



Gallagher
INSURANCE



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Underinsurance: a growing risk for New Zealand businesses in 2026

Most New Zealand businesses assume their insurance will hold up when something unexpected happens. But in 2026, that assumption is tripping up more businesses than ever. The biggest risks aren't just the major events we remember, like the Auckland Anniversary floods and Cyclone Gabrielle, rather it's the way businesses have evolved faster than their insurance solutions do.

Three years on, the Auckland Anniversary floods and Cyclone Gabrielle still stand as the largest weather-related insurance events in New Zealand's history, with more than 118,000 claims and an estimated \$3.75 billion total cost. These events were a wake-up call. But the bigger story now is how business models have changed since then, and how far sums insured and business interruption settings are falling behind.

At Gallagher, we're seeing the same pattern across industries. Businesses are adopting new technology, new supply-chain dependencies, new financing structures and new regulatory pressures. Yet many insurance covers still look the same as they did several years ago.

This is where exposure creeps in.

A risk landscape that's shifted under our feet

New Zealand businesses have never been more interconnected, more digitised, or more reliant on external partners to function. However, many policies still assume traditional rebuild times, conventional machinery and simple operating models, assumptions that no longer reflect the reality of doing business in 2026.

Business assets looking nothing like they did in 2020

Automation, robotics, cloud platforms, EV fleets, charging infrastructure and specialist equipment are now core assets. But they come with long global lead times, bespoke components and complex reinstatement requirements. Business interruption losses frequently outpace the physical damage component, especially when specialist parts take months to arrive.



Rebuilds take longer

Regulators reviewing the 2023 weather events found that consenting delays, access issues and specialist trade shortages significantly stretch timelines. Even without a major event, reinstatement is no longer a quick process and a 12-month indemnity period is rarely enough.

The cost base remains elevated

While construction cost inflation has eased off since the extreme highs of 2022, the underlying cost base remains elevated. Cotality's Cordell Construction Cost Index shows an annual increase of 2.3%. While well below the 2022 peak it does still mean that last year's sums insured may already be out of date.

"Underinsurance isn't only about storms, it's about whether you can keep trading when any major disruption hits," says Mark Jones, Gallagher's Chief Broking Officer.

"As businesses grow, bring in new technology, change suppliers or evolve their operating models, their insurance settings don't always evolve at the same pace. That can be the difference between a smooth recovery and being unable to reopen."

Risk-based pricing and lending scrutiny are changing expectations

The Reserve Bank of New Zealand notes that insurers are pricing risk at increasingly granular levels, especially for flood and seismic exposure. While this shift makes pricing more accurate, it also means businesses in higher-risk locations may face higher deductibles, sub-limits or partial cover if risks aren't properly understood and mitigated.

Banks are also now paying closer attention to insurance adequacy to protect collateral.

"Banks and investors are asking sharper questions about insurance to value, business interruption modelling and location exposures," Jones says.

"It's not just a claims problem anymore, it's a financing and governance problem. Underinsurance can jeopardise loan covenants, M&A transactions and growth plans."

A favourable time to reset insurance

Global reinsurance markets have softened significantly since the 2023 peak. Capacity has returned, competition has increased and buyers, especially those who come prepared with accurate valuations and robust risk information, are seeing improved terms.

"Underinsurance is solvable," says Jones.

"Treat insurance as a strategic control, not a set and forget purchase. When you bring current valuations, realistic interruption scenarios and a clear mitigation plan, insurers respond. In today's market, good data and a clear story translate into better outcomes and more resilient businesses."

Underinsurance isn't a failure. It's what happens when businesses evolve faster than their insurance solutions do. The key is to recognise and address this before it turns a manageable setback into a business-closing event.

In 2026, New Zealand businesses have a valuable window to strengthen this resilience and Gallagher is here to help them make the most of it.

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