BEST'S MARKET SEGMENT REPORT

*Our Insight, Your Advantage®*

November 16, 2026

# Market Segment Outlook: New Zealand Life Insurance

**The life insurance segment outlook remains Stable owing to a gradual economic recovery, solid profitability, and ongoing regulatory reforms**

AM Best is maintaining a Stable outlook on New Zealand's life insurance segment. Factors considered include:

- Premium growth has been muted over the short term, despite an improving economic outlook.
- The evolving regulatory landscape, including significant ongoing reforms, is creating increased operational and resource pressures for insurers.
- Competition in the financial adviser sector remains intense amid soft market conditions, as life insurers prioritise product innovation and competitive pricing.
- Despite challenging market conditions, life insurers continue to deliver solid profitability.

## Economic Conditions

The IMF expects real GDP growth to increase to 2.0% in 2026 from 0.3% in 2025. Economic growth is expected to benefit from a recovery in domestic demand, including household consumption and investment, alongside solid export performance. However, elevated global uncertainty, trade, and geopolitical risks; a softening labour market; high household debt; and continued cost pressures could limit the pace of recovery.

Inflation is expected to increase from 2.8% in 2025 to 4.1% in 2026, trending above the Reserve Bank of New Zealand's target range of 1.0% to 3.0%. Tensions in the Middle East have put upward pressure on energy prices. Higher costs for fuel, fertilizer, petrochemicals, transportation, and other imported inputs are also affecting domestic prices.

## Regulatory Environment

New Zealand's regulatory framework continues to evolve as regulators prioritise operational resilience, robust governance, and improved consumer outcomes. The latest regulation impacting the insurance sector is the Contracts of Insurance Act 2024, which is expected to take effect in November 2027, and aims to promote fairness and provide increased protection to policyholders. This includes fundamental changes to insurers' remedies, claims handling, and the duties between insured and insurers, particularly regarding disclosure obligations.

Whilst ongoing regulatory reforms are expected to strengthen market discipline and improve consumer confidence over the long term, they can be resource-intensive and introduce increased operational complexity for insurers. Due to the scale and complexity of regulatory changes, life insurers are expected to make fundamental changes to their product design, distribution strategy, claims handling, and system infrastructure. Insurers also need to conduct a full review of their existing practices, undertake gap assessments, and implement necessary changes. In the short term, compliance costs will remain elevated.

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## Competitive Landscape

Although New Zealand's economy is showing early signs of recovery, muted premium growth in the life insurance segment is anticipated over the short term. This continues to be driven by elevated cost-of-living pressures, high household debt, and weak real wage growth. As discretionary spending on life insurance products remains modest, competitive pressure continues to intensify, leading to life insurers offering heavier discounting and innovative products to acquire new customers.

Since 2018, New Zealand's life insurance segment has been undergoing a structural transition, with a growing number of insurers being acquired by international conglomerates. This trend reflects the expansion strategies of international groups, as well as the increasing regulatory and compliance burden on life insurers' performance. New Zealand life insurers that are owned by large international insurance groups benefit from increased financial strength and access to broader group resources, giving them competitive advantages.

## Performance Trends

The life segment continues to deliver solid profits despite challenging market conditions. Prolonged competitive pressure is compressing new business margins and increasing lapse risk, although both remain manageable.

Near-term profitability is expected to remain broadly stable. However, continued spending on compliance and system upgrades to meet regulatory requirements will weigh on short-term earnings.

Over the last few years, life insurers with sizeable health insurance portfolios have incurred losses due to the dual pressures of elevated medical inflation and rising private healthcare utilisation. However, recent results indicate that the loss experience is beginning to stabilise, supported by remediation actions implemented by insurers in recent periods, including significant premium rate increases.

## Other Considerations

Life insurers continue to invest in digital transformation, including artificial intelligence, to improve operational efficiency and respond more effectively to evolving consumer needs. Digital underwriting tools, advanced analytics, and online application systems are increasingly being deployed to streamline processes and enhance the customer experience. Insurers are also strengthening their risk management capabilities to mitigate data privacy and cybersecurity risks. While these developments are expected to strengthen the competitive position of life insurers over the long term, they simultaneously increase operating expenses over the intermediate term.

# GUIDE TO BEST'S MARKET SEGMENT OUTLOOKS

A market segment outlook reflects AM Best's forward-looking assessment of the expected operating environment and conditions within a segment over the next 12 months. It is based on factors such as economic conditions, the regulatory environment, the competitive landscape, as well as performance trends and other considerations. The outlook provides context for how these factors collectively shape the segment's trajectory.

A Best's Market Segment Outlook, like a Best's Credit Rating Outlook for a company, can be Positive, Negative, or Stable.

## Best's Market Segment Outlook

| | |
|---|---|
| Positive | A **Positive outlook** indicates that market conditions are expected to improve or support operations and strong performance within the segment over the next 12 months. |
| Stable | A **Stable outlook** suggests that market conditions are expected to remain broadly consistent with the current environment, with no material positive or negative shifts anticipated with the segment over the next 12 months. |
| Negative | A **Negative outlook** signifies that market conditions are expected to deteriorate or present challenges to operations and performance within the segment over the next 12 months.. |

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