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The reason why health insurance premiums are soaring

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A new report shows medical costs in New Zealand have seen some of the sharpest increases in the Asia-Pacific region and worldwide.

Wednesday, March 12th 2025, 9:45AM

The 2025 Global Medical Trend Rates Report from Aon measures the percentage increase in medical plan costs per employee — both insured and self-insured — over the past year.

The report provides medical trend rate forecasts for 112 countries and locations worldwide.

According to the report, New Zealand's medical trend rate surged from 7.4% in 2024 to 14.5% in 2025, marking one of the sharpest year-on-year increases.

Among countries in Asia-Pacific region, New Zealand recorded the second-highest medical trend rate in 2025, behind Kazakhstan in Central Asia at 22%. Other countries experiencing high rates were Papua New Guinea, Thailand and Vietnam.

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Globally, the average medical trend rate is expected to be 10% in 2025, following a peak of 10.1% in 2024 — the highest forecasted increase in the last decade.

The report found that Asia Pacific and North America are experiencing the largest projected medical trend rate increases, 11.1% (from 9.7% in 2024) and 8.8% (from 7.6% in 2024) respectively. Notably, these were the two regions with the lowest increases from 2023 to 2024.

"In 2024, there was a larger-than-expected rise in claimable events and procedures, which had a

sizable effect on the industry. The long-awaited impact of Covid-19 was also finally felt, as many policyholders caught up on delayed healthcare from 2020 to 2023," Aon health leader for New Zealand Anson Davies says.

"General inflation has also significantly impacted the cost of medical care, with New Zealand experiencing high levels of inflation across 2023-24. This, coupled with sustained pressure on the public healthcare system, has led more people to seek private healthcare, in turn contributing to medical inflation."

Looking ahead, Davies suggested, "while current trends remain concerning, a gradual plateau could occur as general inflation recedes, and elective procedures stabilise."

The report highlights key global drivers of rising medical trend rates, which are:

- Increased demand for prescription and specialty medications
- Innovations in medical technology
- Geopolitical factors impacting supply chains and healthcare costs
- Rising support for emotional health, with stress management and wellbeing initiatives becoming a priority

Wellbeing programs, plan design changes, alternative financing and utilising data and analytics are among the top strategies employers are deploying to mitigate rising costs while promoting a healthy workforce.

"Taking into account these rising medical trends, it's vital that employers, policymakers and insurers collaborate to find sustainable healthcare solutions that balance quality care and cost," Davies says.

INSURANCE BRIEFS

nib launch dates announced

nib Ultimate Life & Living will be launching on the March 28.

Gut on you Asteron

Asteron Life joins forces with the Gut Foundation as platinum sponsor.

Partners exits Adviser Support Programme

Partners Life has moved its Adviser Support Programme to a third party compliance provider.

Apex Advice buys life business

Auckland-based Apex Advice has acquired a well-established insurance advice business.

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