BEST'S MARKET SEGMENT REPORT

Our Insight, Your Advantage®

November 16, 2026

Market Segment Outlook: New Zealand Non-Life Insurance

The non-life insurance segment outlook remains Stable, supported by ongoing regulatory reforms and robust profitability amid a benign catastrophe environment and favourable reinsurance conditions

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

- Although regulatory reforms increase operational challenges and add cost pressures, they are expected to strengthen market resilience over the long-term.
- The soft market phase, particularly in commercial lines, is driving competition and exerting downward pressure on pricing and premium growth.
- Profitability remains robust, supported by a benign catastrophe environment and favourable reinsurance conditions.
- Profitability has improved for the health insurance line in recent periods.
- Extreme weather events and climate risk remain an ongoing concern.

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 to domestic prices.

Regulatory Environment

The regulatory environment in New Zealand 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 come into force 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 governance over the long term, they can be resource-intensive and introduce increased operational complexity. Due to the scale and complexity of regulatory changes, non-life insurers are expected to allocate substantial capital and expertise to review existing practices, conduct gap assessments, and implement necessary changes. In the short term, compliance costs are expected to remain elevated.

Analytical Contact:
Chee Yun, Singapore
+65 6303 5019
Chee.Yun@ambest.com

Victoria Ohorodnyk, Singapore
+65 6303 5020
Victoria.Ohorodnyk@ambest.com

Yi Ding, Singapore
+65 6303 5021
Yi.Ding@ambest.com

Contributor:
Jessica Joyce, Oldwick

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Competitive Landscape

New Zealand's non-life segment remains in a soft market phase, with stable or declining premiums recorded by most players in recent periods. High capacity, a benign catastrophe environment, and favourable reinsurance conditions have collectively boosted insurers' risk appetites and fuelled market competition.

Against this backdrop, non-life insurers remain selective about underwriting risks. As extreme weather events remain an ongoing risk, insurers continue to carefully manage natural catastrophe exposure, which includes strengthening catastrophe modelling capabilities.

Performance Trends

Profitability in the non-life segment is supported by robust underwriting profits and positive investment income. Global reinsurance conditions remain favourable, with ample reinsurance capacity. While non-life insurers have benefitted from a relatively benign catastrophe environment in recent years, following the severe weather events in 2023 (notably the Auckland Anniversary floods and Cyclone Gabrielle), they are facing a higher frequency of smaller weather events, which weighs on profitability. Climate risk and rising extreme weather events continue to pose challenges to the segment's long-term profitability.

The health insurance line has recorded improved profitability due to targeted remediation actions implemented by insurers in recent periods, which include significant rate increases. This follows significant operating losses in recent years, driven by medical inflation and increased utilisation. However, premium affordability remains a pressing challenge as ongoing cost-of-living pressures force many consumers to downgrade and increase excesses to keep cover. Policy lapse rates are ticking upward but remain manageable for most insurers.

Other Considerations

New Zealand's non-life insurance segment remains heavily dependent on international reinsurance capacity due to the country's small market size and extreme exposure to natural perils. The New Zealand market remains attractive to global reinsurers due to the geographic diversification it provides. The absence of major natural catastrophe events in recent years has reinforced reinsurers' appetite for the market.

Many insurers take advantage of favourable reinsurance conditions to restructure their reinsurance programmes. This includes reinvesting premium savings into additional reinsurance protection, such as increased limits, frequency covers, and aggregate protection.

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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A.M. Best Company Inc.
Oldwick, NJ
CHAIRMAN, PRESIDENT & CEO **Arthur Snyder III**
SENIOR VICE PRESIDENT & CFO **Cynthia Young**
SENIOR VICE PRESIDENT **Lee McDonald**

A.M. Best Rating Services Inc.
Oldwick, NJ
PRESIDENT **James Gillard**
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EXECUTIVE VICE PRESIDENT & CSO **Andrea Keenan**
EXECUTIVE VICE PRESIDENT & CIO **James F. Snee**
SENIOR MANAGING DIRECTOR & CRO **Kenneth Johnson**

AMERICAS

WORLD HEADQUARTERS
A.M. Best Company, Inc.
A.M. Best Rating Services, Inc.
1 Ambest Road, Oldwick, NJ 08858
Phone: +1 908 439 2200

MEXICO CITY
A.M. Best América Latina, S.A. de C.V.
Av. Paseo de la Reforma 412, Piso 23,
Col. Juárez, Alcaldía Cuauhtémoc, C.P. 06600, Mexico City, Mexico
Phone: +52 55 1102 2720

EUROPE, MIDDLE EAST & AFRICA (EMEA)

LONDON
A.M. Best Europe - Information Services Limited
A.M. Best Europe - Rating Services Limited
12 Arthur Street, 8th Floor, London, UK EC4R 9AB
Phone: +44 20 7626 6264

AMSTERDAM
A.M. Best (EU) Rating Services B.V.
NoMA House, Gustav Mahlerlaan 1212, 1081 LA Amsterdam, Netherlands
Phone: +31 20 308 5420

DUBAI*
A.M. Best Europe - Rating Services Ltd. - DIFC Branch*
Office 102, Tower 2, Currency House, DIFC
P.O. Box 506617, Dubai, UAE
Phone: +971 4375 2780
*Regulated by the DFSA as a Credit Rating Agency

ASIA-PACIFIC

HONG KONG
A.M. Best Asia-Pacific Limited
Unit 4004 Central Plaza, 18 Harbour Road, Wanchai, Hong Kong
Phone: +852 2827 3400

SINGAPORE
A.M. Best Asia-Pacific (Singapore) Pte. Ltd
8 Cross Street, #21-03 Manulife Tower
Singapore 048424
Phone: +65 6303 5000



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