



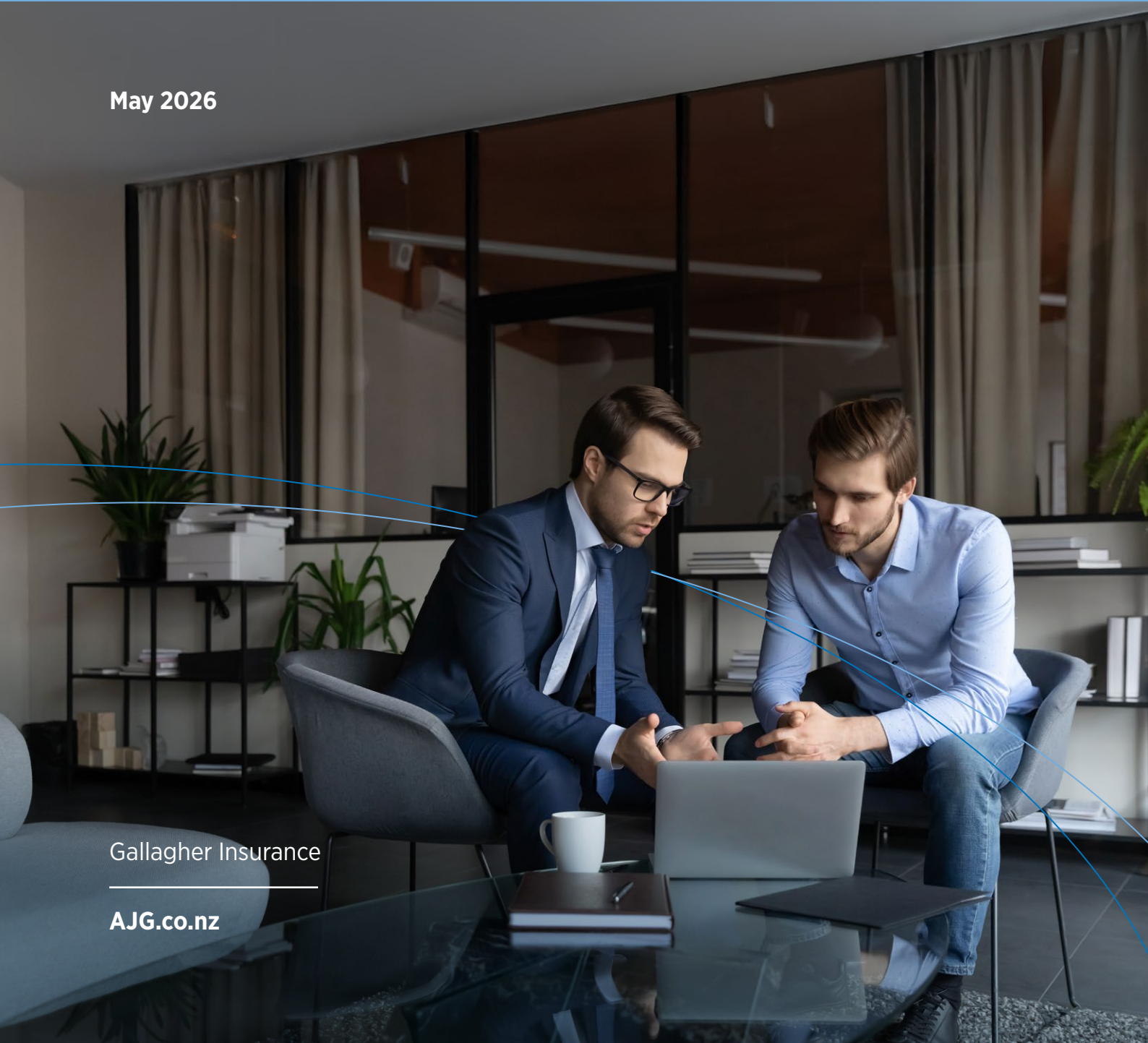
Gallagher
INSURANCE

Corporate Market Update

May 2026

Gallagher Insurance

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This update provides an overview of expected insurance market conditions across key product lines in New Zealand during 2026.

Overall, the market remains favourable for buyers, supported by strong competition, available capacity, and more stable loss experience.

While current conditions present opportunities to reduce costs and enhance coverage, insurers remain alert to emerging risks. A disciplined and strategic approach to insurance placement continues to be essential in securing sustainable outcomes.

Property Insurance

Following several years of significant premium increases, the New Zealand property insurance market experienced clear softening during 2025. This has continued into early 2026, with market conditions remaining positive.

Surplus capacity, strong competition between local and international insurers, and improving reinsurance terms have placed sustained downward pressure on pricing. Provided loss activity remains within expected levels, these conditions are anticipated to persist through 2026 and potentially into 2027.

Financial performance of insurers

Insurer profitability strengthened notably in 2025. Major Australasian insurers operating in New Zealand reported strong earnings growth, reflecting underwriting discipline during the earlier hard market and improved claims performance.



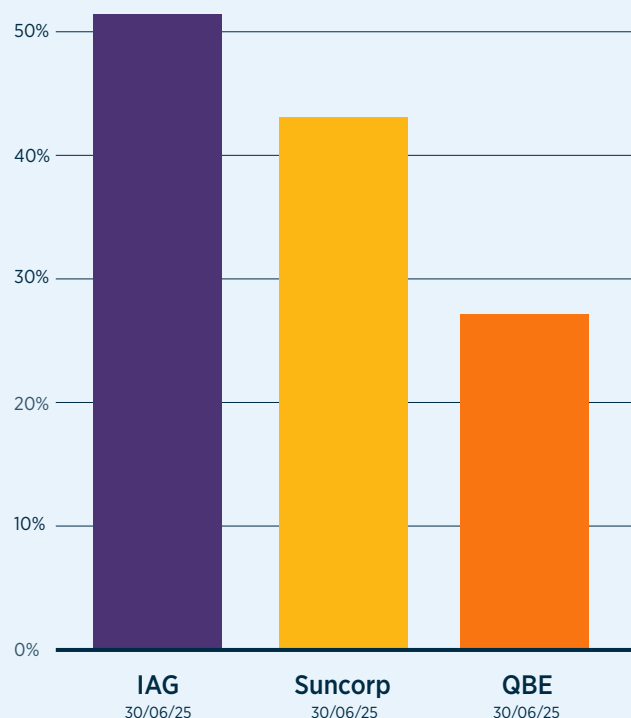
For the 12 months to 30 June 2025 IAG (which includes NZI, State and AMI) reported a 50% growth in profits, while Suncorp (which includes Vero and AA Insurance) exceeded 40% growth. QBE also reported a growth in profit of 27% in their half year in June 2025.

However, recent half year results show the first signs of pressure emerging from the soft market. Both IAG and Suncorp reported declines in New Zealand gross written premium. IAG's intermediated business, which includes NZI, fell 10.4%, while Suncorp, trading as Vero in the New Zealand market, reported a 5.6% decline. As a result, both insurers also reported lower growth in profit for the period, although their underlying results remain strong."

Mark Jones

Gallagher NZ's Chief Broking Officer

Net Profit Growth



More recent results indicate early signs of pricing pressure, with some insurers reporting a decline in premium volumes as competition intensifies. Notwithstanding this, balance sheets remain robust, supporting continued appetite for New Zealand property risks.

Property Insurance continued

Reinsurance environment

Reinsurance plays a critical role in insurers' ability to offer capacity and manage volatility, with types of reinsurance available.

Treaty reinsurance, renewed annually, provides broad protection for insurers' portfolios. Treaty pricing softened during 2025 and continued to improve at 1 January 2026 renewals, supporting insurer confidence and pricing flexibility.

Gallagher Re noted:

Consolidation and Capacity: Significant risk-adjusted pricing decreases were achieved, but Q4 2025 storms meant discipline held on retention levels.

Facultative reinsurance, which applies to risks which fall outside the scope of treaty reinsurance, on a single risk basis, was initially slower to respond to market softening but we've now seen move to align with general market conditions.

Gallagher Re noted on January 2026 renewals:

- Given the adequate technical rates attained in the past few years, together with steady returns for most the market, reinsurers showed increased interest in deploying capacity in the ANZ region in 2025. This resulted in a high level of competition.
- London played a key role in this influx of capacity, together with new market entrants (MGAs) with very ambitious targets.
- In Australia, generally, the impact of this market softening has been seen on pricing. In New Zealand, however, we have also seen some changes in the terms and conditions of cover, such as a loosening of the application of inner limits like flood and cyclone.
- These market conditions have led to double digit rate reductions averaging 15% in Australia and 20% in New Zealand. However, we have seen reductions of up to 30% in certain sectors like high hazard¹.



International capacity

International insurers continue to demonstrate strong interest in New Zealand property risks. Particularly due to the seismic exposure, New Zealand is viewed as offering attractive risk-adjusted returns. This ongoing international participation has increased capacity and further intensified competition, placing further downward pressure on premiums across the market. However, should rates fall too far in New Zealand, the international market may choose to deploy their capacity in other regions of the world.

Claims experience

Following the significant weather events of 2023, claims activity has now reverted to more typical levels.

While climate risk remains a key consideration for insurers, the absence of repeated large-scale losses has allowed for greater pricing stability and, in most cases, the removal of flood sub-limits and excess structures.

Outlook for 2026

Rate reductions achieved in late 2025 have flowed into early 2026 renewals. While premium decreases may moderate as the year progresses, well-managed risks continue to benefit from competitive outcomes. Notably, property owners in Wellington are now seeing meaningful premium relief after a prolonged period of elevated pricing.

Provided the market does not soften too rapidly, conditions are expected to remain favourable throughout 2026 and into 2027.

¹ **The Facultative View** – Global Facultative Market Report, Gallagher Re, January 2026, PDF file.

Property Insurance continued



Considerations

There is emerging evidence of opportunistic pricing from the market which raises concerns around the sustainability of pricing. While short-term savings can be attractive, unsustainable pricing may lead to volatility when the market turns.

Additionally, increased treaty attachment points mean insurers now retain a greater share of losses before reinsurance responds. A major event could materially alter market conditions.

Interestingly, IAG, New Zealand's largest insurance company and parent company of NZI, recently purchased a five year climate-related reinsurance policy providing an addition AUD1billion and AUD4billion over the term. This additional protection is designed to manage the cost of smaller, but more frequent, events where they fall outside of the treaty protection.

If the market experiences a rapid and significant decline, it could lead to both a reduced appetite from the international market who can deploy their capacity in other global markets, and a potential spike in pricing.

Motor Insurance

Motor insurance pricing remains largely claims driven. Vehicle theft continues to increase, driven by the increasing availability to technology that enables keyless ignition systems to be compromised.

At the same time, the growing presence of new vehicle manufacturers without established local parts networks has extended repair times and increased claims costs. These factors, combined with on-going global supply chain disruption, are expected to place upward pressure on premiums over time, typically with a lag of six to twelve months.

Professional Indemnity Insurance

The New Zealand market for professional indemnity insurance (PI) has expanded considerably over the past 12 months.

New insurers have entered the market, existing insurers have expanded their appetite, and access to international capacity has increased.

This diversification has significantly improved choice and flexibility for insureds, particularly for lower-risk professions.

Pricing and coverage trends

Soft market conditions have delivered premium reductions for many businesses, particularly where revenue has remained stable or declined modestly. Insurers continue to place strong emphasis on claims history, risk management, and clarity of professional activities.

For businesses engaged in lower-risk activities, costs-exclusive excess structures are now accessible, further enhancing the value proposition available in the current market.

Emerging risk considerations

The increasing use of Artificial Intelligence (AI) across professional services remains an area of focus for insurers. While policy responses have been limited to date, businesses are encouraged to assess governance, quality control, and reliance on AI-generated content carefully.

Cyber risk continues to present a significant exposure. Many cyber-related losses fall outside traditional PI cover, reinforcing the importance of separate cyber insurance. Businesses should also review PI wordings to ensure cyber exclusions are minimised where possible.

Outlook for 2026

While the advantages of a soft market are evident, it is crucial to approach these opportunities with a long-term perspective. While selecting the lowest premium or frequently switching insurers might seem appealing, it may not always be the best strategy.

Maintaining continuity with an existing insurer can prove invaluable, especially when handling complex claims or negotiating renewals. Striking a balance between the immediate benefits of competitive terms and the long-term value of insurer stability is essential for securing comprehensive and reliable coverage.

General Liability Insurance



The General Liability market in New Zealand is currently experiencing a softening phase, which has led to increased competition and plenty of capacity thereby allowing standard commercial risks to benefit from competitive pricing and broad coverage.

Premiums have also shown signs of decline, with the local market benefiting from a relatively stable claims environment, which also supports rate stability.

However, complex and high-risk sectors, including construction, manufacturing, and businesses with US exposure, continue to face heightened underwriting scrutiny, coverage restrictions, and increased premiums.

Insurers are particularly focused on environmental liabilities, cyber-related incidents, and emerging risks such as per- and polyfluoroalkyl substances (PFAS).

Outlook for 2026

Competitive conditions are expected to continue through 2026 for mainstream risks.

However, businesses with more complex exposures should expect tighter terms and are encouraged to commence renewal discussions early to effectively manage potential risks and enable tailored insurance solutions.

Directors & Officers Liability

This market remains favourable, supported by ample capacity from both local and international insurers. Competition is particularly strong on excess layers, with pricing softening or stabilising through 2025.

Underwriters remain selective, particularly in sectors experiencing financial stress or heightened regulatory, litigation, or reputational risk.

Key risk themes

Insurers continue to focus on:

→	Financial resilience and solvency
→	Governance and risk management
→	ESG and climate-related disclosures
→	Technology and AI-related governance
→	Accuracy of public and financial reporting

Opportunities for buyers

Current conditions provide an opportunity to enhance programmes by:

→	Increasing policy limits
→	Reducing retentions
→	Removing restrictive exclusions
→	Improving coverage evolution
→	Considering multi-year arrangements where appropriate

Claims climate

While there hasn't been a significant spike in claims locally, regulatory enforcement and disclosure-related exposures remain key concerns.

Emerging drivers of scrutiny include ESG and AI-related misstatements and disclosures for publicly listed companies, which are increasingly factored into underwriting diligence and policy terms, such as warranties, exclusions and retentions.

Outlook for 2026

The market is expected to remain soft or stabilise in 2026, subject to loss experience and global market conditions.

Geopolitical instability and global macroeconomic uncertainty, such as rising insurance costs, protectionism, large-loss volatility, and rapid changes in technology, could slow or halt these declines.

In New Zealand outcomes will likely remain differentiated based on governance quality, financial performance, industry sector, and claims history.

Key developments to watch include the finalisation of climate-related disclosures liability settings and the phased implementation of the Contracts of Insurance Act. While these changes are unlikely to drastically alter capacity, they may influence policy language and underwriting diligence.

Cyber Insurance

Cyber risk continues to evolve rapidly and remains a key concern for New Zealand businesses of all sizes.

The National Cyber Security Centre (NCSC) reported cyber incidents increased substantially throughout 2025, with 110 incidents handled through the NCSC triage process in Q3 being identified as having potential to cause nation harm – a 96% increase from incidents reported in Q2.

Gallagher NZ saw a 189% increase of cyber related claims in 2025 with the top cyber threats including ransomware, supply chain attacks, AI-enabled phishing, and incidents linked to geopolitical tensions.

The insurance industry continue to evolve rapidly in response to these evolving and complex risks, regulatory changes and advancements in technology. Today's cyber insurance market is robust and is projected to grow significantly, with new insurers entering the local market providing increased capacity, which has led to expanded policy coverage and competition premium rates overall.

Construction Insurance

The Contract Works markets continues to set the tone for construction insurance in New Zealand, and over the past year we've seen a noticeable shift in how insurers are approaching the sector.

While capacity is available, underwriters remain selective, particularly for large civil projects, complex geotechnical environments, and anything with heightened natural catastrophe exposure.

That said, competition has quietly increased with both local and offshore insurers showing renewed interest in well-managed risks. This has introduced a degree of pricing stability and competition that was largely absent during the post-COVID hardening of the market.

Risk engineering has become a central part of underwriting conversations with insurers looking for evidence of strong project governance, robust quality assurance processes and supply-chain resilience. Contractors who can demonstrate these controls are finding the market more receptive, while those with weaker documentation of inconsistent safety performance facing tougher terms.

Mobile plant remains challenging due to loss frequency, though additional capacity has emerged in the form of new market entrants and overseas market expressions of interest in NZ plant risk.

Construction General Liability has been relatively stable but subject to increased deductibles and tighter terms for high-risk activities. Claims inflation is pushing up settlement costs and insurers are paying close attention to subcontractor management and contractual indemnities.

Construction PI whilst following many of the soft market trends, still has a small number of domestic players, many of whom offer restricted coverages. Appetite is still cautious, particularly for design-and-construct exposures and disciplines with historical weathertightness or geotechnical risk. Regulatory reforms underway have created a cautious optimism, and while insurers aren't relaxing their stance yet, the long-term outlook is more positive than it has been in years.

Overall, the construction insurance market is more stable than it has been for some time but is still shaped by global reinsurance pressures, local seismic risk, and the performance of individual contractors.

Construction Insurance continued

Regulatory Developments

Building Act reform

Proposed changes to the Building Act, including the move toward proportionate liability, represent a significant shift. These reforms aim to align liability more closely with fault, reducing unfair exposure for consultants and designers.

Proposals also include compulsory PI insurance and mandatory building warranties for certain residential projects.

If implemented as proposed, this change has the potential to reshape the PI market. Insurers may begin to reassess their pricing models and appetite particularly if claims become more predictable and less punitive for low-fault parties.

The proposed changes also note potential compulsory home warranties that will apply to all new residential buildings up to three storeys, and renovations costing more than \$100,000 involving restricted building work. The proposed cover could offer 10 years structural warranty and 1 year defects warranty (non-structural issues).

While implementation will take time, these reforms signal a more balanced and structured risk environment.

Statutory Liability

Statutory Liability continues to be an essential cover for construction businesses, and the regulatory environment is becoming more demanding.

Two developments in particular are shaping the landscape:

WorkSafe's enforcement approach

WorkSafe has become noticeably more proactive in its investigations and prosecutions, placing greater emphasis on accountability, governance, and safety culture. This is reflected in both the frequency and severity of enforcement actions. As a result, defence costs are rising as investigations become more complex, and directors and officers face heightened security.

Insurers are responding accordingly with underwriters taking a closer look at safety systems, incident reporting, and leadership engagement.

Replacement of the Resource Management Act (RMA) and environmental compliance

The proposed replacement of the RMA with the Natural and Built Environments Act and the Strategic Planning Act is intended to modernise environmental and land-use regulations.

While the reforms aim to simplify processes, the transition period is likely to introduce uncertainty. New compliance obligations may emerge and regulators often increase enforcement activity as new frameworks are established.

The insurance market in 2026 presents positive opportunities for New Zealand businesses, with increased competition, improved pricing, and broader coverage availability across many classes.

However, market conditions are cyclical. Sustainable outcomes are best achieved through thoughtful programme design, strong risk management, and a balanced long-term strategy rather than purely price-driven decisions.

Gallagher continues to monitor market developments closely and work with our clients to navigate opportunities and risks as conditions evolve.

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