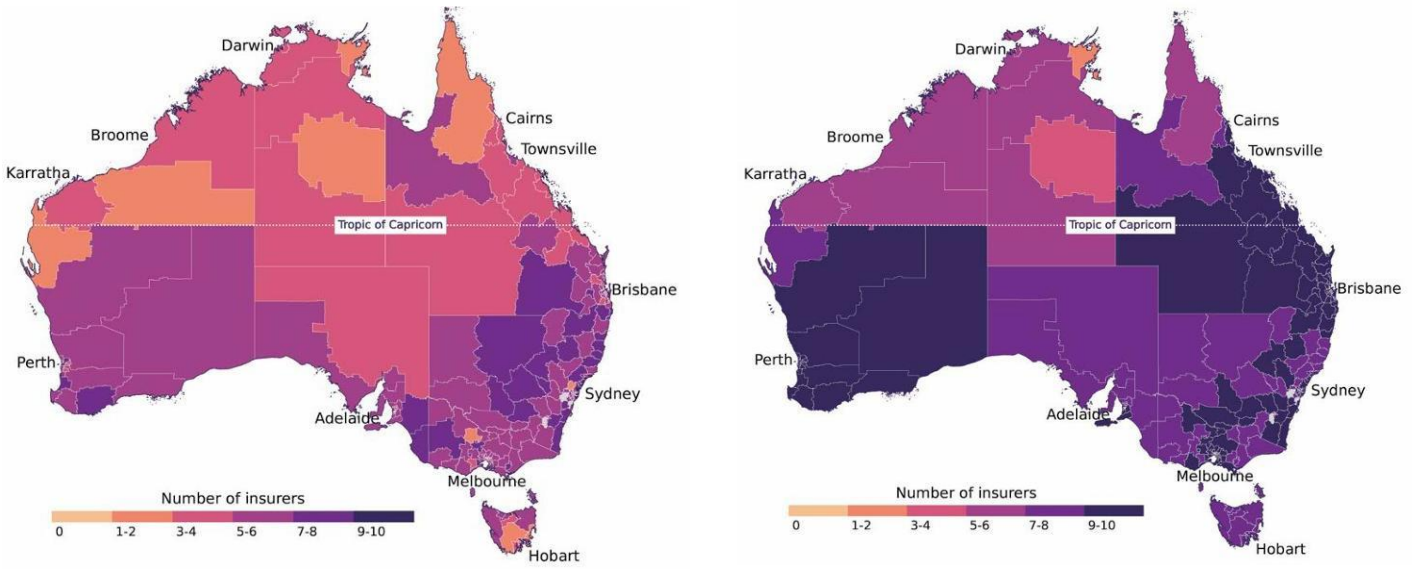


Figure 5 Number of Insurers offering SME Property Insurance (LHS) and Home and Contents Insurance (RHS) by region in 2022

Tasmania's relatively small SME insurance market further limits insurer's risk diversification within the state, on both an economical and geographical level. A major event can affect a meaningful portion of the small business base simultaneously, increasing volatility and capital sensitivity for insurers. This dynamic may influence underwriting appetite and capacity in the SME segment.

Despite the concerns outlined above in respect of reduced insurer participation, RACT advocates that as much as possible, a competitive market should be maintained because market-based insurance price and/or benefits signals provide incentives to individuals and businesses to prevent and mitigate risks, which ultimately assists in supporting affordable insurance cover.

4.4 Feedback from Tasmanian Small Businesses

In developing an understanding of the challenges faced by Tasmanian small businesses RACT engaged with key industry groups. A summary of these insights is provided below.

Sector	Tasmanian context	Community Concerns, issues raised
Events	Events in Tasmania cover a wider range of activities across cultural, sport, art and community in many locations. Many are volunteer or community run. Scale varies from small community activities to large sporting events and cultural festivals.	Rising public liability insurance cost is a concern. Importantly - regulatory and safety requirements are increasing compliance burden for events to secure insurance. This is particularly the case for smaller events and is presenting barriers to organisers.
Small Business	Small business insurance typically includes four key policies: Property, Public Liability, Business Interruption and Workers' compensation. 86% of Tasmanian businesses have less than 5 staff; a further 11% having 5-20 staff Over 90% of these businesses lack formal process to manage risk. Tasmania SMEs are served either through a broker, or directly with insurers. Tasmania has a strong local broker network with 38 offices and over 200 staff. There are no locally based SME underwriters. Some regional areas of Tasmania had the fewest number of underwriters providing SME property insurance in Australia. Workers Compensation insurance is: - mandatory for employers to cover employees and is regulated by the State. - private insurers offer premiums based on the employer industry classification and claims history.	The smaller size of Tasmanian SMEs impacts a business's capacity to actively understand, manage and communicate risk for insurance purposes. Insurance types and inherent complexity can be overwhelming for resource poor SMEs There is generally low level of insurance literacy within the small business. High and increasing cost of Worker's Compensation insurance is a key pressure. There are cases of limited/no access to property insurance for some properties in high-risk areas. Insurance prices are one of many cost increases small businesses are facing, others noted were energy, general inflation, regulatory and compliance needs impacting costs and rents. Medium and larger business' scale are more able to manage immediate cost pressures and negotiate insurance outcomes.
Tourism	Tasmania has a diverse range (size, type, experience) of operators, many small and regionally located. They offer a wide range of activities/experiences with varying risk levels impacting both Workers' Compensation and public liability insurance. Tasmania's tourism industry focuses on boutique and authentic experience– relies	Insurance is a complex issue particularly for small business operators who are resource- and time-poor. Some are experiencing difficulty in accessing/affording property insurance particularly bushfire in high-risk areas. Public Liability is a key concern for adventure tourism operators.

	on smaller passionate operators that enable visitors to experience authentic experience often in a natural environment.	Not all operators operate for a full year or at the same capacity levels across the year – however insurance premiums are annual. Cost of Workers' Compensation and capacity to provide required risk management approaches and procedures to support insurance is challenging. Boutique bespoke business types find difficulties in obtaining insurance as they 'don't fit a normal business classification' Cost of insurance is impacting business decisions for some.
Hospitality	9% of Tasmania's workforce in 2400+ venues across the state. Includes cafes, restaurants, pubs and accommodation. Many operate in heritage building and/or in high-risk bushfire/flood zones. Seasonal tourism visitation and income create additional pressures.	High Workers Compensation costs (driven by a casualised workforce and higher injury rates) Property insurance challenges in high-risk natural peril areas. Public Liability concerns (particularly for pubs) and rising burden of licensing compliance and risk management burden. Cost of insurance is impacting business decisions for some.
Agriculture and Farming	Approximately 3800 agricultural businesses, predominantly family-owned operations. Complex insurance needs across varied operations – livestock, cropping, forestry, mixed operations. Many in high-risk flood and bush fire risk areas. Significant infrastructure and assets spread across large areas often built over generations.	Complexity of needs is varied and wide. It creates a barrier to a simplistic solution. For example: • Cost to insure the quantity and mix of asset types – 'not feasible to insure all outbuildings' • Mix of residential business usage within a business context. Workers Compensation is a significant impact Disproportionate impact on family farms vs corporate operations

5. Points for consideration

While this submission has identified several structural and market pressures affecting insurance affordability and availability in Tasmania, these challenges are not insurmountable.

There is a clear opportunity for coordinated reform that modernises legislative settings, strengthens market sustainability and improves outcomes for Tasmanian households and small businesses.

As a member-based organisation with a long-standing commitment to supporting Tasmanians, RACT is heavily invested in the wellbeing and economic resilience of the state. We are supportive of practical, evidence-based reform that enhances affordability and availability across the insurance system, while maintaining financial sustainability and community protections.

5.1 Supporting Legislative Reform

Several legislative frameworks affecting Tasmanian insurance would benefit from a comprehensive review to address change that have occurred in the risk landscape, claims environment, business composition and community expectations.

A structured and forward-looking review of key legislation would support modernisation and alignment with current conditions.

In Tasmania key areas warranting consideration include:

- The **Workers Rehabilitation and Compensation Act 1988**
- The **Civil Liability Act 2002**

While some relevant legislative reform remains a matter for the Tasmanian and other State Governments, there is merit in considering opportunities for Federal support, such as; funding, coordination of best practice reviews, guidance for emerging risks such as phycological injury; facilitating knowledge sharing from other jurisdictions or supporting solutions that are common nationally e.g. civil liability issues experienced in the Tourism sector. The intention being to help States benefit from learnings and efficiencies achieved elsewhere, while encouraging greater national alignment on effective policy design.

5.2 Support to build insurance literacy for small and micro businesses.

A key insight from RACT's engagement with industry is the **opportunity to support small and micro businesses to build insurance literacy.**

Small Businesses are operating in an environment experiencing increases in costs, rapid changes in technology, and ongoing changes to physical, and regulatory environments. This is resulting in continued pressures on margins and capacity of small businesses. Insurance premiums is one of a number of costs impacting small business.

There is an opportunity to support small business to manage risk and better communicate their business risk to insurers to achieve better insurance outcomes.

Programs to support small business to develop insurance literacy and risk management in a structure that targets the needs of the various SME sectors would result in tangible outcomes for small business operators.

The design and delivery of these programs could be undertaken in partnership with peak bodies and industry to support the development and delivery of local programs to support different industry sector needs.

Such programs would be of particular benefit in regional communities where the economy has a larger proportion of small business. For example, in Tasmania business are more likely to be smaller (85% of Tasmanian businesses employing fewer than 5 staff)

5.3 Resilience investment

There is an **opportunity to strengthen coordination** of national resilience across insurance research, fire management and land management practices. The PJC could consider a federal initiative into resilience, gathering best practices and developing a delivery framework which can then be tailored by state governments to adjust for local risks that might be different from the country overall.

For Tasmania, the government could leverage significant expertise through world-class research institutions such as the Bushfire Centre at UTAS, the practical fire management expertise through the State Fire Management Council and associated bodies, and capable land managers. RACT's ongoing engagement with the global reinsurance market and climate modellers provides insight into how locally delivered risk reduction initiatives can improve the understanding of Tasmania's risk profile, and support more sustainable insurance pricing outcomes over time.

Building resilience in regional communities includes the opportunity to bolster regional supply chains through the development of trade and other core skills in these areas. As a regional state, the Tasmanian insurance market operates within the Australian and global economy and can be impacted by limited professional and trade capacity. Programs that support the training of local regional workforces within the supply chain (trades, mechanics) would positively impact underlying costs pressures that would improve insurance affordability.