

Why are my insurance premiums increasing?

Aon have outlined **4 key factors** to help you understand the increasing cost of insurance premiums across New Zealand in 2023.



ENVIRONMENTAL.

ECONOMIC.

GOVERNMENT.

RISK.

You may have some questions about why your insurance premiums have increased. Insurers regularly review the cost of providing cover and, where this cost increases, so too do premiums. There are many factors that contribute to this and below, we have outlined the top 4 in 2023. If you would like to have a deeper read, visit [Aon Insights New Zealand](#) →

1.

Environmental: Increasing frequency and severity of weather events.

When there is a significant event, such as an earthquake or floods, insurers face a surge in claims. In 2023 the Auckland floods and Cyclone Gabrielle, two of the most significant weather events in New Zealand's recent history, happened within weeks of each other. At the end of June 2023, insurers had paid \$1.8 bn of an estimated total cost of \$3.18 bn, with over 107,569 claims recorded from these 2 events. Further severe weather events occurred during the remainder of this year which have further contributed to huge surges in claim volumes. As the total cost of claims continues to increase, this means insurance premiums also increase.

2.

Economic: Increased cost of building.

Higher costs of materials and labour continue to drive increased costs in building. As prices increase, insurers adjust their premiums to ensure that they are sufficient to protect against higher replacement and repair costs. Inflation may also mean that you need to increase your sum insured values to ensure you remain adequately covered, which will also push the premium up.

3.



Governmental: Taxes and levies.

In 2022, the New Zealand Government increased the EQCover residential building cap and associated premium (levy) for homeowners. These increases were in response to increased residential repair costs and to support continued natural disaster insurance for homeowners in New Zealand. Your EQCover premium is collected by your private insurer. It is paid to the Natural Disaster fund managed by Toka Tū Ake EQC and used to pay EQC claims.

4.

Risk: The impact of high risk.

Insurance premiums are typically based on your individual risks – the higher the risk, the higher the cost to insure. Factors such as property location, exposure to flooding, size and/or value, owned or occupied, nature of business activities, risk management issues such as fire and security protection, previous claims history and coverage limits, will be considered. Insurers need to ensure that what you pay for your insurance, will accurately reflect what it costs them to provide cover.



We understand the challenges that can come with cost increases. Our teams are here to help you to make decisions that are right for you. Say **hello** to your local Aon team today.