Gallagher INSURANCE



Corporate Market Update

November 2026

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Introduction

In this update, we look at how key insurance markets are evolving and what businesses should consider as they prepare for 2027.

Market conditions continue to favour insurance buyers, with strong capacity and competition supporting positive renewal outcomes across many classes. However, as we move towards 2027, there are signs that the pace of premium reductions is beginning to moderate.

Claims costs also remain under pressure, while emerging exposures including cyber security, artificial intelligence, environmental liabilities and evolving governance expectations, are attracting greater scrutiny from insurers. The quality of a business's risk management and the information presented to insurers will therefore continue to play an important role in renewal outcomes.



Property Insurance

The New Zealand property market remains competitive with double-digit rate reductions available for well-managed risks. A surplus of reinsurance capacity is also benefiting insurance buyers. However, there is a cautionary note with regard to increasing claims costs.

Local property market

In our **May Corporate Market Update**, we anticipated that market conditions in Q1 would continue through 2026 and this has proved to be the case. Q3 renewals continue to see rate reductions, albeit lower than those of the previous two quarters, reflecting the fact Q3 2025 saw the first sizeable rate decreases.

These rate decreases are, however, impacting insurer profitability, with IAG (including NZI) reporting an 18.9% decline in underlying insurance profit in 2026[1], while Suncorp New Zealand (including Vero) reported a New Zealand insurance trading result 16.7% lower than the prior period.[2]

As revenue and profitability come under pressure, insurers can seek to increase rates or compete for new business. For now, competition for new business continues to place downward pressure on rates.

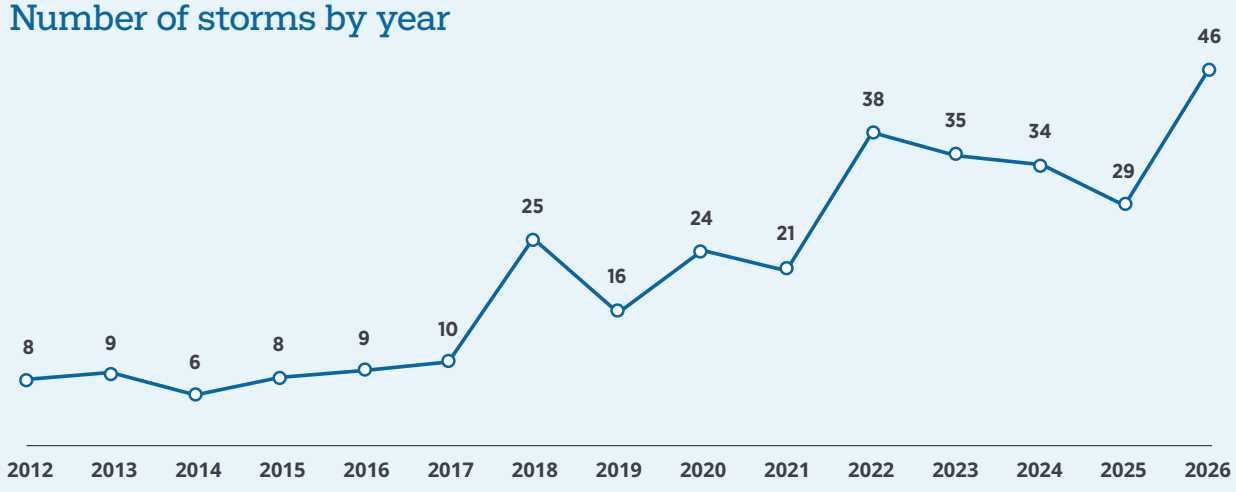
Claims, however, tell a different story. Gallagher Insurance New Zealand has seen an 8% increase in claims over the last 12 months. IAG reported a $53 million year-on-year increase in natural perils within its New Zealand intermediated business in FY26.[3]

Weather-related losses remain a significant factor in this increasing trend. As Chief Broking Officer Mark Jones, notes:

> Most regions have experienced some form of severe weather during the year and as a result insurers are reporting a marked increase in claims. IAG reported a 256% increase in storm-related claims compared with 2025.
>
> This reflects a broader trend of weather events occurring more frequently. Historically, over a 15-year timeline storms affected parts of New Zealand approximately once every 19 days. Over the past 12 months that frequency has increased to once every eight days, making significant storm activity a near-weekly occurrence.[4]

Sources
1 – FY26 Results IAG
2 – Suncorp full year results for FY26
3 – IAG FY26 presentation
4 – Wild Weather Tracker Issue 8

Number of storms by year



Note: The reporting period runs from 1 March to 28 February and is labelled in the graph by the year it ends (e.g. "2026" covers 1 March 2025 – 28 February 2026).
Source: NZI wild weather tracker



International property market

As with the local market, the international market's appetite for good New Zealand business continues with rates decreasing for both existing and new business.

Lloyd's of London Half Year 2026 results reflect the international market's softening rate environment. Despite this, Lloyd's posted an increase in gross written premium (GWP) of GBP£34.7billion and combined ratio of 90.8%, an improvement from HY25 of 92.8%.[5]

The property sector also saw a marginal increase in GWP, however, the underwriting result reduced to GBP£820million from GBP£973million in HY25. While this represents a sizeable reduction, the sector remains profitable.

Claims remain an important consideration, especially in the second half of the year, when the Lloyd's property book typically experiences a higher volume and severity of claims arising from the Atlantic hurricane season (albeit the current El Niño conditions are predicted to lower these losses), European windstorm season and US windstorm, flood and wildfire losses.

Again, as in the local market, claims remain a point of caution, with the Chief Executive of Lloyd's stating

> "Infrastructure is ageing. Threats from fire, flood and drought are being driven or amplified by climate change... The industry has decades of experience in understanding and underwriting many of these physical risks. But their frequency, severity and concentration are all increasing."[5]

Reinsurance market

Reinsurance is a critical component of the insurance market. Virtually all insurers purchase reinsurance, enabling them to offer capacity while managing volatility.

There are two main types:

01 Treaty reinsurance

Often split into two, catastrophe and risk treaty, these renew annually and provide protection for insurers' portfolios. Reinsurance capacity has increased to a new high point of US$688billion[6], because of strong profitability.

This additional capacity has increased competition and placed downward pressure on pricing, reducing costs for insurers. This trend is anticipated to continue into 2027.

02 Facultative (Fac) reinsurance

This is reinsurance purchased for individual risks, either where a risk falls outside of treaty protection or where the insurer wishes to provide larger capacity. The Fac market is also extremely competitive, with some surplus treaty capacity spilling into the Fac market.

More broadly, following the reinsurance "reset" in 2022/2023, combined loss ratios have improved, driven primarily by the benign catastrophe environment in 2026.

Gallagher Re noted:

- Reinsurers can weather an extra US$50-75biliion event and still earn their Cost Of Equity (COE) for the 2026 financial year.
- A US$150billion+ insured loss would be required to bring the premium to capital ratio back to 2023 levels.

Sources

5 – Lloyd's Half Year Report 2026 - Half Year Results 2026 | Lloyds
6 – Gallagher Re Reinsurance Market Report: Results for Half-Year 2026

Outlook for late 2026/27

The outlook remains favourable for insurance buyers. However, we expect the pace of rate reductions to begin to slow, even though treaty renewals providing renewed capacity which typically take effect on 1 January, are expected to provide some relief.

With insurer margins under pressure from reduced income and increased claims, the market may reach the bottom of the cycle within the next six to nine months. However, we do not anticipate rates increasing in 2027, unless a sizeable local loss event occurs. The diagram below shows where we see the market today.



The Market Cycle



Construction Insurance



The New Zealand construction insurance market remains relatively stable, with competition between insurers continuing to improve throughout 2026, particularly for well-performing contractors and projects.

This is creating a more favourable environment at renewal and placement. This has been further supported by the arrival of a new entrant to the local Contract Works market, adding another source of capacity and competition for certain risks.

There is also strong interest from Australian-based insurers, many of which view New Zealand as an attractive growth market and are actively looking to expand their local portfolios.

That said, insurers continue to be selective. The days of simply putting a risk in front of the market and expecting strong competition regardless of the underlying exposures are gone. The quality of the risk and information provided to insurers is increasingly influencing outcomes.

Contract Works

Contract Works remains the most competitive area of the construction insurance market.

Insurers continue to have capacity available and are actively seeking opportunities to grow, particularly on projects where there is a clear understanding of the risks, strong project governance and experienced delivery teams.

However, certain risks continue to attract closer scrutiny. Large civil works with complex ground conditions, tunnelling, dams and projects involving innovative construction methodologies remain areas where underwriters will spend additional time and attention.

For well-managed projects, pricing has generally remained stable and, in some cases, improved.

Contractors

Competition is increasing for quality contractor risks.

Contractors with strong health and safety cultures, good claims histories and well-established risk management processes continue to be viewed favourably by insurers. Underwriters are also showing a greater interest in understanding project controls, subcontractor management, quality assurance procedures and broader governance frameworks.

As a result, the quality of information provided at renewal has become increasingly important. Businesses that can clearly demonstrate how risks are identified, managed and monitored are generally achieving better premium outcomes than those relying on market conditions alone.

Professional Indemnity

Professional Indemnity conditions continue to improve, although construction-related risks remain under closer scrutiny than many other professions.

Design-and-construct exposures, geotechnical activities and projects with significant weathertightness or water ingress risks continue to attract particular attention from insurers. However, increased capacity and greater competition are helping to create a more positive environment for many insureds.

Proposed reforms to the Building Act 2004, including the move towards proportionate liability for defective building work, remain areas of interest across the market. While the legislation is still progressing through Parliament, the proposed changes are yet to materially affect underwriting approaches.

Construction Liability

The Liability market remains broadly stable, with insurers maintaining a healthy appetite for construction risks.

Areas that continue to receive particular attention include contractual risk transfer, subcontractor controls, fire exposures, design-related liabilities and higher-hazard activities. Claims inflation and rising legal defence costs also remain key concerns for insurers, particularly in relation to larger and more complex losses.

For businesses undertaking specialist activities or operating on larger projects, insurers are paying close attention to contractual arrangements, risk allocation and the use of subcontractors.



Looking ahead

Overall, market conditions remain positive for well-managed construction businesses and project owners. Competition between insurers is healthy, capacity remains available and there is a willingness to support quality risks. However, insurers continue to differentiate between businesses based on the quality of the risk, risk management and information presented. This makes the current environment a good opportunity to review programme structures, test the market where appropriate and ensure cover remains aligned with a business's evolving risk profile.

Businesses that present their risks clearly, demonstrate strong controls and engage with the market early are likely to achieve the strongest outcomes as we head into 2027.



Cyber Insurance

Year to date

Cyber insurance continues to be one of the most dynamic and rapidly evolving segments of the insurance market.

While cyber incidents remain elevated and the threat landscape continues to evolve, insurer competition has remained strong due to new market entrants, improving insurer profitability and growing confidence in cyber underwriting models.

Businesses with mature cyber security frameworks continue to benefit from stable or improving pricing, while weaker risks face increased scrutiny and more stringent underwriting requirements.

Artificial intelligence (AI) enabled phishing attacks, ransomware, social engineering losses and supply chain compromises continue to dominate claims activity. Despite increasing claims frequency, insurers remain committed to growing cyber portfolios and have continued to broaden coverage offerings in areas such as business interruption, incident response and cybercrime. Strong market capacity continues to support this competition, although underwriting discipline is gradually increasing as claim complexity and severity grow.

2027 Outlook

Cyber insurance is expected to remain one of the most rapidly evolving insurance classes during 2027, with AI likely to become the defining cyber risk theme.

As a result, underwriting requirements are expected to become increasingly prescriptive, particularly around multi-factor authentication, endpoint detection and response, privileged access management and employee awareness training.

Cyber insurers will also continue broadening their assessment of technology supply chain risk, recognising that many significant cyber losses now originate from third-party service providers, cloud platforms and software vendors rather than direct attacks on insured organisations themselves.

Insurers are also looking beyond technical cyber security controls and placing greater emphasis on evaluating cyber governance at board and executive level. This recognises the shift in cyber risk evolving from an IT issue into an enterprise-wide governance exposure.



Professional Indemnity Insurance



Year to date

The Professional Indemnity market remains favourable for insurance buyers in New Zealand, with strong insurer appetite and competitive pricing continuing across most sectors.

The increase of both local and international underwriting capacity identified in our May market update has continued throughout 2026, resulting in increased flexibility around coverage design.

Many insureds have benefited from premium rate reductions, lower excess structures and broader coverage, particularly where claims experience has remained benign. Insurers continue to seek opportunities to grow portfolios within lower-risk professional sectors, such as consulting, technology services, management advisory and non-regulated professions.

At the same time, underwriters have become increasingly interested in how businesses are adopting AI, managing cyber exposures and overseeing professional standards within rapidly evolving operating environments. These emerging risks are becoming more prominent in underwriting discussions despite having only a limited impact on pricing to date.

2027 Outlook

Professional Indemnity is expected to remain competitive in 2027 with insureds likely to experience stable pricing, favourable coverage negotiations and increased competition amongst insurers seeking quality accounts.

We expect a continued focus on AI and technology-enabled professional services in 2027, with insurers increasingly interested in how organisations govern and supervise AI-generated outputs, particularly where those outputs influence client advice, recommendations or decision-making.

While AI exclusions currently remain uncommon, insurers are expected to increase underwriting scrutiny around governance frameworks, quality control processes and professional oversight as they seek to understand the intersection between technology risk and traditional professional negligence exposures.

General Liability Insurance

Year to date

The General Liability market remains stable, with insurers continuing to compete aggressively for quality commercial and industrial risks.

Strong capacity from both domestic and international insurers has created favourable conditions for insureds, particularly within lower hazard and New Zealand based industries.

Premium reductions and broader coverage enhancements remain achievable for businesses with favourable loss records and established risk management practices. However, insurers continue to apply scrutiny to sectors presenting heightened product liability, environmental or contractual exposures.

As a result, outcomes are becoming increasingly differentiated between standard commercial operations and businesses operating within higher-risk industries such as construction, manufacturing, food production and export markets.

Pricing conditions remain favourable overall, but insurers are displaying growing caution around emerging liabilities, including PFAS contamination, environmental damage and cyber-related incidents that may give rise to third-party claims.

2027 Outlook

General Liability conditions are expected to remain stable throughout 2027, supported by strong competition and healthy levels of insurer capacity. Many insureds should continue to benefit from favourable premium outcomes. Excess liability markets are also expected to remain competitive, with insurers continuing to seek opportunities to deploy additional capacity for large corporate programmes.

From an underwriting perspective, insurers are becoming increasingly focused on emerging liability exposures that may produce long-tail losses. Environmental contamination, PFAS-related litigation, product safety concerns and contractual assumption of liability remain key areas of concern.

International developments, particularly in North America and Australia, continue to influence underwriting appetite despite relatively limited claims activity in New Zealand. Businesses with international export exposures, complex supply chains or significant environmental footprints should expect more detailed underwriting discussions as insurers seek to understand potential future liabilities.



Directors and Officers Liability



Year to date

The Directors and Officers (D&O) market has remained competitive throughout 2026 and continues to represent one of the most competitive sectors within the corporate insurance market.

Significant excess capacity from both domestic and international insurers has resulted in strong competition across primary and excess layers, creating opportunities for insureds to secure improved pricing, enhanced policy terms and increased programme limits. Buyers have also benefited from greater flexibility in negotiating write-backs to exclusions, retentions and coverage enhancements.

Although claims activity has remained manageable across New Zealand and Australia, insurers continue to monitor broader global trends, including securities litigation, regulatory investigations and governance failures. Increasing attention is also being given to board oversight of cyber security and data protection, AI governance, climate disclosures and evolving ESG obligations.

Insurers remain eager to deploy capacity, but there is increasing recognition that pricing reductions achieved over recent years are beginning to moderate as markets seek to maintain sustainable profitability.

2027 Outlook

These competitive conditions are expected to continue into 2027, although there are signs the market is approaching the bottom of the cycle. Significant capacity remains available from both domestic and international insurers, which continue to compete aggressively for quality listed and private company risks.

Most insureds with stable financial performance, good governance and favourable claims histories should therefore continue to achieve attractive renewal outcomes and maintain access to broad coverage enhancements.

The primary challenge facing D&O insurers is the growing complexity of governance-related exposures. Cyber and data security oversight, AI governance, climate reporting obligations, employment dispute issues and increasing regulatory scrutiny are all attracting greater board-level attention. Regulators throughout New Zealand and Australia continue to place greater expectations on directors regarding organisational oversight and disclosure practices.

For listed companies, shareholder litigation trends remain an area of focus despite relatively limited activity within New Zealand. Side A cover, which provides protection for individual directors and officers where the company cannot indemnify them, is also expected to remain particularly competitive for listed and private companies, as insurers continue seeking opportunities to deploy excess capital into this segment.

Get in touch

Our specialist brokers can help you better prepare, identify and mitigate complex risks.

If you would like to learn more about the latest insurance market intelligence, speak to our specialists today.

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