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INSURANCE



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Underinsurance: a growing risk for New Zealand households in 2026

As the cost of living rises and rebuilding costs continue to increase across New Zealand, underinsurance is emerging as a significant, and often overlooked, risk for households.

While many New Zealanders insure their homes, vehicles, and belongings, a large number remain underinsured, meaning their policies won't fully cover the cost of repair or replacement after a major loss.

This gap often only reveals itself at claim time, when people are already coping with stress and disruption. In 2026's economic environment, reviewing personal insurance sums insured has never been more important.

What is underinsurance?

Underinsurance occurs when you're not insured for the true value of your asset. This means the amount you've chosen as your sum insured isn't enough to replace, repair, or rebuild after a loss.

Common examples include:

- A home insured for \$700,000 that costs \$800,000 to rebuild after a fire.
- Contents insured for \$40,000, but \$55,000 is needed to replace household goods after a burglary.
- A vehicle insured for \$12,000, despite a replacement costing \$16,000.

The outcome is always the same: disappointment at claim time. Households must either use their own funds to make up the shortfall or settle for a less equivalent replacement, adding financial pressure at an already challenging time.

But the good news is that the cost between being underinsured and properly insured is often smaller than most people think.



Why underinsurance is rising

Several factors are driving the rise in household underinsurance across New Zealand including increased construction costs, inflation pushing up the cost of household goods, homeowners forgetting to update sums insured after renovations and purchases, or people estimating the value to insure rather than using valuation tools.

How to avoid being underinsured

Ensuring your cover reflects today's true replacement costs is key. Here's how you can help protect your home, contents, and vehicles.

Home Insurance: Get your rebuild value right

Your home sum insured must reflect what it would cost to repair or rebuild your home to the same size and quality as it currently stands, including any unique features which may increase the cost.

Key things to consider are:

- Specialist structures such as retaining walls, pools or spas, tennis courts, wharves, jetties, cable cars, power generators, or architecturally unique features.
- Professional valuations from a registered valuer or quantity surveyor.
- Online calculator tools like the **Cotality Calculator** for an initial estimate
- Updates at every renewal, including any renovations, extensions, or improvements made throughout the year.

Failure to keep these values current is one of the most common causes of underinsurance for homeowners.

Contents Insurance: Make sure everything is accounted for

Contents values can rise quickly especially with fluctuating prices for electronics, furniture, and jewellery.

To avoid a shortfall:

- Ensure your contents sum insured covers the cost of replacing all household goods in a total loss.
- Check your policy for items that must be specified individually (e.g. jewellery, watches, cameras, bicycles, kayaks, surfboards, collections).
- Keep jewellery valuations current, as gold and diamond prices change frequently.
- Notify your broker of any specified items needing updates or new items that should be added.

Many people underestimate the total value of their contents which can leave a significant difference come claim time.



Motor Vehicle Insurance: Understand market value vs. agreed value

Vehicle values can shift rapidly. Ensuring your car is covered for the right amount is essential. The first step is understanding the two key valuation types used for motor vehicle insurance:

Market value - the reasonable retail value of your vehicle immediately before it was damaged, lost, or stolen, determined by an independent valuer. This can be lower than what you originally paid.

Agreed value - A fixed sum you and your insurer agree upon. This amount remains consistent during your policy period, regardless of market changes.

To stay protected:

- Obtain a professional valuation for an accurate assessment of your vehicle's value.
- Update your sum insured to reflect your car's current market value.
- If you're insured for an agreed value, review this at every renewal to ensure it still reflects what it would cost to replace your car.

As your vehicle ages, a reduction in agreed value at renewal is normal but it's important you review and confirm it still meets your needs.

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Getting over underinsurance

Being properly insured means you're able to recover faster from unexpected events without the added financial burden of covering gaps in your policy. Taking the time to review and update your sums insured helps ensure you can return to the same position you were in before the loss.

How Gallagher can help

With brokers located throughout New Zealand and supporting individuals at every life stage, we're here to help ensure your personal insurances keep pace with life's changing risks. Don't leave your protection to chance.

Contact us today if you'd like a review of your home, contents or vehicle policies, or need guidance navigating your personal insurance options.

