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Market Segment Outlook: New Zealand Non-Life Insurance

**New Zealand's
non-life insurance
outlook remains
Stable, owing
to improving
economic
conditions,
increased
insurance demand,
and steady
reinsurance
pricing**

AM Best is maintaining a Stable outlook for the New Zealand non-life insurance segment. Factors considered include:

- Resilient growth prospects driven by improving economic conditions and increasing demand for insurance.
- Improved reinsurance capacity amidst a softening global reinsurance market.
- Regulatory refinements strengthen market discipline but add operational challenges and cost pressures.
- Climate risk remains an ongoing concern.
- Profitability of health lines is expected to remain constrained, but signs of improvement are emerging.

Resilient Growth Prospects

According to the IMF, New Zealand's real GDP is expected to return to growth of 1.4% in 2025, following a contraction of 0.5% in 2024. Since early August 2024, the Reserve Bank of New Zealand (RBNZ) has been gradually reducing rates, with the latest cut in October 2025 bringing the policy rate to 2.5%. The easing cycle reflects diminished inflationary pressure, with inflation projected to decline from 2.9% in 2024 to 2.0% in 2025, which aligns with the RBNZ's inflation target.

Non-life premium growth is expected to remain resilient. Although households in New Zealand continue to face cost of living pressures, high household debt, and weak real wage growth due to the economic slowdown in recent periods, the economy is expected to recover as monetary policy shifts towards easing. Premium growth is also expected to be driven by higher demand for insurance protection owing to increased risk awareness and exposures, particularly for natural catastrophe and cyber risks.

New Zealand's non-life insurance industry is evolving toward a more transparent and consumer-focused market. Following legislative and regulatory reforms, such as the Contracts of Insurance Act 2024, insurers are actively pursuing product simplification. For non-life insurers, these typically include clearer policy wording, increased flexibility in coverage and pricing, digital distribution, and fairer claims outcomes. These efforts are expected to enhance consumer experience, thereby promoting premium growth.

Improved Reinsurance Capacity

As a relatively small market that is highly exposed to natural perils, New Zealand's non-life insurance segment remains heavily dependent on the international reinsurance market. In 2025,

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non-life insurers benefited from improved global reinsurance conditions, characterised by greater capacity and moderating pricing, particularly across non-loss affected lines. This trend is expected to continue.

The absence of major natural catastrophe events in New Zealand in recent years has further supported stability in reinsurance pricing. This has largely alleviated pressure on policy rates, as insurers have not been under pressure to pass on significant rate adjustments to policyholders.

Operational Challenges Arising from Regulatory Refinements

The non-life segment continues to face operational challenges and cost pressures arising from a growing number of legislative and regulatory requirements. The CoFI Act also requires insurers to operate under a fair conduct principle, ensuring policyholders are treated ethically and transparently throughout the product life cycle. Complementing CoFI, the forthcoming Contracts of Insurance Bill is expected to provide more protection for policyholders by setting out duties between insureds and insurers, particularly around disclosure obligations.

Whilst regulatory reforms strengthen market discipline and provide more safeguards for consumers, they also increase operational complexity and cost for insurers. Insurers are often required to make significant investments in system upgrades and data infrastructure projects in order to ensure fair and transparent customer outcomes and address legacy conduct issues. These investments continue to weigh on short-term profitability, with any significant benefits expected to materialise over a longer time horizon.

Climate Risk Remains an Ongoing Concern

Natural disasters (including floods, storms, cyclones, earthquakes, and hailstorms) remain a material risk for the non-life market, with increasingly volatile weather conditions continuing to pose challenges to the segment's profitability.

Non-life insurers' technical performance is highly correlated with the occurrence of large weather and catastrophe events – for example, the 2023 weather events and the Canterbury earthquakes in 2010/2011. Due to the changing weather patterns, the increased likelihood of extreme and large catastrophe events could expose non-life insurers' earnings to elevated volatility.

Constrained Profitability for Health Lines

Although signs of recovery are emerging, supported by stabilising medical costs, profitability in the health insurance segment is expected to remain constrained over the near term. Persistent structural challenges within New Zealand's public health system have led to increased utilisation of private healthcare services. As a result, health insurers face elevated claims inflation, recording underwriting losses in recent years.

While insurers have taken various remediation measures, such as implementing rate increases and product adjustments, these actions are likely to lead to higher policy lapses in the short term and may take time to achieve sustained improvement in the underwriting profitability of the health insurance segment.

GUIDE TO BEST’S MARKET SEGMENT OUTLOOKS

Our market segment outlooks examine the impact of current trends on companies operating in particular segments of the insurance industry over the next 12 months. Typical factors we would consider include current and forecast economic conditions; the regulatory environment and potential changes; emerging product developments; and competitive issues that could impact the success of these companies.

A Best’s Market Segment Outlook can be Positive, Negative, or Stable.

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