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Construction Insurance Market Update

2024 Mid-Year Update

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Insurance Services | Risk Management | Employee Benefits

Introduction

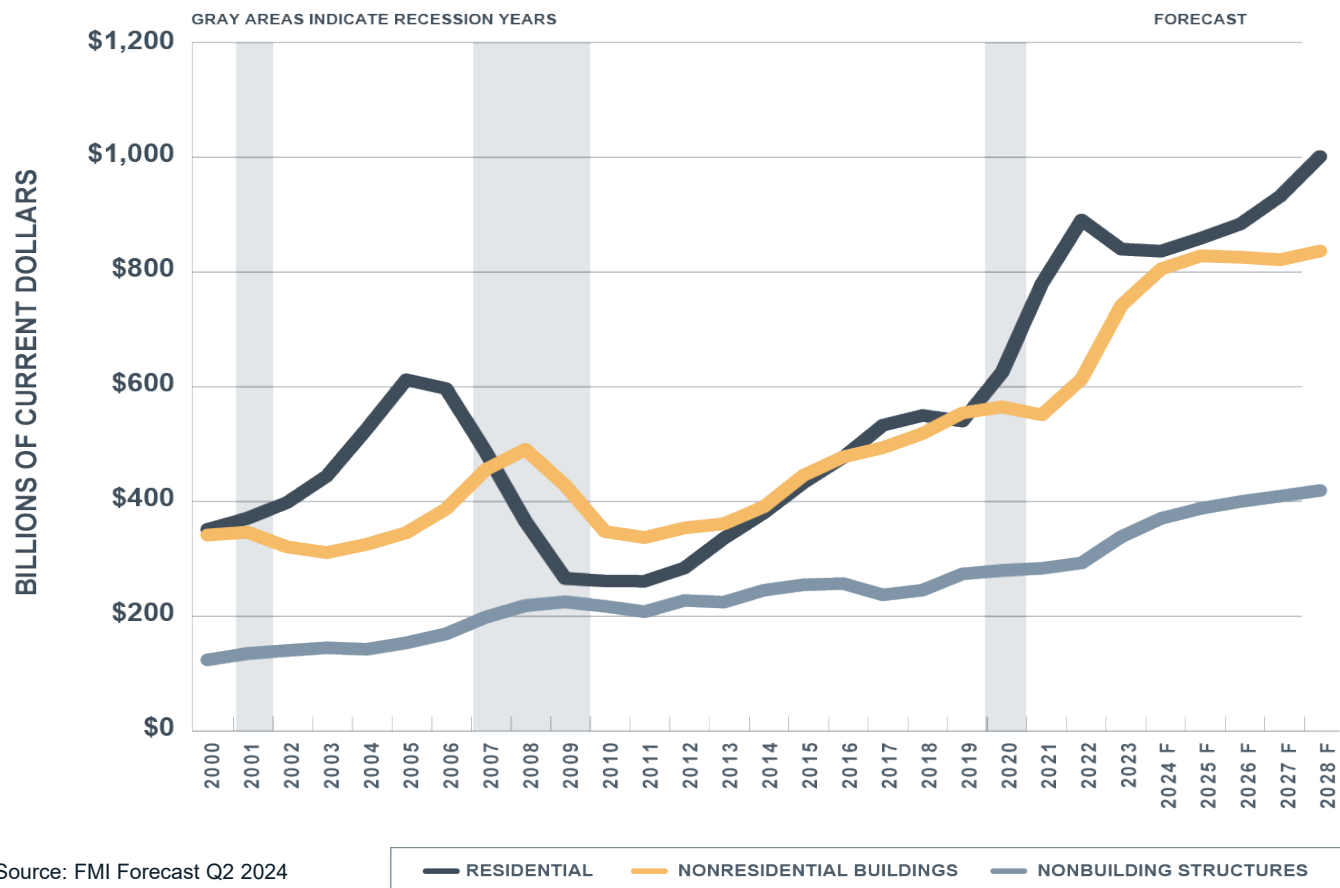
With summer upon us, we are excited to share our mid-year construction market update. This update aims to provide you with timely insights on the construction insurance landscape. Building on our previous update, this edition is designed to quickly highlight changes in market terms and conditions. Look out for our more in-depth analysis later in the year.

Our goal remains the same: to provide expert insight and collaborate with our clients, and prospective clients, to assist in navigating the evolving marketplace so that our relationships can make informed decisions for the betterment of the construction industry.

Industry Outlook

As reported in FMI’s Q2-2024 North American Engineering and Construction Outlook, “Total engineering and construction spending for the U.S. is forecast to end 2024 up 5%, a slightly slower pace than 2023’s 7%. Anticipated growth in 2024 will remain strong across all nonresidential segments, led by nonbuilding structures. High-performing segments in 2024 point to continued strong investment growth across manufacturing, lodging, public safety, highway and street, transportation, and sewage and waste disposal.”

CONSTRUCTION SPENDING PUT IN PLACE ESTIMATED FOR THE UNITED STATES



Source: FMI Forecast Q2 2024

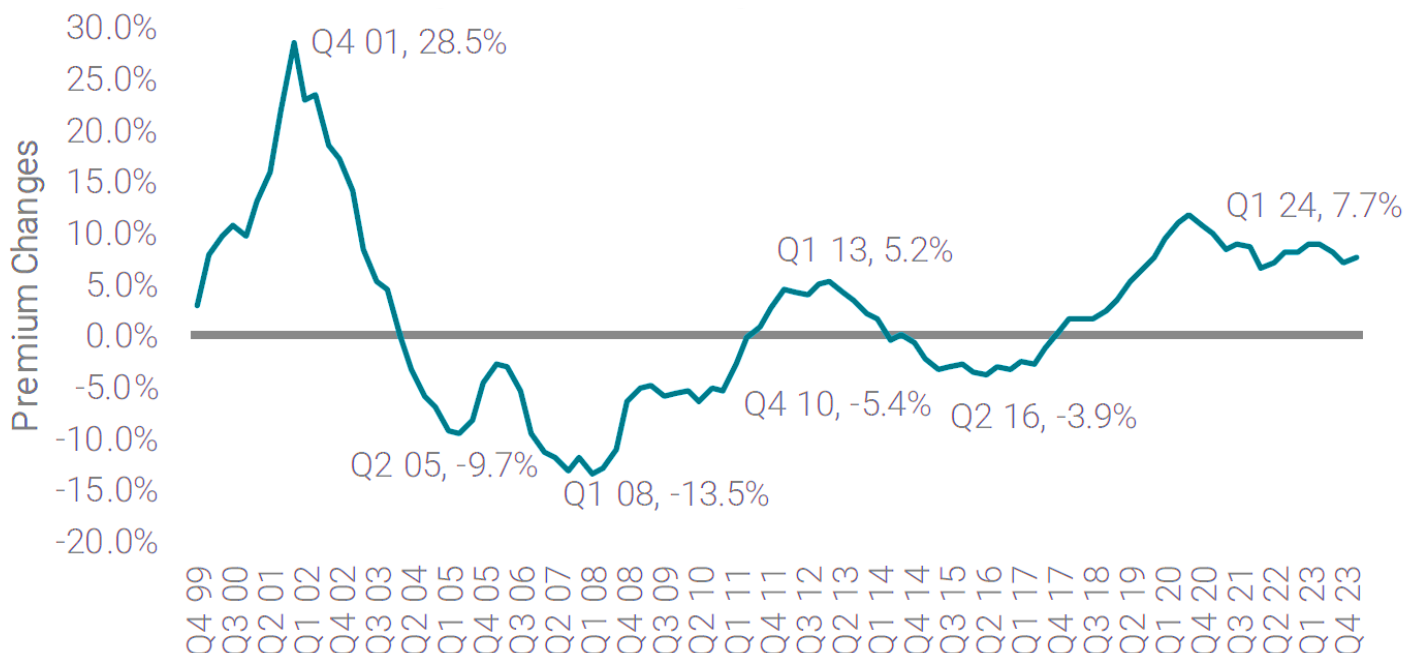
Construction Insurance 2024 Mid-Year Update

According to the Council of Insurance Agents and Brokers, premiums continued their rise at an average of 4.6% for the Construction Industry for the initial quarter of 2024. This average premium increase outpaces FMI's reported 5% forecast spend for all of 2024. Most lines of coverage maintain a nominal change year over year with the exception of the three continued problematic lines of coverage: auto, excess, and property.

This mid-year Construction Insurance Market Update will help you understand the dynamic and evolving nature of the market. It will enable you to consider both macro market events and factors within your control when assessing your insurance spend. Factors within your control include risk mitigation efforts, claims history, nature of operations, and volume of work.

To secure the best insurance program that aligns with your risk tolerance, work closely with your broker to establish a clear timeline and marketing strategy, develop a renewal budget, and secure adequate underwriting details. Purchasing decisions may warrant evaluating varying retentions, alternative risk financing, and program limits to navigate the evolving construction insurance market effectively in 2024.

AVERAGE PREMIUM CHANGES, Q4 1999 – Q1 2024



Source: The Council of Insurance Agents & Brokers

	RATE	LIMITS	COVERAGE	CARRIER
General Liability				
1 ST HALF 2024 YOY CHANGE	▲ 2% to 7%	No material change by markets while insureds carefully considered their primary attachment in their excess program.	Except for polyfluoroalkyl substances (PFAS), which is becoming a common exclusion across several lines of business, no other material changes to note.	Carriers continue their preference for low-hazard operations, while maintaining limited appetite for demolition and street and road operations.
12-MONTH FORECAST	▲ 4% to 14%	Anticipate similar strategies go-forward.	Anticipate similar strategies go-forward.	No material change anticipated at this time.
Auto Liability				
1 ST HALF 2024 YOY CHANGE	▲ 8% to 18%	Carriers continued to increase attachments to control frequency.	No material coverage changes to note.	Line of coverage remained challenging to place, best to combine with our other coverage lines.
12-MONTH FORECAST	▲ 7% to +20%	Anticipate similar strategies go-forward.	Continued advanced training, technology, and robust loss prevention measures will positively impact pricing.	Continued challenges expected to continue at this time.
Workers' Compensation				
1 ST HALF 2024 YOY CHANGE	● -5% to +3%	--	--	Carriers are expanding their offerings, and new entrants are also joining the market.
12-MONTH FORECAST	● 0% to 5%	No material change anticipated at this time.	Monitor the impact of the 2023 (CA) workers' comp law that requires certain licensed contractors to carry coverage even without any employees.	Monitor higher claim costs and increased litigation in CA, NJ, and NY, which may impact carriers' rating process.
Excess Liability				
1 ST HALF 2024 YOY CHANGE	▲ 5% to 12%	Lead layers maintained rate increases with majority of expiring placements renewed at similar limit at an increased cost.	Carriers adjusting coverage/place exclusions where primary does not contain the exclusion for portfolio management. Limited appetite for Excess/Difference in Condition.	The level of participation remained constant, with a continued reluctance to offer unsupported excess terms.
12-MONTH FORECAST	▲ 5% to +20%	Expect carriers limit lead capacity to \$2M - \$5M at a higher premium. Capacity becomes more readily available above lead \$10M, but layer trapping is still a concern.	We anticipate terms and conditions to remain relatively unchanged.	No material changes are expected; consider alternative strategies: 1) raising primary limits; 2) quota share layering; 3) higher excess limits from your current carrier.
Property / Contractors Equipment / Builders Risk				
1 ST HALF 2024 YOY CHANGE	▲ 4% to 15%	Carriers struggled to keep up with growing project sizes due to rising labor and material costs, leading to more restrictive terms and sublimits for coverages previously offered at minimal or no additional cost.	Coverage remained relatively stable. Frame construction underwriting continued with an emphasis on water mitigation, especially for residential, healthcare, and hospitality risks.	Property markets continue to scrutinize SOVs. Meanwhile contractors' equipment and builders' risk markets continue technology integration to encourage premium reductions.
12-MONTH FORECAST	▲ 8% to +20%	Continued focus on CAT and quota share for non-CAT risks. Challenges remain in structural and wood-frame, with an emphasis on technology-based water flow and mitigation systems for competitive coverage.	Expect continued scrutiny of wood frame exposures. LEG 3 terms will rise due to higher deductibles and lower sublimits. Project extensions will continue their difficulty.	Foreign markets expected to continue interest resulting in increased capacity, while follow-market capacity remains crucial for more complex quota share placements.
Contractor's Professional / Pollution Liability				
1 ST HALF 2024 YOY CHANGE	▲ 0% to 5%	Limited appetite for unsupported project-specific limits pushing need to explore alternative risk mechanisms.	Alternative delivery continued to drive claims along with rectification. Corporate terms remained stable, with appetite for key enhancements.	Market continued an increase in demand, matched by an increase in carriers entering the market.
12-MONTH FORECAST	▲ 2% to 7%	Expect markets to scrutinize infrastructure and residential projects. Insureds may experience markets opting for lower capacity offerings to manage their portfolios.	Expect markets to assess limiting alternative delivery coverage. Markets continue interest in offering coverage enhancements for traditional operation delivery.	We anticipate markets to remain relatively unchanged.

Learn more about our offerings and risk mitigation strategies:

[Looking Ahead: Cyber Liability Insurance Concerns in 2024](#)

[Building Defenses Against Cyber Risk in the Construction Sector](#)

[Cyber Liability Insurance Buying Guide](#)

[An Easy-to-Understand Guide to Private Company D&O Insurance](#)

[How to Stop the Workers' Comp Litigation Train](#)

[Looking Ahead: Employee Benefits Funding Strategies for 2024 and Beyond](#)

For more information on our Construction, Surety, and Real Estate Group, visit: [woodruffawyer.com/construction](https://www.woodruffawyer.com/construction)

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