



# Small business insurance

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Parliamentary Joint Committee on Corporations and Financial Services

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6 March 2026

## Introduction

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The Business Council of Co-operatives and Mutuals (BCCM) thanks the Joint Committee on Corporations and Financials Services for the opportunity to make a submission to the inquiry into small business insurance.

The BCCM is the national peak body representing the co-operative and mutual enterprise movement across all industries.

Australians need a diverse corporate landscape including viable not-for-profit and small businesses. Co-operatives and mutuals contribute to small business and not-for-profit sustainability by enabling member small businesses, professionals and not-for-profits to reduce input costs and reach markets by working together in a jointly-owned and democratically governed enterprises.

Pooling insurance and risk protection needs is one of the tried and tested mutual enterprise models. According to ICMIF, the global market share for mutual insurance and risk protection is 26.3%.<sup>1</sup>

In Australia, while the market share of retail-facing mutual insurers has declined in recent decades from demutualisation, there has been growth in specialised mutual insurers and discretionary risk mutuals (DRMs) that are focused on the needs of cohorts of businesses, professionals and not-for-profits.

There are three main models of mutual or co-operative activity in Australia to help member businesses and not-for-profits manage risk:

	<b>Mutual insurance</b>	<b>Discretionary risk mutual (DRM)</b>	<b>Co-op/mutual group policy</b>
<b>Product</b>	Insurance (provides right for claim to be paid)	Risk protection products (provides right for claim to be <i>considered</i> )	Manages/secures group policies with insurers.
<b>Common structures</b>	Mutual company; mutually-owned corporate group.	Mutual company; Trust with equivalent member governance to a mutual company.	Co-operative; mutual company.
<b>APRA-regulated</b>	Yes	No	No
<b>Examples</b>	MDA National, EML, Lawcover	Capricorn Mutual, Unimutual, Baptist Mutual.	ArchiTeam Co-operative, Stockinsure

Across the economy and in sectors where small business and not-for-profits and community organisations are prevalent like tourism, live venues, and construction, co-operative and mutual models can offer pathways to access more affordable insurance or risk protection products.

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<sup>1</sup> ICMIF, [Global Mutual Market Share 2024](#)

The following are examples of successful co-operatives and mutuals improving access and affordability of insurance or risk protection for members:

### **Hospitality Industry Insurance Limited**

*Formed in 2008, Hospitality Industry Insurance Limited (HII) is a venture of Employers Mutual Limited and hospitality industry associations in New South Wales to provide specialised workers compensation insurance for clubs, pubs, bars, restaurants, hotels, and cafes.*

*By specialising in one industry, HII is able to offer expert case management and WHS advice for more than 1,500 hospitality venues across the State compared to the sole alternative insurer in NSW. HII is committed to providing policyholders with at least a 15% saving on premiums upfront, and over 10 years has reduced premiums by 24%.*

### **ArchiTeam Co-operative**

*ArchiTeam was formed in the early 1990s in Victoria when economic conditions meant many smaller architects practices were struggling. The Victorian Government was also legislating Professional Indemnity insurance for architects. A group of smaller practitioners, realising that this would be a very difficult burden for smaller practices, formed ArchiTeam to secure and manage a group insurance policy. ArchiTeam soon commenced a CPD program to help lift standards and reduce the risk profile of the group, with members seeing there would be benefits in terms of the cost and quality of the group policy.*

*ArchiTeam now operates as a dedicated voice for small, medium and emerging practices nationally with more than 1,000 small and medium member businesses benefiting from its group insurance program.*

### **Baptist Mutual Limited**

*Baptist Mutual Limited was formed by Baptist Insurance Services in 2023 to provide discretionary risk protection products to more than 1,000 Baptist organisations such as local churches. Baptist Insurance Services has operated as an insurance purchasing entity since 1984 and took the next step of forming Baptist Mutual Limited as a DRM to address rising premiums and reduced coverage in some insurance lines.*

*Under the DRM model, participating Baptist organisations become members of the DRM and receive risk protection products instead of some insurance products. The DRM has reinsurance arrangements in place and start-up capital included \$1.5m raised by issuing Mutual Capital Instruments.*

When a mutual is well-managed, members and the wider community benefit through:

- **Product price and quality.** Mutuals do not need to pay dividends to investors and instead can allocate more resources to lower premiums and better coverage for members.
- **Risk education and mitigation.** Mutuals with a bonded membership can achieve success with targeted risk education and mitigation programs.
- **Market function.** Mutuals offer business model competition to investor-owned models in concentrated markets and can provide services in some (but not all) markets where there is no other coverage.

As DRMs are a less well-known form of risk protection than mutual insurance, our submission is mainly focused on providing information about trends in the formation, operation and regulation of DRMs for small businesses and not-for-profits in Australia.

The BCCM stands ready to provide further information to the Committee.

## Response to Terms of Reference

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### **2. The affordability and availability of these insurance products across different regions and sectors, including regional and remote Australia and high-risk industries**

The lack of affordability and availability of insurance products across different regions and sectors are important factors in the recent growth in the formation of Discretionary Risk Mutuals (DRMs) for small businesses or not-for-profits from similar industries.

According to the Discretionary Risk Mutual Pulse Check 2024, more than 50% of DRMs were less than five years old.<sup>2</sup> Our next Pulse Check Report will be published later this year, and we expect that the trend of new formations of DRMs will be found to have continued over the last couple of years.

Groups of businesses and not-for-profits exploring the DRM model in recent years have often been motivated by rising premiums and/or reducing coverage. Examples include Our Ark Mutual (faith organisations and not-for-profit organisations), Our Guard Mutual (mutual banks) and Baptist Mutual (faith organisations). In each case, member organisations felt they were not receiving fair value from the market and that there was a genuine business case for a mutual to stabilise or reduce risk protection costs. These mutuals are operating across a range of product lines including property, public liability, D&O and cyber.

In a few cases, DRMs have been formed to develop an innovative product that simply did not exist in the market. An example is Najmaa Mutual, which has formed to provide Takaful products.

In our view, the hardening insurance market that has driven much of this DRM formation activity coincided with an important public policy catalyst: the introduction of a definition of a mutual entity and Mutual Capital Instruments into the Corporations Act in 2019. These amendments to the Corporations Act have provided promoters with a clear framework for raising start-up capital without loss of mutuality (i.e. democratic member governance and ownership). As of 2024, six DRMs had issued Mutual Capital Instruments as part of start-up capitalisation, raising more than \$14 million.<sup>3</sup>

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<sup>2</sup> BCCM, [Discretionary Risk Mutuals Pulse Check 2024](#)

<sup>3</sup> BCCM, [Discretionary Risk Mutuals Pulse Check 2024](#)

While these examples demonstrate that DRMs are increasingly part of the toolbox for groups of small businesses or not-for-profits facing insurance affordability and access challenges, they should not be seen as a panacea for every challenge. There are some situations where a mutual model will prove unviable when actuarial calculations are made as part of feasibility studies or business planning.

The ASBFEO Discretionary Mutual Fund Review considered precisely these issues in relation to the insurance challenges of the amusement industry.<sup>4</sup> ASBFEO endorsed the DRM model as preferable for the amusement industry, but also noted underlying challenges with the risk profile of the industry that meant a mutual may not have a significant near-term impact on the price of protection.

ASBFEO recommended that the mutual sector provide guidance for promoters, small business groups and policymakers on good practices for the structure, governance and management of DRMs, including the exercise of discretion on claims. The BCCM and our DRM members responded by publishing the [Discretionary Risk Mutuals Principles, Code of Conduct and Good Practice](#).

### **3. The adequacy of the current regulatory framework in addressing modern insurance challenges; and**

The introduction of a definition of a mutual entity into the Corporations Act has improved the visibility of mutuals in insurance and risk protection as a distinct sector united around a consumer-centric business purpose. For example, there is now more engagement by regulators such as APRA and ASIC with the mutual sector on the design and implementation of regulations.

However, the legislative and regulatory framework for mutuals is still not fully adequate.

The BCCM recommends the following two reforms that would improve the regulatory environment for mutual insurers and DRMs:

- That the Commonwealth Parliament amend the Corporations Act 2001 to provide an opt-in permanent legacy asset protection framework for mutuals. This is a common component of mutual law in other jurisdictions that safeguards the distinct social purpose of mutuals.
- That ASIC apply the same regulatory relief, exemptions and guidance to discretionary risk products as for insurance products, unless there is a clear reason not to. An example is that DRM products should enjoy the same treatment in relation to conflicted remuneration (FOFA) as insurance products do.

Finally, we note that there are also some issues that arise from regulatory requirements to hold insurances in certain professions or industries:

- For example, statutory requirements for professionals to hold professional indemnity insurance may preclude a DRM option in some sectors that would benefit from this option.
- Our member ArchiTeam Co-operative notes that the current process of moving to a standardised renewal period for architects' professional indemnity insurance in Victoria may cause short-term and ongoing rises in premiums.

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<sup>4</sup> See ASBFEO, [Additional insights supporting a discretionary mutual fund for the amusement, leisure and recreation industry](#).

## About the BCCM

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The BCCM is the national industry peak body for co-operatives and mutuals, working with governments, regulators, and policymakers to ensure the Australian economic landscape is fully able to benefit from a competitive co-operative and mutual movement.

Through its member co-ops and mutuals, the BCCM represents 14.4 million memberships, including 160,000 small and medium businesses.

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