November 10, 2025

Market Segment Outlook: New Zealand Life Insurance

The outlook for the New Zealand life segment remains Stable amid tighter regulations, improving economic conditions and robust capital adequacy

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

- Improving economic conditions, but premium growth is expected to be muted over the short term.
- Ongoing regulatory refinements that support market discipline, albeit at a cost.
- Digitalisation brings about new risks to operational resilience and opportunities.
- Robust capital adequacy supported by a conservative approach to capital management.

Muted Growth Over the Short Term Despite Improving Economic Conditions

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. Domestic demand weakened as households faced tighter financial conditions and declining real incomes, while the pace of business investment also slowed. The economy is expected to recover as monetary policy shifts towards easing.

Since early August 2024, the Reserve Bank of New Zealand (RBNZ) has begun a series of rate reductions, with the latest cut in October 2025 bringing the policy rate to 2.5%. The easing cycle reflects diminished inflationary pressures, with inflation expected to decline from 2.9% in 2024 to 2.0% in 2025, which aligns with the RBNZ's inflation target.

Although New Zealand's economy is experiencing signs of recovery, muted premium growth in the life insurance segment is anticipated over the short term. Persistent cost of living pressures, high household debt, and weak real wage growth continue to constrain discretionary spending on protection products. While conditions are stabilising, meaningful premium expansion is more likely over the medium term.

Prolonged competitive pressures are expected to support product optimisation and promote heavier discounting and incentives for new customers. These trends can erode new business margins and further increase lapse risk, which has been elevated in recent post-pandemic periods. In addition, compliance and system investments linked to regulatory requirements continue to weigh on short-term profitability.

Ongoing Regulatory Refinements Support Market Discipline, But at a Cost

An evolving regulatory and reporting environment in New Zealand reinforces market discipline and supports overall industry resilience. Most recently, the Financial Markets (Conduct of Institutions) Amendment Act 2022 (the CoFI Act), which took effect on 31 March 2025, requires insurers to operate under a fair conduct principle, ensuring policyholders are treated ethically and transparently throughout the product life cycle.

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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.

Although these regulatory initiatives are improving market conduct and creating a more consistent and consumer-focused industry framework, they come with rising operational complexity and cost to insurers. Insurance companies have already absorbed substantial expenses to meet the IFRS 17 requirements, effective since January 2023. Now with CoFI implementation underway, insurers face further investment in governance frameworks, staff training, and technology to ensure compliance. Smaller insurers and those with large legacy portfolios are under greater pressure to modernise systems and strengthen oversight while maintaining profitability.

Digitalisation and Evolving Risk Exposures Reshape Operational Resilience and Competitive Advantages

As New Zealand life insurers accelerate their digital transformation strategies, the industry faces a rapidly shifting risk landscape that brings both new opportunities and new vulnerabilities. While the adoption of advanced data infrastructure and digital capabilities continues to introduce new efficiencies, it also amplifies exposure to data security and cyber threats. Given the amount of personal information that life insurers collect and manage, any lapse in data protection could lead to severe financial, operational, and reputational consequences. Under the RBNZ's cyber resilience data collection framework, implemented in March 2024, insurers must report cyber incidents and complete a cyber resilience survey, reflecting a broader shift towards proactive oversight and accountability.

At the same time, life insurers are investing heavily in technology to better address evolving consumer needs and demands. Digital underwriting tools, advanced analytics, and online application systems are being increasingly deployed to streamline operations and elevate the customer experience. Product-wise, more sophisticated data infrastructure allows insurers to offer greater flexibility in coverage and pricing, tailoring solutions more precisely to individual needs.

Robust Capital Adequacy Supported by Conservative Approach to Capital Management

Life insurers in New Zealand are generally well capitalised, supported by a conservative capital management strategy. The second amendment to the Interim Solvency Standards came into effect on 1 March 2025. While the shift to the new standard resulted in some recalibration of reported solvency ratios, the underlying financial strength of the life insurance segment generally remains robust, with most major life insurers holding capital buffers well above the regulatory minimum.

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.

Best's Market Segment Outlook	
Positive	A Positive market segment outlook indicates that AM Best expects market trends to have a positive influence on companies operating in the market over the next 12 months. However, a Positive outlook for a particular market segment does not mean that the outlook for all the companies operating in that market segment will be Positive.
Negative	A Negative market segment outlook indicates that AM Best expects market trends to have a negative influence on companies operating in the market over the next 12 months. However, a Negative outlook for a particular market segment does not mean that the outlook for all the companies operating in that market segment will be Negative.
Stable	A Stable market segment outlook indicates that AM Best expects market trends to have a neutral influence on companies operating in that market segment over the next 12 months.

We update our market segment outlooks annually but may revisit them at any time during the year if regulatory, financial, or market conditions warrant.

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