MTAA 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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MOTOR TRADES ASSOCIATION OF AUSTRALIA

1. Introduction

The Motor Trades Association of Australia (MTAA) welcomes the opportunity to contribute to this important inquiry into the provision, regulation and pricing of insurance products for small businesses and community organisations. Through our state-based members, as the industry peak body, MTAA represents the interests of tens of thousands of automotive small businesses across Australia, businesses that are overwhelmingly family-owned and employ more than 320,000 Australians.

These operators perform essential mechanical, repair, collision, tyre, service, recycling and specialist functions that keep Australia's transport system safe, reliable and economically productive.

Insurance is not a discretionary purchase for these businesses. It is a legal and operational necessity. Automotive workshops, dealers and service centres must carry public liability, property and building cover, motor trades insurance, professional and diagnostic liability, cyber protection and, where relevant, business interruption cover. Without these insurances, many businesses simply cannot operate.

Consultation with members, including a small business insurance survey conducted by the Motor Trades Association of Western Australia (MTA WA) and the Victorian Chamber of Commerce and Industry (VACC) for this inquiry, shows that many automotive businesses can no longer obtain coverage that is affordable, adequate or proportionate to their risk. Premiums have escalated sharply, exclusions have expanded, and some insurers have withdrawn entirely from underwriting key components of motor trades risk. Several businesses report being pushed to the brink of closure not because of trading performance, but because they cannot secure essential insurance.

One of the most serious challenges emerging from industry feedback is the growing difficulty in obtaining storm and hail insurance, particularly for dealerships storing high-value vehicle stock in open yards. Australia's increasing frequency and severity of extreme weather events, reinforced by Insurance Council of Australia (ICA) data on catastrophic losses has led to a steep rise in risk loadings, higher excesses, reduced insurer appetite and, in some regions, the complete withdrawal of hail cover for motor dealers. These pressures expose dealerships to multi-million-dollar losses from a single storm and pose a serious threat to business continuity across the retail automotive sector.

Further, a sustained escalation in local crime in some areas has led some insurers to impose restrictive conditions, or refuse coverage altogether. At the same time, insurers are increasingly reluctant to provide cover for businesses that store, repair, tow or handle hybrid or electric vehicles, citing heightened concerns about high-voltage battery fires, and the handling of accident-damaged EVs. These concerns particularly affect towing operators, recyclers, and collision repair businesses, which must routinely manage damaged vehicles whose battery integrity cannot be easily assessed.

The experiences reported through the VACC survey, combined with additional evidence from dealers, insurers and industry advisers, paint a clear and concerning picture. Insurance markets are increasingly failing small automotive businesses, either by making essential cover unaffordable or by withdrawing it entirely. Without meaningful reform, these pressures will continue to undermine the viability of essential service providers that Australia relies on for mobility, freight, safety, repairs and economic continuity.

2. Access to contemporary insurance coverage

The automotive sector has undergone rapid technological transformation. Vehicles now contain advanced driver-assistance systems, high-voltage electric drives, complex sensors, telematics, digital interfaces and diagnostic software. Repairing these vehicles requires specialist skills and equipment, which in turn reshape risk profiles. Workshops handle expensive customer assets, hazardous materials, high-energy systems and large equipment. Accordingly, they require a spectrum of insurance products that accurately reflect these modern risks.

However, as the MTA WA and VACC surveys demonstrate, these products are increasingly out of reach for many businesses. Insurers are withdrawing from motor trades underwriting, narrowing their risk appetite, or classifying automotive work, particularly EV and collision repair, as too complex or too dangerous to insure affordably.

Survey respondents repeatedly described an environment in which insurance companies decline to quote, withdraw renewal offers, or offer coverage that bears little resemblance to the risks businesses actually face. One business reported:

> ***"We quite often have in excess of $2.5 million in customer cars on our premises at any one time. I have had to fight our insurance company to increase our cover for customer vehicles to $500,000, which is the maximum value they will insure. Our stock value is a maximum of $250,000, yet in reality we hold over $1 million.***
>
> ***We recently discovered that management liability and cyber insurance were not included in the policy, so we now have to purchase both separately. We are a small automotive business with 12 staff and we pay more than $30,000 per year in insurance. It is simply not sustainable. We are very unhappy with the service, or lack of service, provided once insured."***

Another noted that the very technologies driving Australia's vehicle transition create new barriers:

> ***"It takes me ages to find something that fit my business. Lots of time on the phone talking to people who didn't understand our industry."***

Such experiences demonstrate a widening gap between the insurance products available and the needs of modern automotive businesses. Instead of coverage evolving alongside industry, it is contracting, leaving businesses exposed.

Small businesses operating in regional and remote Australia consistently reported even greater difficulty accessing insurance products. With fewer insurers active in these areas, the market lacks competition, resulting in high premiums and limited product choice. One respondent stated:

> ***"I have taken over a business at the beginning of this year and its cost me $14 000 to cover a workshop of 2 people. most of the insurers who said they could provide cover could only provide one element of the cover required."***

For collision repairers, recyclers, tyre depots and EV workshops, the challenge is even more pronounced. These high-risk classifications create barriers to coverage even when businesses have excellent safety records and no claims history.

3. Affordability and availability

The most consistent theme across all survey responses was the spiralling cost of insurance. Many small businesses reported increases far beyond what could be absorbed within low-margin operations.

One business wrote:

> ***"Overall costs have gone through the roof, it's complex to work out."***

Another stated:

> ***"The cost of insurance is starting to be prohibitive. Compromises in the type and level of cover of insurance will be sought for small businesses to be at least partially covered."***

Rising insurance premiums have implications for small business expansion with one respondent stating:

> ***"Increases in premiums reduces cash flow and ability to re-invest in business."***

Many businesses reported that insurance has become one of their most significant operating costs:

> ***"Insurance is one of our largest costs, aside from wages etc. Increase in wages = increase in Workers Comp. Loyalty does not seem to be considered, nor does a no claims history. Every year the costs increase however there are no extra benefits etc."***

Another respondent highlighted the severity of recent premium increases:

> ***"We are a small business that struggles to pay the bills. Our insurance increased, for seemingly no valid reason, from $1200 per month to $1950 a month. Killing me."***

Several businesses also described the broader financial pressure facing small operators:

> ***"The price increase on insurance has hit hard, with all the increased cost small businesses are facing it is becoming harder and harder to continue operating."***

Others noted that insurance has become unavoidable despite limited value:

> ***"We must have insurance to operate; the cost of insurance is ridiculous when our profit margins are already low."***

One respondent described the cumulative strain of repeated cost increases:

> ***"Always feeling that just when you think you may get a financial breather another hit comes and all that hard earned money goes to insurance that you have to have but never use. Sometimes you wonder why we bother being in small business but the service we provide to the community is important it's just that we are tired."***

In addition to rising costs, many businesses reported increasing difficulty obtaining coverage at all. One respondent explained:

> ***"It was increasingly difficult to even find insurance. We have waivers where insurances decline coverage for liability where we use parts that are imported from overseas - which has to be the case in today's age and international economy.***
>
> ***Overall the significant increase of premiums - on top of normal increases due to three claims in the last 1 1/2 years - made us reducing insurance to a minimum and bear higher risk. I even consider reducing to the bare legally required minimum as I do not believe we get much value out of this insurance anymore."***

Across the sector, excesses have grown larger, premiums have surged, and required coverage has become harder to tailor to individual business models. Many businesses reported reducing coverage simply to remain solvent – an outcome that increases systemic risk across the entire transport ecosystem.

As noted above, increases in crime in some areas, such as the Northern Territory has materially altered the risk profile for automotive businesses. Unlike metropolitan areas where insurers have multiple risk mitigation tools and extensive actuarial data, many NT businesses operate in small population centres, making them particularly vulnerable to repeated incidents.

Insurers have responded by substantially increasing premiums, imposing higher excesses, restricting coverage, or declining to provide cover altogether. This dynamic creates a serious risk that viable businesses could close solely because they cannot secure cover that is essential for lawful operation.

Compounding these challenges is vehicle electrification. Insurers are expressing growing concern about the perceived risk of high-voltage battery fires, especially in circumstances where the vehicle has been accident-damaged. This has direct consequences for businesses such as towing operators, recyclers, storage yards, and collision repairers, all of whom routinely handle damaged vehicles and must store them onsite.

As Australia moves towards net-zero emissions and broader EV adoption, this insurance gap poses a risk to the achievement of these targets.

Several respondents also described the challenges associated with the limited number of insurers operating in the motor trades sector. One business reported:

> ***"Found difficulties insuring test rides. liability and vehicles due to three recent claims (accidents). Was unable to insure liability for parts imported from overseas where the manufacturer does not hold an office in Australia (and we are deemed to be the manufacturer therefore). In general after CGU stopped insuring businesses like ours it was very difficult to find insurance. Apparently there are only 2 underwriters which apply the rules for the selling insurances. Due to the significantly increased costs we have stripped back our insurance to a minimum with high excess and had to reduce out test ride fleet, which impacts business negatively."***

Another respondent noted:

> ***"Limited number of underwriters will insure a business with the risks associated with a new vehicle Dealership including its service operations."***

Similarly, one business reported:

> ***"Lack of providers in the space. I only found 2 that provide adequate coverage but at that it costs $7500 a year for a work force of 2 people."***

Finally, another respondent highlighted the difficulty of securing appropriate indemnity coverage:

> ***"Our insurance company doesn't cover indemnity, and we can't find one who ONLY offers indemnity, and we would also prefer to have our regular insurance company cover both so we know two different companies won't try to pass the buck if we need to file a claim and the details include both liability and indemnity."***

Weather-related cover for dealerships (hail and storm damage)

Weather-related insurance has become one of the most significant and volatile costs for motor vehicle dealerships, particularly hail cover for vehicles held in stock. Australian insurers and regulators have been clear that extreme weather is now a major driver of premium increases across the economy, and dealerships, which often hold tens of millions of dollars' worth of vehicles in open yards, are on the front line of this risk.

Large volumes of high-value vehicles are stored on open lots, making them particularly vulnerable to hail, storms, cyclone events, and localised flooding. In many parts of Australia, especially Queensland, NSW, and Victoria's hail-prone regions, insurance for dealer stock has become either unaffordable or effectively unavailable.

A mid-size dealership may have 150–300 vehicles on site with a total stock value of $10–25 million. A single hailstorm can destroy a year's profit in minutes.

The ICA reports that natural disasters have generated more than $34 billion in insurance claims between 2010-2024, with storms and hail accounting for around one-third of those losses.[1] Its 2025 industry snapshot further notes that the insured cost of extreme weather events over the past five years reached $22.5 billion – an average of $4.5 billion per year and a 67 per cent increase on the previous five-year period.[2]

Reinsurers responded by pushing reinsurance costs to 20-year highs, with Australian insurers facing increases of up to 30 per cent, a portion of which has been passed on to policyholders.[3] These pressures sit on top of higher motor repair costs: the ICA estimates the average motor claim rose by 42 per cent between 2019 and 2024 due to more expensive vehicles, parts, labour and complex vehicle technology.[4]

Independent analysis by The Australia Institute similarly finds that climate-driven extreme weather is pushing insurance costs well beyond general inflation. Between 2022 and 2023, average home insurance premiums rose by 14 per cent – the largest increase in a decade – with insured catastrophe losses reaching a record $7 billion in 2022.[5] While this work focuses on households, the same forces – more frequent and severe hailstorms, floods and cyclones, higher rebuild and repair costs, and more granular risk-based pricing – are feeding into commercial property and motor-related insurance, including dealer and fleet covers.

In the dealership context, media reports reveal that hail insurance has become "a hot topic" because of rapidly escalating premiums and changing insurer appetite. A 2024 GoAutoNews Premium report on hail risk in dealerships notes that insurers have, over the past decade, paid out more in hail claims across dealerships than they have collected in hail premiums, with individual hail events now generating up to $1 billion in claims and a single 2019 storm damaging around 95,000 vehicles and resulting in an almost $1.3 billion payout.[6]

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[1] Insurance Council of Australia. *Industry Snapshot INCA015 – Fact Pack v13*. Available at: https://insurancecouncil.com.au/wp-content/uploads/2024/07/Industry-Snapshot_INCA015-Fact-Pack_v13.pdf (accessed 24 November 2025).
[2] Insurance Council of Australia. Industry Snapshot INCA015 – Fact Pack 2025 v2.8-1. Available at: https://insurancecouncil.com.au/wp-content/uploads/2025/03/INCA015-Fact-Pack-2025_v2.8-1.pdf (accessed 24 November 2025).
[3] Ibid.
[4] Ibid.
[5] The Australia Institute. Climate change and insurance in Australia — P1707. Available at: https://australiainstitute.org.au/wp-content/uploads/2024/11/P1707-Climate-change-and-insurance-Web.pdf (accessed 24 November 2025).
[6] "Dealers play Russian roulette with hail," *GoAuto Premium*. Available at: https://premium.goauto.com.au/dealers-play-russian-roulette-with-hail/ (accessed 24 November 2025).

As a result, the article reports that hail insurance premiums for dealerships “have risen dramatically” and are now typically in the range of $250,000 to around $1 million per year for larger sites; some dealers have seen premiums increase from about $500,000 in 2018 to more than $1 million today, with a small number reporting hail premiums rising by $1 million.

Faced with these costs, some dealers are being encouraged by insurers to invest in physical risk mitigation such as hail netting systems rather than relying solely on traditional cover. The same report notes that for a dealer paying around $1 million in annual hail premiums, the capital cost of installing approximately 10,000 m² of hail netting could be recovered in about six months, based on typical netting installation costs of $40–$100 per square metre.

At the same time, industry advisers caution that the combination of high premiums and large uninsured exposures is prompting some dealerships to self-insure their stock, or to go without hail cover altogether when they fund used-vehicle stock on their own balance sheet – effectively “playing Russian roulette with hail”.

One survey respondent said:

> ***“As a Dealer we have large stock holdings. Extreme weather coverage (flooding, hail) is effectively unavailable to us at levels that would materially provide cover in a catastrophic event. Most Dealers are significantly underinsured for Hail and Flooding. We have zero hail cover.”***

Another respondent highlighted the way risk pricing can disadvantage dealerships in lower-risk regions:

> ***“Our premium has double over the last 5 years based mostly on claims made by Dealership in other States. The risk of fire, flood or hail in rural WA is very low yet we are grouped with Dealership built in flood affected areas in QLD, & NSW.”***

The GoAuto article recounts the case of a prominent dealer who, after agonising over a $1 million annual hail premium, ultimately decided to maintain cover. Within the following year, a major hailstorm struck multiple sites across his network, resulting in $20 million in insured damage. According to the report, that payout “*prevented his company from going under*,” underscoring how catastrophic a single event can be for businesses holding large volumes of open-lot stock.

The combination of higher hazard costs, rising reinsurance prices, more granular risk pricing and state taxes on insurance (which can add 20–40 per cent to the final premium paid by customers) is leading to sharp increases in overall insurance spend for many dealerships.

For automotive retailers (many of which operate on relatively thin margins and hold large concentrations of insured stock in hail-prone regions) this trend is significant. They translate into six- and seven-figure annual premium bills, difficult decisions about the level and type of cover they can afford, and increased risk of catastrophic financial loss where premiums become prohibitive and businesses opt to self-insure.

Any consideration of modern small-business insurance must therefore account for the way extreme weather and climate risk are reshaping the availability and pricing of hail and storm cover for motor dealers and other asset-intensive small businesses.

4. MVIRI Code of Conduct Reform and insurer / small business imbalance

MTAA is currently working with the ICA to review and modernise the *Motor Vehicle Insurance and Repair Industry (MVIRI) Code of Conduct*. This review is aimed at addressing long-standing power imbalances between insurers and motor vehicle repairers, strengthening the mechanisms that govern commercial relationships, and ensuring that the Code reflects the realities of a rapidly changing industry.

A revised Code is now being drafted and is expected to come into effect in 2026. MTAA welcomes this process, but notes that even the strongest Code cannot function effectively without appropriate regulatory oversight and market scrutiny and is seeking a mandatory code overseen by the ACCC.

A key issue raised through our consultation is the disconnect between how insurers treat their own rising costs versus how they treat the cost structures of repair businesses. Insurers are increasing premiums to small automotive businesses at significant rates, citing inflation, risk adjustments, extreme weather and higher claim costs. Yet at the same time, they continue to cap or suppress the rates they are willing to pay repairers for labour, equipment, diagnostics and materials.

As one respondent put it clearly:

> ***"Insurance premiums keep going up, like all other business costs, yet insurers continue to cut or at least hold our ability to charge for our services back to them."***

This mismatch creates unsustainable financial pressure on small and medium repair businesses, which operate in a fundamentally different commercial environment to large insurers. Auto repairers face rising wages, higher energy and rent costs, mandatory investment in new technology, increased compliance obligations and rapidly escalating vehicle complexity. These costs cannot simply be absorbed.

The concern for MTAA is that insurers face no equivalent scrutiny when raising premiums, increasing deductibles or narrowing coverage, while repairers face continual pressure to contain or even reduce their pricing despite rising operational expenses. This imbalance undermines the fairness principles at the heart of the MVIRI Code.

5. Adequacy of the current regulatory framework

The existing insurance regulatory framework does not adequately protect small businesses. Unlike consumers, who benefit from strong regulatory safeguards, SMEs operate in a grey zone where regulatory protections are inconsistent and limited. Current regulation does not require insurers to:

- justify premium increases

- provide reasons for refusal to insure
- disclose underwriting criteria
- offer continuity for long-standing customers
- ensure products remain fit for purpose for emerging technologies
- maintain adequate presence in regional markets
- cap risk loadings in natural disaster-prone areas

Nor does the framework give ASIC clear powers to intervene in cases where systemic withdrawal of coverage threatens essential services.

Businesses reported that policy wording has become more complex, exclusions have grown, and renewal notices often introduce new conditions that materially reduce coverage. This complexity leaves many SMEs uncertain about what is or is not covered.

Exclusions relating to ADAS calibration, EV battery storage, flammable goods, solar installations, and environmental risk events are becoming more common, raising doubts about whether policies adequately cover modern workshop practices.

6. Broader economic and social consequences

Insurance failures in the automotive sector are not confined to individual businesses; they have broader implications for the economy and community.

If repairers cannot secure affordable insurance:

- roadworthy inspections are delayed
- collision repairs take longer
- freight and logistics vehicles remain off the road
- agricultural machinery cannot be serviced in season
- regional communities lose essential services
- unsafe repairs increase consumer risk

Insurance affordability is therefore not simply a business challenge – it is a national productivity and public safety issue.

7. Recommendations

To restore fairness, transparency, and functionality to small business insurance markets, MTAA recommends that Government consider the following reforms.

1. **Strengthen regulatory oversight of SME insurance**

   > Enhance ASIC's capacity to review pricing trends, underwriting withdrawals and systemic conduct issues

   > Require insurers to explain premium increases and refusal decisions

   > Introduce transparency requirements around risk categorisation and loadings

2. **Establish minimum availability expectations for essential insurance**

   > Ensure public liability, cyber cover, motor trades insurance, storm and hail cover, and business interruption products remain reasonably accessible in all regions

   > Review regulatory settings for insurers withdrawing entirely from certain high-risk industries

3. **Expand affordability mechanisms**

   > Consider risk-sharing or reinsurance schemes in disaster or crime-prone regions

   > Explore premium smoothing models to reduce volatility

   > Support targeted subsidies for essential sectors such as automotive, where risk exposure affects broader community safety

4. **Tailor cyber insurance for small businesses**

   > Develop a national minimum standard for SME cyber insurance products

   > Encourage insurance offerings that recognise the specific digital risks of the automotive industry

5. **Improve product clarity and standardisation**

   > Standardise policy definitions and core exclusions to make products easier to compare and understand

   > Require insurers to provide clearer renewal explanations and advance notice of changes

6. **Promote greater competition in the SME insurance market**

   > Review regulatory barriers to new market entrants

   > Encourage specialised underwriters to re-enter the motor trades sector

7. **Improve data collection for policy design**

- Establish a national dataset on SME insurance availability, affordability, claims outcomes and withdrawal patterns to support ongoing oversight and evidence-based reform

8. Conclusion

Australia's small automotive businesses are essential to national productivity, safety, mobility and economic resilience. Yet they face escalating insurance costs, reduced access to core products, growing underinsurance and a regulatory framework that has not kept pace with modern risks such as the handling of accident-damaged EVs or market conditions.

The evidence presented through the MTA WA and VACC insurance surveys, together with broader industry intelligence, reveals a system under pressure – one that is increasingly struggling to provide the reliable, affordable and accessible coverage that small businesses need to operate safely and sustainably. Without action, many businesses risk being priced out of the market, with flow-on consequences for consumers, communities and industry.

MTAA welcomes this inquiry and urges the Committee to consider reforms that strengthen oversight, improve affordability, promote fairness and transparency, and ensure that insurance markets support, not hinder, the viability of small businesses that underpin Australia's economic and social fabric.

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