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October 2025

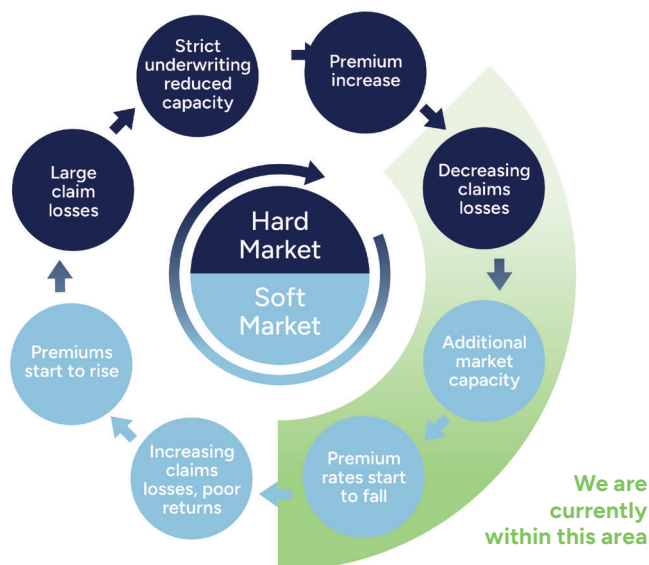
NZ Insurance Market Update

A soft insurance market driven by unique dynamics

Since our last update in November, the New Zealand Insurance market has shifted considerably and is now experiencing a prolonged soft cycle. This trend, in line with global trends, is marked by falling premiums, increased competition and a greater appetite for growth amongst insurers.

While this market creates a landscape that strongly favours buyers and presents opportunities for businesses to review their cover, negotiate better terms, and potentially reduce costs, it's important to recognise that this isn't a typical soft market; unique and complex factors are at play.

Insurance Market Cycle



Source: This diagram is an interpretation of the traditional insurance market cycle, adapted by Rothbury.

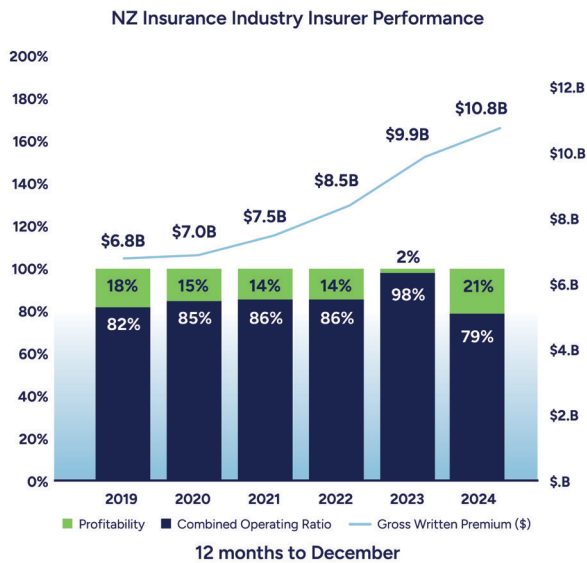
What's driving the shift: A combination of factors:

- **A prolonged period of low claims activity**, improving insurer profitability
- **Greater capacity and appetite among existing insurers** to write more risk
- **New insurers entering the market**, increasing competition
- **Economic pressure on businesses**, promoting changes in insurance strategies

While the environment is favourable, certain sectors still face challenges. Clients with poor risk management practices, high claims frequency, or those operating cool stores with EPS or in earthquake-prone buildings are unlikely to attract widespread interest from insurers or see any relief in premiums. For these businesses, strategic engagement with their Rothbury broker is essential.

Market recovery and insurer appetite

Following the significant weather events of 2023, insurers have rebuilt capital reserves and restored market confidence, driven by premium increases in 2023 and early 2024, an unusually benign claims environment, and stabilising reinsurance costs.



Source: ICNZ Market Data – All Business

As a result, insurers are actively seeking growth, with new entrants, including those backed by Lloyds of London, heightening competition. Some existing insurers are broadening their appetite, expanding into new industry sectors and offering sharper pricing, broader coverage, and more flexible terms – particularly for clients with strong risk profiles.

Rate movement and coverage trends*

As insurers compete more aggressively, we're seeing notable shifts in pricing and coverage across key product lines:

13%

Property insurance rates have dropped by up to 13%, marking five consecutive quarters of reductions.

5%

Casualty (liability) rates are down 5%, with competitive pricing across both primary and excess layers.

10%

Financial & Professional lines (including D&O) have fallen 10%, with flexible retentions and long-term agreements in some cases available.

10%

Cyber premiums are down 10%, with more innovative coverage options.

At the same time, upcoming changes to the Fire and Emergency New Zealand (FENZ) levy in 2026 are expected to place upward pressure on total insurance spend for commercial property, rural infrastructure, and other high-value assets like boats and aircraft. Although the FENZ levy is applied separately from the premium, it still contributes to the total cost of placing insurance and should be factored into budgeting decisions.

This is more than just a rate story – it reflects a shift in mindset. As the market evolves, it's important to consider not just price, but also how you can strengthen your risk position and coverage quality.

**These pricing trends are based on general market observations for medium to large businesses. Actual rates may vary by sector, region, or individual risk profile.*

Making the most of a buyer's market

With the right preparation and advice, businesses can leverage this favourable market to improve coverage, reduce costs and strengthen their overall risk position. However, not all pricing reductions offer the same value. Lower premiums can sometimes come with narrower coverage and stricter terms. As your broker, our role is to help you assess these options strategically, ensuring any cost savings are balanced with appropriate protection.



Tomorrow's risks are already here

Emerging risks are no longer distant threats – they are already impacting businesses and exposing often avoidable vulnerabilities. Understanding how these risks intersect with your business operations is not just prudent; it's essential. This awareness enables smarter, forward-looking decisions and ensures your insurance programme stays agile in an increasingly complex and fast-changing environment.

Artificial Intelligence (AI)

As AI adoption grows, so do the risks. Businesses may be held liable for how AI systems use data or make decisions, with potential for reputational or legal liability. It's vital to understand how AI is used in your business and work with your Rothbury broker to assess whether your current cover reflects these exposures.

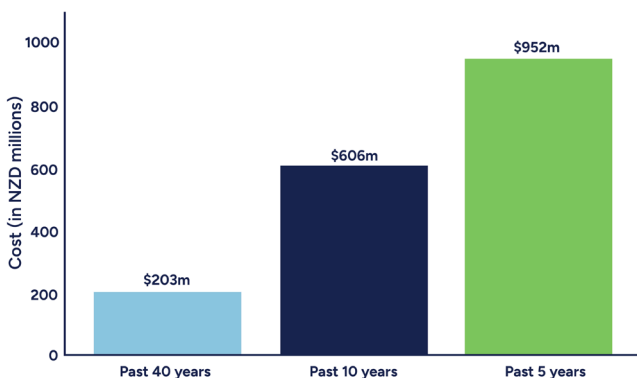
Cybercrime

Cyber threats, particularly ransomware, are becoming more frequent and impactful. It is crucial to review your cyber risk profile, including considering conducting a 'cyber readiness assessment' to prevent and respond to cyber risks, and ensure security and insurability.

Extreme weather events

Climate-related disasters are becoming more frequent and severe, affecting physical assets and supply chains.

Rising Average Annual Cost of Natural Disasters to NZ Insurers



Source: Forsyth Barr analysis and ICNZ: Cost of Natural Disasters

Underinsurance

Rising rebuild and replacement costs may mean many businesses are unknowingly underinsured. Choosing higher excesses to reduce premiums may lower upfront costs but can increase out-of-pocket costs and compound underinsurance risk. Regularly reviewing sums insured, updating valuations, and balancing excess levels with financial capacity are essential steps to maintaining adequate protection.

Any questions?

Get in touch with your local Rothbury Broker.

www.rothbury.co.nz

This report is intended for informational purposes only and does not constitute legal, financial, or insurance advice.

How your Rothbury broker adds value

To truly capitalise on current market conditions, your broker plays a critical role in this – not just as a placement partner, but as your strategic adviser. Insurers are more willing to engage with businesses they previously overlooked, offering opportunities for tailored solutions, even in challenging sectors. The key to maximising these benefits lies in proactive engagement.

Your broker will be working with you to:

- **Develop high-quality market submissions** that clearly articulate your operations, risk profile, and strengths to insurers.
- **Leverage analytics and modelling tools** to help you make informed decisions on what to retain versus transfer, ensuring your programme is both cost-effective and resilient.
- **Maintain strong relationships with both local and offshore insurance markets**, especially for complex or high-value risks where New Zealand capacity may be limited or not available locally.
- **Negotiating broader coverage, lower deductibles, or higher limits** where appropriate, and exploring longer-term agreements to lock in favourable terms.
- **Advising on optimal timing and structure** of placements to take advantage of softening rates and increased capacity.
- **Keep you informed** about emerging risks (e.g. cyber, ESG, climate) and regulatory changes that could impact your coverage or exposures.

Most importantly, your Rothbury broker plays a key role in helping you shift from being just a buyer of insurance to a seller of risk, positioning your business as a well-managed and desirable risk for insurers. With the right guidance and advocacy, they can help you unlock the full value of today's market conditions.

