

QUEENSLAND TOURISM INDUSTRY COUNCIL

Submission to the Parliamentary Joint Committee on
Corporations and Financial Services

Inquiry into the Provision, Regulation and Pricing of
Modern Insurance Products for Small Businesses



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TOURISM INDUSTRY
COUNCIL



About Queensland Tourism Industry Council (QTIC)

The Queensland Tourism Industry Council (QTIC) is the peak industry body and leading advocate for Queensland's visitor economy, committed to the growth, resilience and sustainability of the state's tourism, hospitality and events sectors. As a not-for-profit, membership-based organisation, QTIC ensures the concerns and needs of tourism businesses across metropolitan, regional and remote Queensland inform government policy development, investment decisions and regulatory settings. We provide a unified industry voice and strong representation in decision-making processes affecting the visitor economy.

Through delivery of workforce and skilling programs, and advocacy for attraction, access and enabling infrastructure investment, QTIC supports industry capability, productivity and long-term competitiveness.

Strong Commitment Required for a Thriving Visitor Economy

Tourism and events are one of Queensland's most significant economic pillars and one of the state's largest export industries. It supports approximately one in every twelve Queensland jobs. Queensland's visitor economy generates \$34.1 billion in overnight visitor expenditure and supports more than 260,000 direct and indirect jobs.

Insurance is a foundational enabler of business activity. Where insurance becomes unaffordable or unavailable, economic participation contracts. Drawing on industry evidence, insurer and broker insights, Insurance Council of Australia (ICA) reporting, APRA claims data and QTIC member input, this submission concludes that segments of the small business insurance market are exhibiting persistent structural dysfunction.

Executive Summary

Insurance has shifted from a manageable operating cost to a material threat to small business viability. For tourism, hospitality, events, marine and outdoor operators in Queensland, escalating premiums, high excesses, restricted policy terms and declining insurer appetite are now constraining investment, employment, and delivery of services.

The issue is not simply extreme weather. It reflects the interaction of climate risk and catastrophe reinsurance volatility, social inflation, rising legal and litigation costs, growth in psychological injury and third-party claims, regulatory layering and global capital constraints within a thin and increasingly consolidated SME insurance market.

Because this inquiry is a Commonwealth Parliamentary Joint Committee process, QTIC's recommendations are anchored in Commonwealth levers, including: Corporations Act and financial services settings (including AFSL arrangements for pooled models), APRA capital and reinsurance settings, ASIC oversight of broker transparency and claims handling conduct, national coordination of civil liability reform, and the operation and transmission effectiveness of the Cyclone Reinsurance Pool.

QTIC does not seek simple subsidy. QTIC seeks a tiered pathway to stabilise the market in the short term, implement structural reform in the medium term, and embed long-term resilience settings that link mitigation investment to underwriting incentives.



Queensland-Specific Evidence of Market Stress

Queensland-specific impacts are evident across marine tourism, outdoor/adventure and regional events. The Association of Marine Park Tourism Pty Ltd (AMPTO) member feedback reports average increases of approximately 32% for public liability and 23% for hull insurance over five years, with some operators receiving only one quote, indicating reduced competition and limited bargaining power.

Industry discussions also identify a structural imbalance in public liability pricing: smaller venues can pay around \$10,000 per year while large venues pay around \$300,000 per year, yet the claim costs for common incidents (for example, slips and falls) can be similar regardless of venue size. This distorts the risk-to-premium ratio and can accelerate insurer withdrawal from SME segments.

QTC's insurance background work further notes that where policies remain available, they are increasingly offered with narrowed coverage, extensive exclusions (including weather, communicable disease and government action), and high excesses that materially reduce the usefulness of cover. In events, the absence of affordable cancellation insurance can directly affect viability by limiting an organiser's ability to contract artists and suppliers, secure funding, and obtain permits or venue access, particularly impacting regional events and smaller operators.

1. The State of Play

1.1 Not Solely a Queensland Weather Issue

Queensland's catastrophe exposure does increase risk pricing pressure for property and business interruption. However, liability market deterioration is being driven by broader structural factors including social inflation, legal cost growth, expansion of psychological injury claims and third-party claim categories, and global reinsurance cycles. Clarifying this interaction is essential to avoid the perception that this is a Queensland weather issue alone.

1.2 Market Concentration and Withdrawal

Operators report fewer insurers willing to underwrite SME tourism risks unless substantial property assets exist, pushing businesses towards specialist and offshore markets that often come with higher costs, higher excesses and restrictive exclusions. In some subsectors, competition is effectively absent due to single-quote outcomes.

2. Commonwealth Policy Levers and Why They Matter

The Commonwealth has primary influence over the insurance system settings most relevant to this inquiry, including prudential regulation, financial services regulation, competition and market conduct settings, and national coordination mechanisms.

2.1 Corporations Act and Financial Services Settings

- AFSL settings that determine whether pooled models (including GPBs and discretionary mutual models administered through an AFSL-holding responsible entity) can operate efficiently.
- Design and Distribution Obligations, anti-hawking rules and other conduct regimes that can add cost and friction when applied uniformly to low-complexity general insurance products.

- Claims handling as a financial service and related conduct obligations, which can affect insurer operating costs and claims pathways.

2.2 APRA Capital and Reinsurance Settings

- Capital adequacy settings that shape insurer appetite for higher-volatility liability classes and disaster-exposed property classes.
- Reinsurance management and prudential treatment that affect the cost and availability of catastrophe cover and the willingness of insurers to deploy capacity in SME markets.
- Potential mechanisms for formal recognition of accredited mitigation measures in underwriting and pricing through risk-based prudential approaches.

2.3 ASIC Oversight of Market Conduct and Transparency

- Broker transparency settings (including commission disclosure and conflicts) that affect SME trust and the quality of placement outcomes.
- Regulatory oversight of disclosure practices and claims handling behaviours to ensure fair treatment while avoiding unnecessary compliance duplication.

2.4 National Coordination of Civil Liability Reform

While civil liability legislation is enacted by states and territories, the Commonwealth is uniquely positioned to convene, coordinate and drive nationally consistent reform, including through the National Cabinet architecture or other intergovernmental mechanisms. For SMEs operating across jurisdictions (or delivering services to interstate visitors), inconsistency increases underwriting uncertainty and compliance complexity.

2.5 Cyclone Reinsurance Pool Operation and Transmission

The Cyclone Reinsurance Pool (ARPC-backed, supported by a \$10 billion Commonwealth guarantee) provides partial stabilisation for eligible small business property policies. However, transmission of savings to policyholders is uneven, and structural limitations remain, including cyclone event window definitions and coverage gaps where flooding occurs outside the defined cyclone event period.

3. Sector and Product Impacts for Queensland SMEs

3.1 Public and Product Liability Insurance

Public liability insurance underpins licenses, permits and access to land and infrastructure. It is a foundational requirement for delivering services to the public. However, escalating litigation and claims costs are undermining affordability and availability—particularly for adventure tourism, marine operators and events.

3.2 Property Insurance

Property insurance is one of the most acute pressure points for small businesses in disaster-exposed regions. Premium escalation is compounded by high cyclone and flood excesses that materially reduce the practical value of cover. Elevated excesses can render policies effectively unusable for SMEs, delaying recovery, constraining reinvestment and undermining long-term viability.



3.3 Event Cancellation and Contingent Covers

Where available, event-related insurance is increasingly characterised by prohibitive cost, narrowed coverage, extensive exclusions and high excesses. Reduced access to affordable cancellation cover affects organisers' ability to manage financial risk, contract artists and suppliers, and obtain permits or venue access—with disproportionate impacts in regional Queensland.

3.4 Cyber Insurance and Digital Risk Exposure

Small businesses are increasingly reliant on digital systems but often lack the capital and expertise required to meet complex underwriting requirements. Premium increases and restricted availability risk leaving SMEs exposed to systemic digital threats.

3.5 Regional and Remote Impact

Insurance affordability disparities across postcodes disproportionately impact regional and remote economies. Where small businesses exit due to insurability constraints, employment, service provision and regional investment decline.

4. Regulatory Architecture and Structural Cost Drivers

4.1 Scale of Regulatory Complexity and Cost Pass-Through

General insurers operate under a complex framework of obligations across federal, state and territory instruments, enforced by multiple regulators. This cumulative layering can create duplication, prescriptive processes and fragmented reporting, driving risk-averse compliance behaviour and material operating cost that is ultimately borne by customers.

4.2 Prudential Regulation (APRA) – Capital Intensity and Underwriting Appetite

APRA prudential settings require insurers to hold capital against underwriting risk, catastrophe exposure and operational risk. Where liability classes exhibit higher volatility or deteriorating loss ratios, capital requirements increase. Higher capital intensity reduces return on equity and can cause insurers to increase premiums, raise excesses, narrow coverage or withdraw capacity from particular SME segments.

4.3 Corporations Act and Conduct Regimes – Layering, Friction and Reduced Competition

Post-Royal Commission reforms have expanded compliance obligations across product design, distribution and claims handling. While intended to strengthen consumer protection, uniform application across diverse products can impose administrative burden for limited consumer benefit. These fixed costs fall hardest on smaller insurers and specialist underwriters, raising barriers to entry and reducing competition, which can place upward pressure on SME premiums.

4.4 Civil Liability Settings – Systemic Litigation Drivers

The most material cost driver in public liability classes is claims cost escalation. Key drivers include social inflation, rising legal and litigation costs, growth in psychological injury claims, expansion of



nervous shock claims and increasing worker-to-worker liability exposures. These dynamics reduce predictability for actuarial pricing and increase reserving and capital requirements.

4.5 Psychological Injury Claims – Complexity, Duration and Volatility

Psychological injury claims are increasing across liability classes and are more complex and time-consuming to resolve than physical injury claims. They typically require more expert evidence, involve longer claim duration and create greater uncertainty in reserving. This volatility increases the cost of capital and flows into premiums for SMEs, particularly in higher-frequency incident environments such as events, hospitality and outdoor recreation.

4.6 ‘No Win, No Fee’ Litigation and Claim Farming – Frequency and Legal Cost Ratio

‘No win, no fee’ arrangements are causing increased claim frequency and reducing claimant cost sensitivity. This incentivises marginal claims and elevates legal cost ratios relative to damages. For SMEs, even minor incidents can trigger prolonged legal processes where defence costs can exceed settlement values. This dynamic increases underwriting caution, leads to higher excess levels and contributes to withdrawal from higher-frequency sectors.

4.7 Caps, Thresholds and Harmonisation – Predictability and Proportionality

Caps on non-economic loss, minimum injury thresholds and clearer limitations on secondary claims are critical to restoring predictability. Inconsistency across jurisdictions increases compliance complexity and can create underwriting uncertainty. Clearer caps on non-economic damages, strengthened psychological injury thresholds and national coordination to reduce jurisdictional variability would improve actuarial predictability, reduce reserving volatility and lower the capital intensity of liability classes.

4.8 Why Commonwealth Leadership Matters

While states enact civil liability statutes, the Commonwealth is best placed to coordinate national reform, adjust prudential and financial services settings, and ensure reinsurance mechanisms deliver intended affordability outcomes. Insurance affordability for small business is therefore a national productivity and economic participation issue.

5. National Economic Readiness: 2032 Games and Destination 2045

The 2032 Olympic and Paralympic Games will rely on a robust ecosystem of small businesses across tourism, events, hospitality and supply chains. Insurance market dysfunction risks constraining delivery capacity, regional activation and SME participation in procurement and subcontracting. This undermines legacy objectives and Queensland’s Destination 2045 ambitions for growth, dispersal and regional resilience.

6. Recommendations

6.1 QTIC’s Five Priority Actions (as foundational reform directions)

1. Pooled Insurance Solutions: Establish group purchasing bodies (GPBs) and/or discretionary mutual fund (DMF) models to aggregate demand, standardise baseline policy terms and support coverage for hard-to-insure, high-value activities. These models can improve pricing



transparency, enhance insurer engagement, and provide last-resort pathways where private market capacity is absent.

2. **Government-Backed Mitigation Incentives:** Introduce nationally consistent, government-endorsed mitigation measures (e.g., cyclone resilience, flood mitigation, safety infrastructure, training and accreditation) that are formally recognised in underwriting and pricing, including premium offsets or excess reductions where evidenced.
3. **Targeted Reinsurance Support:** Investigate tailored reinsurance or top-up arrangements for disaster-prone regions and defined high-risk tourism and event activities to address structural constraints in the private market and reduce volatility for SMEs.
4. **Industry Standards and Accreditation Frameworks:** Strengthen sector-specific standards and accreditation to demonstrate robust risk management, safety systems and operational maturity. Formal insurer recognition of accredited operators should be encouraged to improve risk differentiation and underwriting confidence.
5. **Dedicated Resilience and Mitigation Fund:** Establish a resilience fund to support 'build back better' initiatives, targeted mitigation works and recognised industry standards development, shifting settings from recovery-heavy spending toward risk reduction.

6.2 Tiered Reform Pathway (Short, Medium, Long Term)

Short Term Stabilisation (0–2 years)

- **Cyclone Pool transmission and transparency:** Require clear public reporting on premium reductions delivered to eligible small business policyholders, and review cyclone event window settings that create practical coverage gaps.
- **Enable pooled models under Commonwealth settings:** Provide Corporations Act and ASIC clarity (including AFSL pathways) to facilitate GPB/DMF models for defined high-risk SME sectors where competition is failing.
- **ASIC broker transparency focus:** Strengthen transparency on broker remuneration and placement practices to improve SME outcomes without creating duplicative red tape.

Medium Term Structural Reform (2–5 years)

- **National civil liability reform coordination:** Convene a nationally consistent reform agenda addressing psychological injury thresholds, nervous shock scope, and appropriate caps/thresholds to restore predictability and proportionality.
- **Formal recognition of accredited mitigation:** Work with APRA/ASIC/industry to support insurer recognition of verified mitigation and safety accreditation in underwriting and pricing.
- **Reduce duplicative regulatory burden:** Streamline overlapping reporting and prescriptive obligations where they do not improve consumer outcomes, freeing capital and capacity for competition and innovation.

Long Term Resilience Settings (5+ years)

- **Link mitigation investment to underwriting incentives:** Develop long-term settings where verified mitigation reduces premiums/excesses through transparent, consistent approaches.
- **Deepen capital and competition:** Improve settings to attract underwriting capacity into SME liability markets, including through reinsurance and capital frameworks that recognise diversification benefits.
- **Ongoing productivity reform:** Implement a program of post-implementation reviews to ensure cumulative regulation does not impose cost without commensurate public benefit.

Conclusion

Insurance market functionality is a precondition for small business survival. Without intervention, structural pressures will continue to erode regional resilience, employment and investment confidence. Commonwealth leadership is required to modernise Australia's small business insurance framework for a climate-exposed, digitally connected and litigation-sensitive economy.



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