CONSTRUCTION COVERAGE

INSURERS SCRUTINIZE CLAIMS HISTORIES AS COSTS RISE

AS THE construction industry continues to benefit from strong demand for large projects, the insurance market is becoming increasingly selective. Insurers are drawing sharper distinctions between contractors with strong or challenged claims histories, according to a new report.

According to Aon's "2026 Global Construction Insurance and Surety Market Report," inflation, supply-chain volatility, geopolitical uncertainty, cyber risk and growing catastrophe losses continue to influence pricing and underwriting.

Across nearly every line of coverage, insurers are rewarding well-managed risks with stable pricing and ample capacity while scrutinizing accounts with poor loss experience, catastrophe exposure or elevated liability concerns.

Here's a look at four main construction insurance lines.

Construction property

The construction property market remains relatively stable. Capacity is generally plentiful, and pricing has softened modestly following a mild catastrophe year in 2025. However, insurers remain focused on price adequacy and limiting natural catastrophe exposures.

Natural catastrophe exposures continue to drive underwriting decisions. While pricing for named windstorm, flood and earthquake risks has largely leveled off in many areas, contractors operating in high-hazard regions may face higher deductibles, tighter limits and more restrictive terms.

Water damage remains the leading source of routine construction losses, prompting underwriters to place greater emphasis on loss-control measures and technology designed to prevent or mitigate claims.

Construction casualty

The casualty market remains the most uneven segment of the construction insurance landscape. Commercial auto liability and physical damage rates continue to rise as insurers grapple with escalating claims costs. Contractors with large fleets in California face challenging conditions.

General liability rates have been relatively stable for many commercial contractors, but those catering to the public sector, residential builders and firms with significant wildfire exposure continue to see higher rates and more restrictive underwriting.

Meanwhile, nuclear verdicts and social inflation continue to increase rates for excess liability. Insurers are capping policy limits, requiring higher attachment points and becoming more selective when underwriting.

Professional liability

Professional liability conditions remain broadly stable for architects, engineers and contractors, particularly for organizations with fewer claims.

However, claims costs continue to rise due to inflation, higher defense costs and large verdicts. As a result, many carriers are pushing policyholders to take on higher deductibles and retain more risk, especially on large projects and loss-affected accounts.

Project-specific professional liability coverage remains available, but can be costly for megaprojects, where premiums often represent a significant percentage of policy limits.

Surety

The surety market remains one of the healthiest lines. Strong infrastructure spending and data center construction continue to support growth, while capacity is strong. That said, insurers are paying out more in claims in the mid-market construction sector due to:

- Rising supplier non-payments,
- Increasing performance defaults, and
- Growing contractor insolvencies.

As a result, surety underwriters are paying closer attention to financial statements, backlog management and aggregate exposure.

For financially strong contractors, rates remain stable and capacity is available.

As project sizes continue to grow, however, sureties are increasingly focused on aggregate bonding capacity and the financial strength needed to support larger, more complex project portfolios.

