

## **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 and Not for Profit Organisations**

**March 2026**

## Executive Summary

The National Electrical and Communications Association (NECA) welcomes the opportunity to contribute to the Parliamentary Joint Committee's inquiry into small business insurance.

NECA represents more than 6,500 electrical and communications contracting businesses across Australia. The overwhelming majority of these businesses are small and medium enterprises operating as subcontractors in construction, infrastructure, energy, communications, and essential services.

Insurance is no longer a background compliance obligation for these businesses. It has become a material constraint on business viability, workforce participation, and productivity.

Electrical contractors are legally and contractually required to maintain multiple forms of insurance, including public liability, professional indemnity, workers compensation, and increasingly cyber and business interruption cover. Where these products become unaffordable or unavailable, businesses are prevented from operating, tendering, employing apprentices, or participating in supply chains.

This submission identifies significant challenges in the availability, affordability, and regulatory compliance burden of modern insurance products for small businesses, particularly operating in high-risk sectors. These challenges are compounded for those businesses which operate in regional and rural areas.

NECA submits that current settings do not adequately address insurer withdrawal from essential markets, do not ensure continuity of cover for otherwise viable businesses, and do not sufficiently recognise insurance as critical economic infrastructure for small enterprises.

NECA welcomes work done by peak bodies including the Australian Chamber of Commerce and Industry in particular their 2025 report "*Addressing the Small Business Challenge*" which sets out many of the challenges which inhibit Australian small business's ability to access adequate and affordable levels of insurance coverage.

## **1. About NECA and the Electrotechnology Sector**

The National Electrical and Communications Association is the peak body representing Australia's electrotechnology sector. NECA members design, install, maintain, and service electrical and communications systems across residential, commercial, industrial, energy, and public infrastructure projects.

The sector is characterised by a high proportion of small businesses operating as subcontractors. These businesses employ apprentices, operate across metropolitan, regional, and remote Australia, and are central to delivering housing, renewable energy, digital connectivity, and essential services.

Electrical contracting is a high risk, safety critical, and highly regulated activity. Insurance is therefore not optional. It is a fundamental prerequisite for licensing, contracting, and lawful operation across all sectors in which electrical contractors operate.

## **2. Insurance Affordability as a Structural Business Risk**

Insurance premiums for essential covers have increased at rates that materially exceed small business revenue growth. For many electrical contractors, public liability and professional indemnity insurance now represent a significant fixed cost with limited capacity for mitigation.

As premiums escalate, small businesses are forced into unsustainable tradeoffs. These include absorbing costs at the expense of margins, reducing coverage and increasing exposure, or withdrawing from markets or projects entirely.

In regulated industries, under-insurance is not a viable long-term option.

Insurance affordability should therefore be treated as a structural economic issue affecting productivity, competition, and workforce participation, not merely a commercial pricing matter.

### **3. Insurer Withdrawal and Market Failure in High-Risk Sectors**

In several insurance lines, particularly professional indemnity and public liability, insurers have reduced appetite or withdrawn from certain classes of work. This has occurred through non-renewal, restrictive exclusions, or market exit.

When insurers retreat from entire categories of risk, otherwise competent and compliant businesses are rendered unable to operate. This is indicative of market failure rather than risk-based pricing.

The subcontracting nature of the electrical sector magnifies this impact. If upstream parties such as builders, engineers, or certifiers cannot obtain insurance, projects stall and subcontractors lose work regardless of their own risk profile.

These failures disrupt supply chains, delay infrastructure delivery, and reduce competition, with downstream impacts on cost and availability of essential services.

### **4. Adequacy of the Regulatory Framework**

Small businesses have limited and finite human resources to navigate and comply with an increasingly complex policy and regulatory framework. This includes the inefficiencies of monitoring and complying with overlapping Federal and State jurisdictional requirements.

NECA also notes the highly regulated environment in which the Insurance Industry operates in Australia. Whilst not wanting to undermine the protections afforded by necessary prudential and consumer protections afforded by these legislative frameworks, NECA supports regular reviews of the compliance burden on the insurance industry so as not to create any red tape cost burden on the insurance sector being transferred to small business policy holders.

## 5. Changing Nature of Business Insurance Risk

The increased application of technology in the small business and consequential increased exposure to cyber risk is now a major risk for small businesses. Electrical contractors operate in digitally connected environments involving smart systems, remote access technologies, cloud-based data management, and online procurement and payment platforms.

Cyber incidents for small businesses result in immediate operational shutdowns, contractual breaches, loss of cash flow, regulatory exposure, and reputational damage. As a consequence, cyber insurance is rapidly becoming a prerequisite for participation in commercial and government supply chains, particularly where contractors handle sensitive data, financial transactions, or critical infrastructure systems.

However, cyber insurance remains difficult for small businesses to access. Underwriting requirements are complex, premiums are volatile, and many businesses lack the internal technical capability or specialist resources to meet insurer expectations without external support.

Without targeted intervention, cyber insurance risks becoming another essential but effectively inaccessible product for small enterprises, increasing vulnerability rather than resilience across high-risk contracting sectors.

Insurers routinely require evidence of multi-factor authentication, secure backups, network segmentation, staff cyber awareness training, documented incident response plans, and third-party risk management. For small electrical contracting businesses, these requirements are complex, time consuming, and costly to implement and maintain.

## 6. Regional and Disaster Exposed Businesses

Much focus in recent years has been made of the increasing regularity and severity of extreme weather which has created upward pressure on the cost of many categories of insurance broadly held by small businesses.

Data published by the Insurance Council of Australia in its 2024-25 *Insurance Catastrophe Resilience Report*, states Australia has consistently been in the top three nations over the last 45 years for economic losses and insured losses per capita. It further stated that the cost of extreme weather for the 12 months preceding October 2025 reached over \$2 billion over three events, those being the North Queensland Floods, Ex-Tropical Cyclone Alfred and the Mid North Coast and Hunter Floods.

Businesses operating in regional, remote, and disaster exposed areas face higher premiums, reduced coverage, or refusal of insurance.

This presents a policy contradiction. Electrical contractors are critical to disaster recovery, infrastructure resilience, and regional development, yet are disproportionately penalised by insurance settings.

While reinsurance and pooling initiatives have provided some moderation, insurance remains a barrier to regional business participation, workforce stability, and investment.

This issue intersects directly with national objectives relating to regional development, energy transition, and disaster preparedness.

## 7. Recommendations

1. Recognition that insurance is in many cases a statutory obligation and vital risk mitigation product for small businesses operating in regulated and high-risk sectors, including electrical and communications contracting.
2. Improve transparency of insurance pricing, exclusions, and underwriting decisions to allow businesses to understand and manage risk, including requiring insurers to clearly disclose the specific factors driving premium volatility, renewal changes, coverage restrictions, and cyber insurance eligibility for small enterprises.
3. Establish mechanisms to identify and respond to insurer withdrawal from essential markets, including circumstances where cyber, professional indemnity, or public liability insurance becomes unavailable or economically inaccessible for defined classes of small business or subcontractors, particularly where this restricts participation in government funded projects.
4. Ensure regulatory coherence so that insurance policy settings do not undermine other legislative frameworks, including restructuring, licensing, and procurement regimes, and ensure that insurance arrangements support, rather than negate, the intent of Commonwealth small business, insolvency, and procurement reforms.
5. Promote proportional insurance regulation that reflects business size, operational complexity, and actual risk profile, including the adoption of scaled cyber security and governance expectations, safe harbour provisions, and recognition of industry led assurance frameworks for small businesses.
6. Reduce government-imposed cost drivers such as insurance related taxes, levies, and contract driven insurance escalation requirements that unnecessarily inflate premiums for small businesses without improving risk outcomes or claims performance.

### References:

Australian Chamber of Commerce and Industry, *“Addressing the Small Business Challenge”* Report, 2025.

Insurance Council of Australia, *Insurance Catastrophe Resilience Report 2024-25*

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