



YEAR IN REVIEW

A Shifting Year for the Construction Insurance Market

THE U.S. construction industry spent 2025 balancing extraordinary project demand with persistent economic and operational pressures.

Yet inflation, supply-chain constraints, rising material costs and a deep workforce shortage intensified risk, elevating the importance of insurance, particularly for complex, high-value projects.

Rising project values, tighter margins and material shortages heightened the consequences of delays, defaults and jobsite incidents. These pressures made robust insurance programs a critical stabilizing tool rather than a back-office expense.

Casualty markets remained strained, especially for auto liability

The construction casualty market faced pressures from escalating litigation, judgment and settlement costs as well as rising growing medical costs. Capacity remained tight at lower attachment points, often pushing contractors toward higher retentions or layered programs.

Auto liability is a challenge. Mixed fleets, dense jobsites and the interaction between commercial vehicles and the public created volatility that insurers scrutinized heavily.

Programs with strong driver-qualification standards, telematics, cameras and rapid incident reporting generally had more favorable negotiating power as carriers leaned harder into risk-control expectations.

Builder's risk

After several years of harder conditions, the builder's risk market showed meaningful softening in 2025. Insurers became more flexible on terms and capacity, and more carriers re-entered or expanded their construction property underwriting.

Higher labor and material costs, along with supply-chain uncertainty, continued to push project costs skyward, prompting construction firms to review their policies more frequently to avoid being underinsured.

That said, projects using timber and modular construction, or those with natural catastrophe exposures, continued to wrestle with more restrictive underwriting unless they could show proof of strong risk-mitigation efforts.

Subcontractor default insurance

Default frequency in 2025, driven by financial distress and operational breakdowns, appeared lower than in recent years, but costs per claim rose.

Large, projects involving multiple contractors and subcontractors that work on exteriors like siding and roofs continued to account for a large share of losses.

Contractors with strong prequalification processes, disciplined project selection and robust oversight remained best positioned to secure stable terms as underwriting tightened. Carriers continued to emphasize data-driven monitoring, standardized procedures and proactive portfolio management in response to defaults.

See 'Pair' on page 2

*Acrisure
Wishes You a Happy Holiday!*



MARKET DYNAMICS

Insurance Industry's Growth Outpaces Economy

THE U.S. property-casualty insurance industry is on track to grow faster than the overall economy in 2025, according to a new analysis from the Insurance Information Institute and Milliman.

Strong premium growth and more manageable replacement costs have helped insurers turn in a better year than many expected, even as economic risks linger. The story behind these numbers is that the insurance market has become more stable and resilient than it was just a few years ago.

That doesn't mean rates are falling or that all lines are healthy, but it does signal a market that is less crisis-driven and better able to absorb shocks from inflation, supply chains and natural catastrophes.

The Triple-I/Milliman report projects U.S. GDP growth of 1.6% for 2025, while property-casualty insurance growth is pegged at 2.4%.

The industry is benefiting from firmer pricing, growing exposure bases and continued demand across both personal and commercial lines. Replacement costs are expected to increase 2.2% this year, up from 1.4% in 2024 but still below broader inflation.

Underwriting results have improved as well. After returning to profitability in 2024 for the first time since 2020, the P/C sector is expected to post another underwriting profit in 2025, though with thinner margins.

Recent second-quarter results were among the strongest in nearly two decades, helped by fewer catastrophe losses and favorable reserve development.

Performance is uneven:

- Personal lines, especially homeowner's insurance, have rebounded. Better homeowner's results in the second quarter helped offset first-quarter losses tied to the Los Angeles fires and narrowed the gap with commercial lines.
- Workers' compensation remains the standout. Preliminary 2025 figures show that the industry is still turning a healthy

profit, which would mark the 12th consecutive year of underwriting profitability for private carriers.

- General liability is the main weak spot, with a forecast 2025 combined ratio above 107 (meaning insurers are paying out \$1.07 for every premium dollar) as severity trends and litigation pressures continue to weigh on results.

Commercial renewal rate changes

LINE	Q3/25	Q3/24
Commercial auto	7.6%	9.1%
BOP	7.5%	8.7%
Commercial general liability	5.9%	4.3%
Commercial property	7.6%	11.7%
Commercial umbrella	9%	8.6%
Workers' compensation	-1.4%	-1.3%

Source: Ivans Insurance Services

Going forward

Looking ahead, Triple-I and Milliman note that tariffs, inflation, labor-market softening and catastrophe volatility all bear watching in 2026. But with 2025 nearly in the books, the picture is clear: the P/C industry has grown faster than the U.S. economy this year and has done so from a position of improving financial strength. ❖



Continued from page 1

Pair Disciplined Risk Control With Proactive Planning

Professional, environmental liability

Professional and pollution liability markets stayed relatively stable in 2025, with steady demand and no major carrier exits.

Yet the rapid expansion of mega projects, especially in the data-center sector, has heightened concerns about risk aggregation. Large contractors generally have seen renewal rates that are flat or slightly higher and are closely tied to claims history, while the middle market has enjoyed increased competition and some rate relief.

That said, claim frequency and severity have continued to rise, which could pressure rates.

The takeaway

As project sizes grow and risk intensifies, carriers are rewarding contractors who invest in safety technology, detailed prequalification, transparent reporting and strong risk-management cultures. Markets are softening in some areas, but that softening is selective and performance-driven, not universal.

Heading into 2026, construction leaders who pair disciplined risk control with proactive insurance planning will be best positioned to secure favorable terms, protect margins and keep projects on schedule despite continuing volatility. ❖

CONSTRUCTION INDUSTRY

Industry Risks Evolve, Creating Unique Challenges

AS THE construction industry continues to rebound from the recession, contractors face evolving risks that, left unchecked, can leave their operations exposed to new liabilities.

If you already operate a construction firm, you know that there is a labor shortage that has affected the makeup of your workforce, and that hiring entities are asking builders to take on more of the design function as well. Finally, construction firms must contend with cyber-security risks if they are using technology in their operations.

Accounting for these risks in your risk management strategy as well as ensuring you have the proper insurance coverage is key to protecting your firm from these evolving risks. Here's a deep dive into three of those risks.

Lack of qualified workers

The construction industry has been wrestling with a labor shortage since before the COVID-19 pandemic, a shortage that's been exacerbated by the immigration raids carried out by Immigration and Customs Enforcement in 2025.

Approximately 439,000 new workers are needed by the construction industry in 2025 to meet demand and potentially 499,000 in 2026, according to Associated Builders and Contractors.

Now, as home construction starts growing again, many contractors are having a hard time finding qualified workers, as well as project managers, engineers and estimators. That means workers are likely taking on greater workloads, which puts them at risk of injury or making mistakes. It also means longer project times.

Also, contractors have more inexperienced workers in their ranks who are not as aware of workplace safety and lack the experience to identify hazards, which puts them and others at risk of injury.

Professional liability risks

As more project owners want an all-in-one job with the lead contractors designing and building the project, those construction firms now face a new type of risk: professional liability.

The problem is that the typical contractor's insurance policy doesn't provide protection for any design work they may take on. If they do design a project, even partially, they're not absolved of liability if they farm the actual construction work out to a subcontractor.

Courts have found that designers who cross over and perform traditional "builder activities" lose any limitation of liability traditionally enjoyed by design professionals. Builders who cross over and perform "design activities" assume responsibility for design deficiencies and can no longer push that liability to the design professional.

Cyber-security risks emerge

Like all industries, the construction sector has grown increasingly reliant on technology to get the job done. There are numerous solutions in the market that can help optimize workflows and save companies time and money.



While a construction firm is likely not going to keep clients' credit card information on its website or databases (data that hackers drool over), they do keep confidential information on project designs as well as on employee records.

Recently, a contractor foreman stepped away from his work-issued laptop at a café and upon returning saw that it had been stolen. The laptop contained confidential company information and building information, like modeling construction and design methods.

More building contracts today include confidentiality agreements that require the contractor to be responsible for potential breaches associated with their activities, and that was the case in this instance.

While it was unclear if vital company secrets were exposed, the breach required that the owner's 2,300 current and former employees be notified that their personal information may have been exposed.

Under the terms of their contract, the contractor was also obligated to pay for credit monitoring to all those employees for a year.

There was no indication that the information was ever exposed, but the notification costs and credit monitoring cost the company \$25,000 out of pocket.

The takeaway

As contractors' risks evolve, it's important that you discuss any changes to your operations when we are helping you renew your insurance policies. We can help you discern if you need additional coverages like cyber and professional liability to ensure that these risks are covered. ❖

COMMERCIAL BUILDING RISKS

How to Avoid Being Sued for Injuries at Your Property

ONE OF the biggest risks commercial property owners face is a visitor suffering an injury on their property.

One slip and fall can start a cascade of events, starting with a premises liability lawsuit seeking financial compensation. Your defense as a property owner would be proving that you lived up to your duty of care to protect visitors to your property from injury.

Also, since your commercial property policy will not cover property liability, you'll need a commercial general liability coverage as well.

Accidents happen, but if a third party is injured on your commercial property, the chances are high they'll seek some type of compensation, either for medical costs, lost wages or both. And if they seek out legal counsel, prepare to be sued.

Prevent accidents before they happen

To reduce the chance of an accident, keep a tidy facility and fix any issues that could result in an injury. Take the following steps:

- Be proactive about inspections, repairs and maintenance.
- Have written inspection and maintenance guidelines that meet or exceed industry standards, particularly as they concern safety of tenants and guests.
- Ensure your employees closely follow the guidelines and encourage them to report any issues that could result in injury.

In the discovery phase of a lawsuit, a plaintiff may ask for your maintenance and risk management procedures as well as documentation regarding whether you followed those procedures.

Your policies should be extensive and clear, but not overly intricate. Documentation is key to showing that you took reasonable steps to keep the property safe.

High-risk areas for accidents

- Parking lot
- Interior areas, such as floors and walkways
- Stairs
- Restrooms
- Exterior areas in front of and behind your property

Your defense

Keep in mind that the duty is for you to use a reasonable amount of care. What is reasonable is determined in comparison with what an average commercial property owner would do.

There are times when accidents really do happen, and you are not automatically liable for them. You are neither expected to be perfect, nor are you expected to prevent every single mishap.

Rented property

A commercial property owner may not have a duty of care when they are not in control of their property. When the owner leases the property, the lessee may assume the duty of care to maintain the premises in reasonable condition.

A lease should clearly state that the renter is responsible for premises safety, will indemnify the owner in any lawsuits and will pay the costs to defend these lawsuits.

Insurance

Finally, make sure that you have commercial general liability insurance, which covers legal defense and potential settlements or judgments, helping protect your assets and financial stability. ❖



Produced by Risk Media Solutions on behalf of Acrisure. This newsletter is not intended to provide legal advice, but rather perspective on recent regulatory issues, trends and standards affecting insurance, workplace safety, risk management and employee benefits. Please consult your broker or legal counsel for further information on the topics covered herein. Copyright 2025 all rights reserved.