Marsh

Construction market update 2025

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Foreword

The construction industry remains a cornerstone of economic development, driving infrastructure growth and shaping landscapes globally. As we continue to navigate a complex landscape marked by geopolitical uncertainty, dynamic technological advancements, evolving regulatory frameworks, and significant macroeconomic shifts, it's important to remain informed about the latest trends and developments that are potentially shaping peers' risk profiles, as well as the solutions being used to understand, measure and manage them.

Marsh's Construction Market Update 2025 presents details of recent changes in both industries, with content split into seven regions; Asia, India, Middle East and Africa (IMEA), Europe, Latin America and Caribbean (LAC), Pacific, United Kingdom (UK), and the United States & Canada.

For each section, we use GlobalData's Global Construction Outlook to 2029 (Q1 2025) to explore annual construction output growth performances and projections, with planned governmental investments and initiatives as well as known and expected headwinds used as evidence for these carefully considered predictions.

This analysis is followed in each chapter with an insurance product breakdown, in which Marsh Construction specialists around the world have shared their local market understanding, reflecting on the changes they have witnessed during the past 12 to 16 months. Insights are grouped by product, with commentary including variations to premium, capacity, and noticeable restrictions.

On behalf of Marsh, we hope this report provides you with the perspectives and insights to help you and your organization make informed decisions regarding your risk management strategies and insurance needs with confidence. Please reach out to your Marsh representative if you wish to learn more.

RICHARD GURNEY
Global Head of Construction, Marsh

Global update

Treaty renewal outcome

Since 2018, the construction insurance market has seen increased premiums, leading to improved margins for construction and engineering (C&E) insurers and reinsurers. While C&E insurers renew their reinsurance treaties throughout the year, a significant portion occurs at the January 1 renewal date.

In 2025, both new and established treaty reinsurers showed increased appetite due to improving insurer results. Strong support from a broad range of reinsurers resulted in all Guy Carpenter-placed treaty programs for C&E insurers being oversubscribed, with reinsurance programmes on average being 25% overplaced. No new entrants joined the insurance market at 1/1/25.

With robust supply levels and profitable track records, treaty quota share commissions increased while excess of loss pricing for loss-free programs decreased by 5% to 10%. Long-standing clients who have consistently purchased specific C&E treaties throughout the cycle achieved better outcomes, as reinsurers recognized their expertise, risk engineering capabilities, and healthy premium-to-limit gearing.

Regional update
Asia

Construction industry update

Construction output growth is expected across Asia over the next three years, according to data and analytics provider GlobalData (see Figure 1).

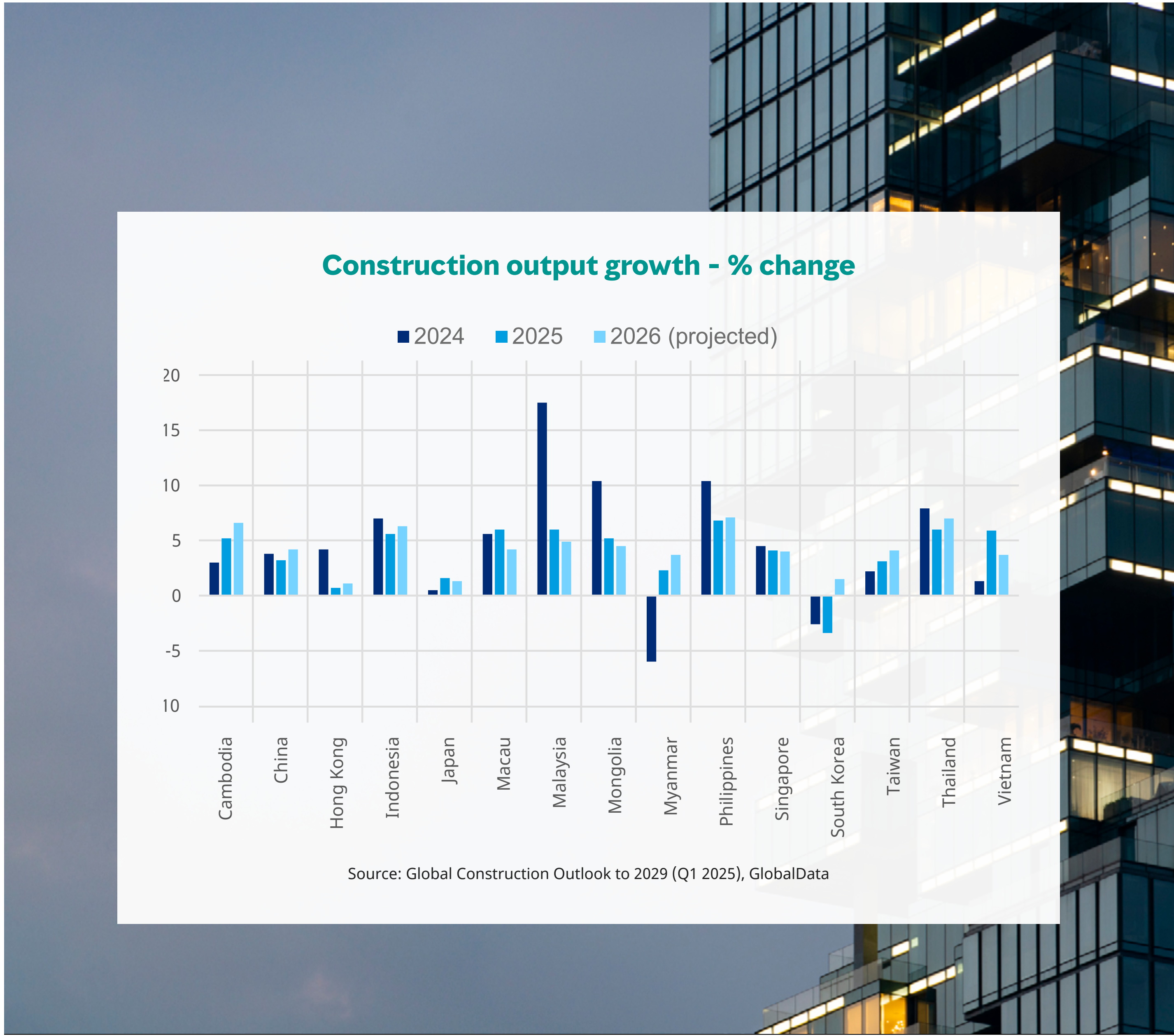
China's construction industry is projected to record an average annual growth of 3.7% through 2028, driven by investments in industrial and infrastructure projects, along with the government's plan to invest US$13.8 trillion by 2060 in its energy transition.

Taiwan's construction sector also has a positive outlook, with expected growth of 3.1% in 2025, supported by improvements in manufacturing and export activities.

In Japan, construction is forecasted to grow at an annual average rate of 1.2% to 2029, bolstered by investments in renewable energy, commercial, residential, and manufacturing sectors.

The Philippines is experiencing a construction boom, primarily due to investments in infrastructure and renewable energy projects.

Conversely, the South Korean construction industry is expected to shrink by 3.4% in real terms this year, impacted by a sluggish housing market, high construction costs, and rising bankruptcies.



Source: Global Construction Outlook to 2029 (Q1 2025), GlobalData

Product update

Builder's risk / CAR / EAR

Insurance rates for builder's risk were generally flat in 2024. No new markets entered the region in 2024, although established insurers were more willing to deploy capacity, indicating increased appetites.

The underwriting process continued to be driven by the region, rather than centralized at the head office or referral level. Insurers required detailed underwriting information for each risk. As project values rose rapidly, and with no new entrants, global capacity was required to place larger policy limits. This reliance limited the potential for pricing to decrease and terms to improve for very large placements. Major insurers tended to focus on larger projects, which helped offset an otherwise downward rating trend.

LEG 3 cover is not readily available in the region and insurers have been generally reluctant to offer it, although each case is reviewed individually. Appetite for LEG 3 did not increase. Rates for delay in start-up (DSU) were generally flat.

Liability/Casualty

Liability rates remained generally flat in 2024. The construction liability market in Asia was generally prepared to offer broad coverage, with underwriters continuing to evaluate each risk. No major insurers exited the Asian market this year, and there was no significant influx of new capacity.

Indemnity limits for projects were generally low and included under the main construction material damage policy (CAR/EAR), except for large civil infrastructure projects involving tunnelling or other heavy civil and underground construction. Underwriters required companies to provide detailed technical information in their underwriting submissions, particularly for these construction projects. Rate reductions were uncommon, and only a few insurers offered standalone primary or ground-up coverage for high-risk construction projects.

Although project values have increased significantly in recent years, the limits of indemnity for these projects have not risen at the same rate. The limited number of risks requiring high indemnity limits that necessitate global capacity placement has made the casualty market more competitive. As a result, insurers are increasingly willing to seek home or regional office approval when such opportunities arise.

Professional Indemnity (PI)

The PI construction market saw mostly flat renewals for 2024.

Identifying general trends in Asia is challenging due to the limited number of annual PI renewals. One major annual PI program renewal at the end of 2024 received quotes reflecting a reduction of 15% to 30% across different layers.

The scarcity of annual construction PI accounts, combined with a significant decline in terms for other types of PI renewals, has made construction PI a more attractive product for insurers. Some insurers were keen to quote against incumbent providers, which pressured existing insurers to lower their terms to retain their participation. The entry of new insurers helped maintain coverage and policy excess, despite claims being notified to insurers.

Of the few single project PI programs the market saw, most completed placements involved low limits and shorter durations, which could be secured in the domestic market at competitive terms typically offered basic coverage without extensions or coverage on standard insurer forms. Large infrastructure projects usually require single project PI, but many were delayed due to elections, political issues, and a lack of financing. The projects that proceeded in 2024 were primarily in high-tech industries, where single project PIs are generally not arranged.

There were no significant new entrants or additional capacity in the single project PI market. However, the lack of single project PI deals in 2024 may prompt insurers to seek growth. Underwriting appeared more focused and detailed as compared to the pre-2018 period, making it unlikely for coverage and policy excess to see improvements. Premiums may face downward pressure as underwriters aim to meet growth targets in a market with limited opportunities, barring unforeseen changes in conditions.

Surety

Recent losses among small and medium-sized enterprises brought about stricter underwriting criteria for rated surety bond providers.

Cyber

Rates for cyber insurance decreased by 17.5% in 2024. While pricing saw the biggest change, coverage and underwriting requirements remained strict, though loosened slightly.

IMEA

Construction industry update

The construction industry in Saudi Arabia is expected to register an average annual growth rate of 5.4% from this year through 2029, barring unforeseen changes in conditions. This growth will be driven by public and private investments in transport, energy, industrial, and housing infrastructure projects, along with investments in preparation for the FIFA World Cup 2034 and the Riyadh World Expo in 2030.

In Qatar, growth is expected to rebound from a year of near-flat performance in 2024, fueled by investment in liquefied natural gas (LNG), renewable energy, and commercial projects.

India’s construction industry is estimated to grow by 6.2% in real terms in 2025, supported by investments in energy, infrastructure, and industrial and commercial projects.

Construction output in Sub-Saharan Africa has faced several challenges in recent years, including high government debt, rising material costs, and tight monetary policies. However, the region’s underdeveloped infrastructure, growing urbanization, and population growth — contrary to global trends — present opportunities for future construction output.

Product update

Builder's risk / CAR / EAR

Rate increases in 2024 for builder's risk were lower than those in previous years. Towards the end of the year, rates declined in core industries, particularly civil and real estate projects with low and non-concentrated probable maximum loss (PML), as well as for certain established industrial risks.

The ambitious Vision 2030 and 2050 targets set by various governments are boosting market confidence and have attracted global attention to the region, resulting in increased capacity, budget expansions, growing teams, and new insurers entering the market.

There is ongoing scrutiny of risk information by insurers. Clients are increasingly receptive to providing essential data and prioritizing risk management. Deductible levels generally remained stable, and wider terms and conditions are accepted for specific industries or clients.

LEG 3 availabilityhas increased. Five out of seven quoting reinsurers offer LEG 3 coverage, up from just two out of seven a few quarters ago.

While LEG 2 remains the most offered coverage for design defects, some markets provide broader LEG 3 coverage. Insurers are more receptive to LEG 3 requests in key industries such as real estate, petrochemicals, and power projects, particularly when there are no novel structures or technologies involved. However, insurers have become more cautious when projects include complex construction, extensive prefabricated elements, or are combined with delay in start-up (DSU) coverage.

Throughout the year there were a significant number of lender-driven projects, most of which require clients to purchase DSU coverage. The shift in approach among some underwriters is primarily evident in the property damage section, while insurers continued to evaluate and limit their exposure on programs that necessitate DSU coverage. This often led to higher rates and extended waiting periods, with rates typically around 2.5 times the property damage rates.

Information remains a top priority for underwriters, with increasing requests for DSU monitoring services.

Liability

Employer's liability rates decreased by 10% on average in 2024. The market remained competitive with coverage standardized and often procured as an extension to commercial general liability (CGL) policies. Employer's liability is not mandatory coverage in the region, although many insureds purchase the cover.

The market also remained competitive for workers' compensation. Rates decreased by 10% on risks without losses. In India, the overall trend in workers' compensation premium rates was relatively stable.

The auto liability market was variable across the region. Coverage remained driven by standardized wordings with modest rate reductions achieved in certain scenarios. The UAE was an exception due to loss experiences and auto premium rates in India have been relatively stable since Q1 2024.

Professional indemnity (PI)

Rates for single project professional indemnity (SPPI) varied among insurers in the Middle East, depending on how the risk profile aligned with their underwriting appetite. The variability made it challenging to analyze rate movements. Despite new entrants in the SPPI market and an abundance of follow and excess layer capacity, only a limited number of insurers and reinsurers offered primary lead terms. There was greater flexibility in coverage for sub-limited extensions, such as fitness for purpose. Clients remained focused on price, purchasing coverage based on contractual requirements. A 10-year extended reporting period is still standard, though some employers insist on three or six years.

In South Africa, single project rates were relatively flat heading into 2024. South Africa has seen significant price increases and a growing appetite for SPPI. Coverage options are generally consistent among insurers, but deductibles are often set at unattractive levels. For the rest of Africa, the London or Dubai markets are often approached due to greater insurer appetites, with limits typically starting at US$5 million.

In South Africa, some insurers reduced capacity and opted for co-insurance placements on large accounts. A risk management process protocol was a common pre-binding condition and the underwriting of new business appeared conservative, marked by sub-limits and higher deductibles for specific services. Some insurers began to exclude certain professional services from SPPI, such as geotechnical services.

Typically, coverage for SPPI in South Africa is obtained by the employer; however, in some cases, this responsibility is transferred to

contractors and professionals. The limits secured are kept low due to associated costs, with maximum aggregated limits reaching US$10 million for a total period of 72 months. Unique to the South Africa market is the provision of a retro period from conceptual design, subject to a maximum of three years.

Premiums for PI were volatile and industry-specific in South Africa. The built environment experienced rate increases, mainly due to claims, with premium increases between 7.5% to 10%.

Surety

Claims activity in the commercial/construction surety market was above average. Surety premium rates are largely dependent on the strength of a company's balance sheet and the security on offer, which impacted some larger construction companies that struggled with profitability amid a high-interest rate environment. A rise in slow or non-payment impacted many companies' balance sheets, which increased the risk of a company's non-performance, leading to general rate increases of between 10% to 20%.

Insurers continued to require detailed underwriting information from new and existing clients when issuing guarantees. This impacted turnaround times for quotes and made the underwriting process more detailed and lengthy.

The surety market in South Africa remained generally flat, with growth rates hovering around 2% to 3%. The market has faced challenges as a few large firms have struggled. Guarantee underwriters generally adopted a cautious approach, as many smaller companies lacked the financial strength to meet guarantee requirements.

Surety is relatively new in India, yet growing demand drove competitive rates up compared to 2023. Reinsurance support is needed on the supply side to meet the growing demand.

Cyber

The region saw cyber rate reductions of over 25% in 2024. This was primarily driven by new capacity in the market.

India had more moderate discounts, while in South Africa cyber rates ranged from flat to increases of 10%.

Overall, cyber coverage and underwriting trends remained stable in the region.

Europe

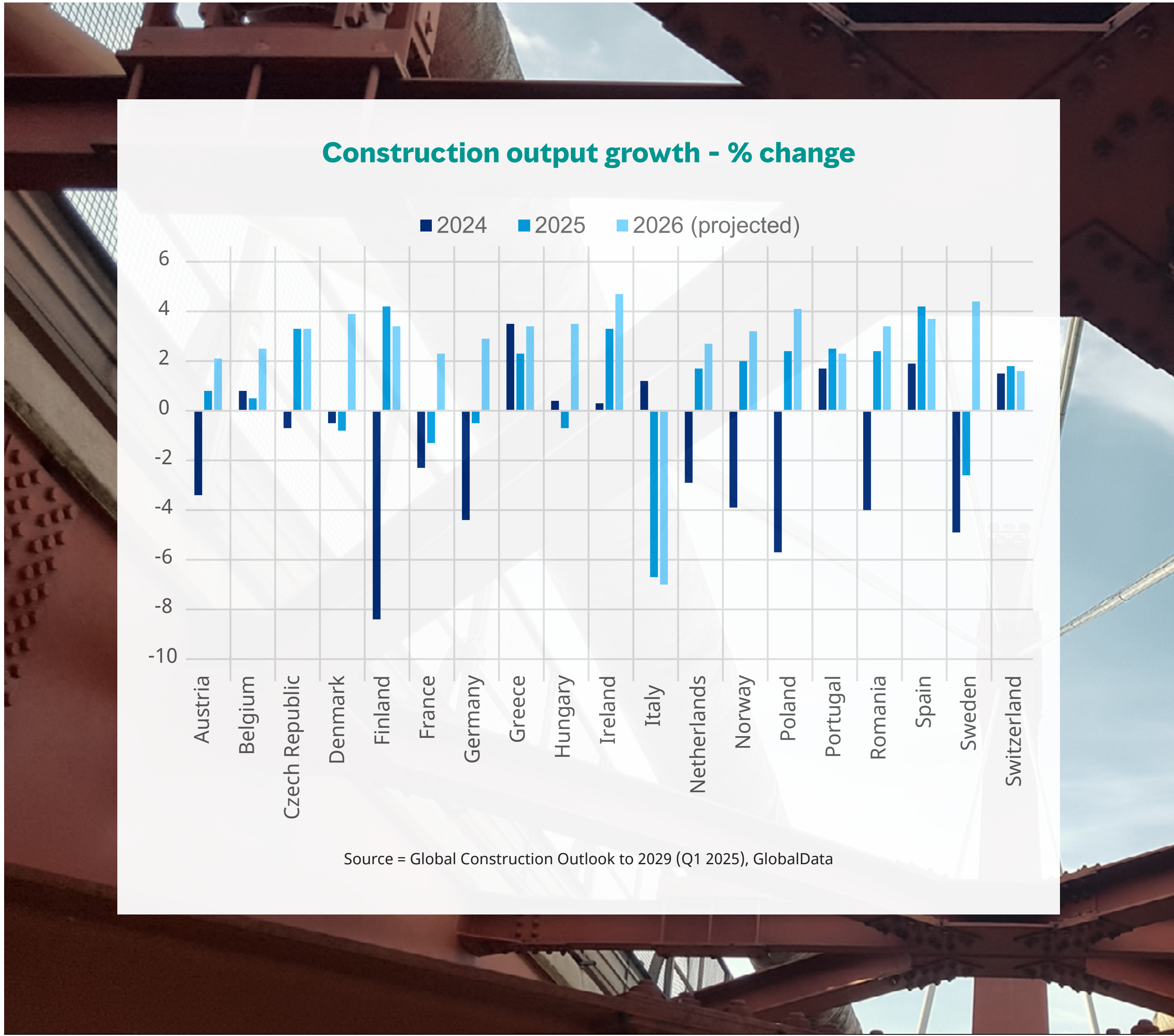
Construction industry update

Throughout 2024, the construction industry in Western Europe remained subdued, with activity constrained by weak business and consumer confidence, low demand, elevated interest rates, and rising material and labor costs. Growth in the coming years is expected to be supported by the EU’s Recovery and Resilience Facility (RRF) and national funding aimed at improving energy efficiency, low-income housing, and infrastructure development.

In Germany, the construction industry is expected to fall in real terms by 1.8% in 2025, marking its fifth consecutive year of decline.

In France, the construction industry is projected to decline in real terms by 1.3% in 2025, owing to several headwinds caused by high interest rates, falling building permits, political instability in the country, and high budget deficit, coupled with lower construction activities and labor shortage in the country.

The construction industry in Italy is anticipated to contract in real terms by 6.7% in 2025 and 7% in 2026, owing to several headwinds caused by falling building permits, and mounting public debt, coupled with weak investors and developers’ confidence. In Eastern Europe, the Russia-Ukraine war continued to weigh on construction activity across Eastern Europe. However, increased funding for regional and local infrastructure projects is providing some stability, supporting moderate growth amid challenging conditions.



Product breakdown

Builder’s risk / CAR / EAR

The CAR market in Europe saw significant pressures stemming from rising repair costs, which surged by approximately 20% in 2024, alongside persistent inflation. Insurers generally responded to these challenges by tightening pricing conditions, with increases of around 10% commonplace.

Coverage for natural events has become increasingly restrictive, with specific sub-limits for geographical zones; for instance, zones 3 to 5 are often capped at US$40 million, while zone 2 can extend to US$100 million.

Despite these constraints, the market remained competitive, with some insurers offering LEG 3 coverage.

General liability

The general liability insurance market tightened due to the economic downturn, resulting in reduced premium bases and fewer projects, particularly in the tertiary sector.

While some regions maintain stable coverage, others are experiencing premium increases driven by rising claims.

The demand for comprehensive civil liability coverage is growing, reflecting the increasing complexity of construction projects.

Surety

Generally, surety rates were flat. Capacity was more restricted for smaller and loss-making firms. Sureties continued to track the impact of inflation and refinancing risk.

Professional indemnity (PI)

The PI market in Europe continued to evolve in response to a heightened focus on ESG considerations, with insurers keen to cover sustainable building designs.

The market remained competitive, with some insurers offering comprehensive coverage for complex projects.

LAC

Construction industry update

Construction output in Latin America is forecasted to fall by 0.6% (2025), preceding modest growth of 1.2% in 2024. Nevertheless, select economies such as Panama and Colombia are forecasted to record growth of 5.8% and 5.9%, respectively.

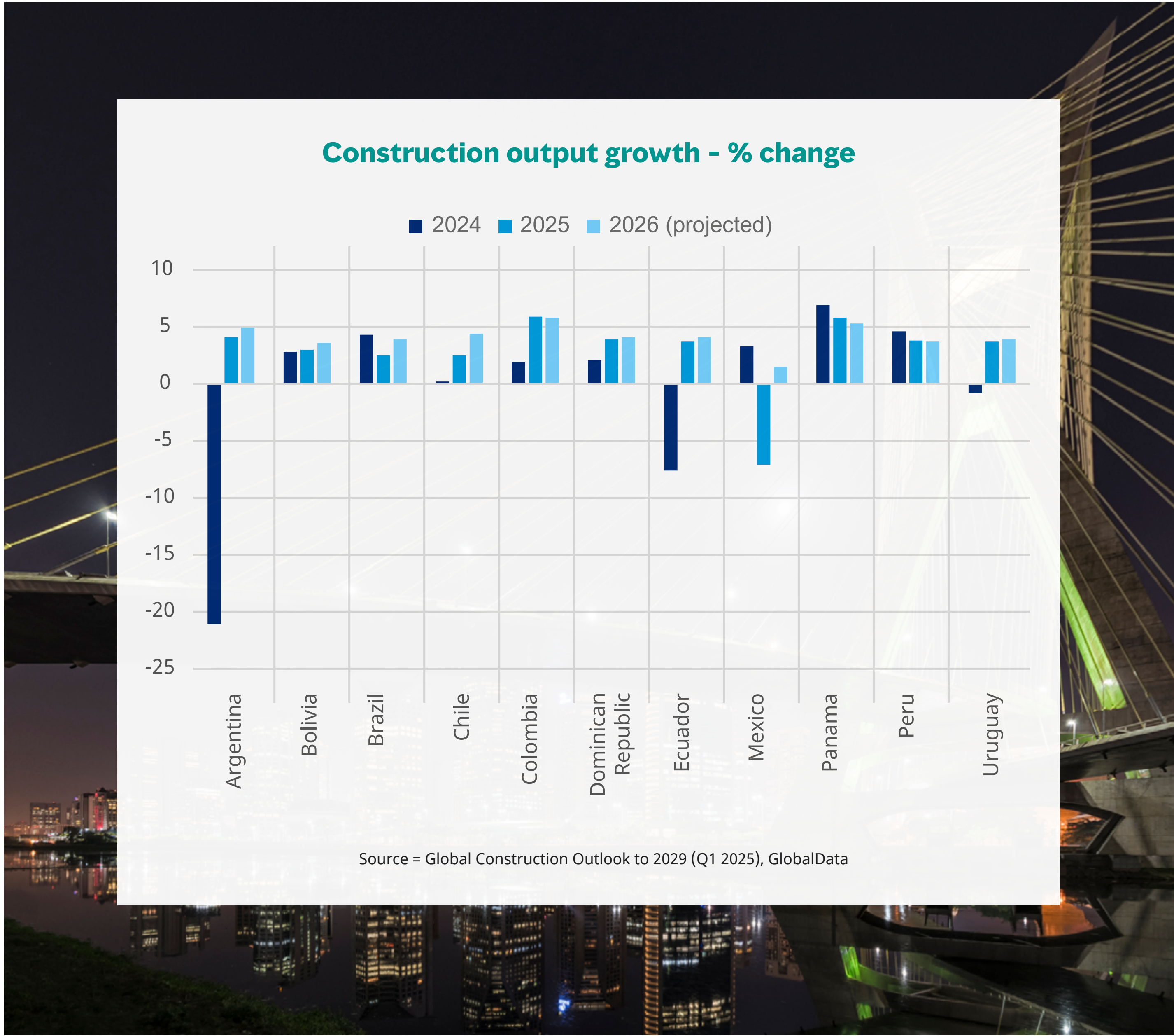
The likes of Bolivia, Argentina, Panama, and Ecuador, still face political unrest, adding bureaucratic complexities to construction efficiency.

Maritime trade distributions in the Red and South China Sea continue to limit construction growth in export-dominant economies, namely Mexico, Brazil, and Chile.

Mexico’s construction industry is expected to face headwinds such as political uncertainty amid US-Mexican relations, fiscal consolidation, depreciation of the local currency, and high construction material prices, weaker public stimulus, elevated construction material prices and high base effect.

Panama and Peru should experience strong growth during 2025, a symptom of strong public and private investment in infrastructure and energy and utilities construction.

Diverging international trade relations and the potential retainment of skilled labor could catalyze long-term construction output through to 2029.



Product breakdown

Builder's risk / CAR / EAR

Rates for builder's risk in LAC decreased in 2024. Capacity was plentiful in regional and international markets, which resulted in lower prices.

Rates for delay in start-up (DSU) were generally flat, with pricing depending on the type of project and the DSU calculation. There were no signs of meaningful changes to prices or conditions.

Obtaining LEG 3 can be challenging depending on the technology used and information provided.

General liability

Overall, general liability rates decreased. Some accounts or high-exposure activities saw flat rates. However, the entry of new insurers drove prices down in several countries.

This new capacity has heightened competition, allowing for better terms and conditions to be negotiated. Overall, underwriters required detailed information to obtain quotes.

Where available, the workers' compensation market remained relatively stable, with some countries experiencing increases or decreases of no more than 10%.

Typically, workers' compensation is included under third-party liability coverage, with Argentina being the only country that has a standalone workers' compensation market.

In Brazil, Dominican Republic, Mexico, and Puerto Rico, there is no market for employers' liability. In countries with an employers' liability market, it is usually included under third-party liability coverage.

Auto liability varied across the region, but generally remained flat. Inflation and claims frequency could have contributed to prices rising, but this was offset by a high degree of competition.

Environmental liability rates were flat. There is low demand for coverage in the region.

Professional indemnity (PI)

Reinsurers generally prefer to write single projects over writing annual policies, with annual policies generally requiring a high retention.

Single project professional indemnity (SPPI) prices remained stable, but rates varied among insurers for the same project. Generally, coverage for SPPI is more restricted in LAC compared to other regions with insurers including several exclusions in international wordings. There are restrictions for mining projects, underground activities, wet works, offshore exposure, and projects involving bridge structures. For these projects, capacity is generally low.

Capacity has been mostly deployed by the regional reinsurance market; however, there is some local capacity from traditional cedents in particular countries. Insurers tend to deploy between US$2 million and US$5 million per risk.

Cyber

Increasing competition led to lower retentions and broader coverage. Flexibility is greater in reinsurance markets than in local markets.

Some organizations took advantage of these favorable market conditions to increase their contracted limits.

There was a significant increase in claims notifications in the second half of 2024. Ransomware and extortion remain prevalent, along with large data breaches. Threat actors are becoming less selective and more opportunistic, primarily motivated by economic gain.

The evolution of data privacy regulations in the region is noteworthy. Enforcement is less active than is usually seen in the US, Europe, UK, and Australia, although this may be changing.

Surety

Argentina, Dominican Republic, Mexico, Puerto Rico, and Peru experienced stability or upward trends in surety rates.

Brazil, Chile, and Colombia faced challenges that led to varying dynamics in surety underwriting and market capacity.

Pacific

Construction industry update

The Australian construction industry recorded a slower growth of 2.7% in 2024, owing to high interest rates, skill shortages, and a weakness in the residential sector.

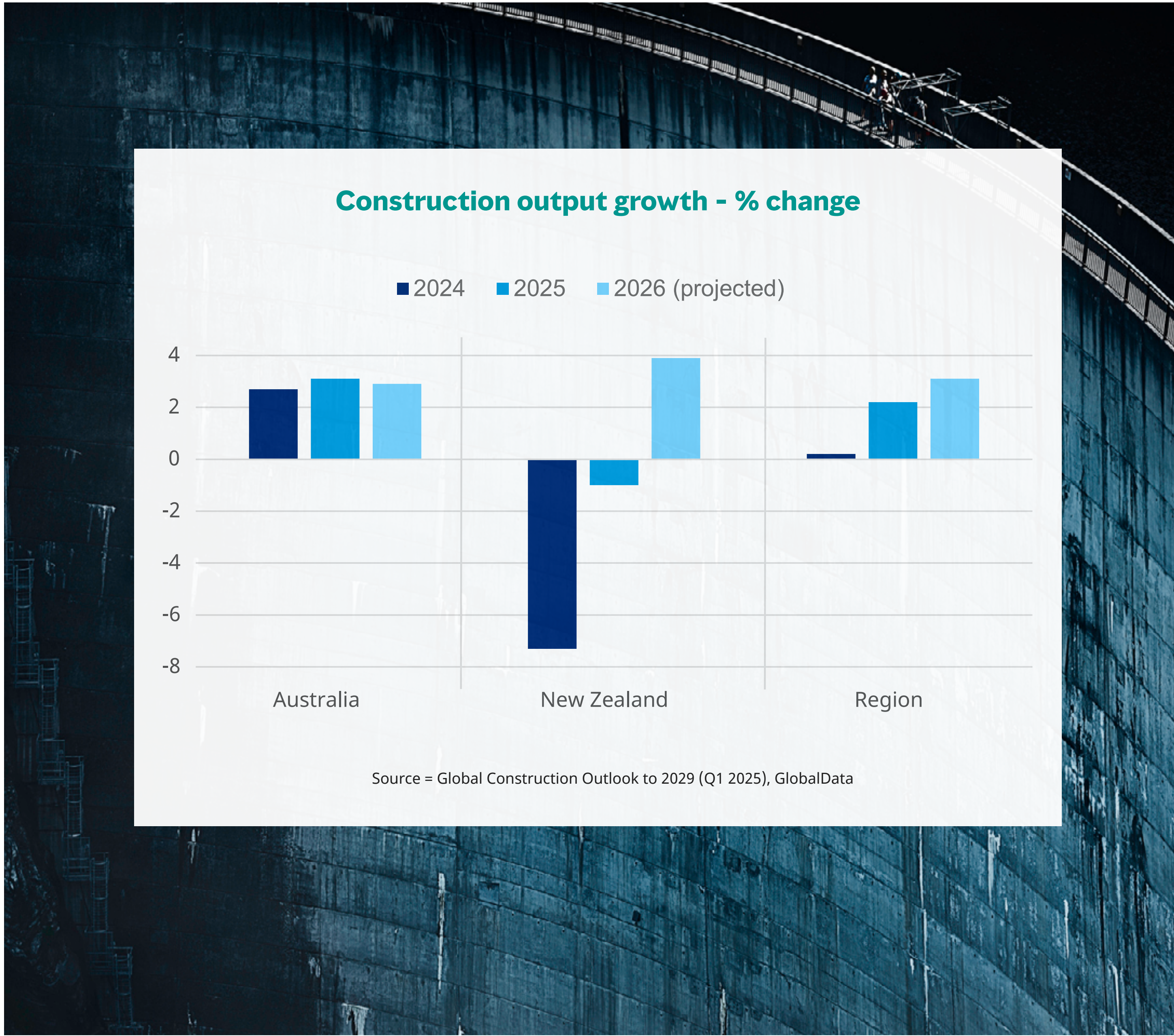
Growth was also impacted by the government's decision to shelve 50 major infrastructure projects due to rising prices and delays in construction works.

Despite these challenges, the construction industry is expected to record an average annual growth rate of 3% over the forecast period, from 2026 to 2029, owing to the increased investment in renewable energy and transport infrastructure projects.

Growth in the infrastructure construction sector will also be supported by the government's focus on completing ongoing infrastructure construction works with a budget of billion US$7 billion, unveiled in May 2024. The major ongoing projects include the US$2.3 billion Northeast Link in Victoria, the US$911 million for the existing METRONET project in Western Australia, and US$780.8 million for the Direct Sunshine Coast Rail Line project in Queensland.

New Zealand's construction industry is expected to decline by 1% in 2025, owing to high construction costs, elevated inflation rates, high interest rates, and the declining value of building consents issued.

The construction industry is expected to record an annual average growth rate of 4% between 2026 to 2028, supported by investments in transportation, renewable energy, health, and education infrastructure projects. The FY2024-25 Budget involves an expenditure of US$7.6 billion.



Source = Global Construction Outlook to 2029 (Q1 2025), GlobalData

Product breakdown

Builder's risk / CAR / EAR

In the first six months of 2024, the builder's risk market generally saw flat to minimal rate increases, with flat rates in the second half of the year other than for well-performing accounts, which saw small rate reductions.

Terms and conditions were generally stable, however, some insurers pushed for non-standard restrictions rather than underwrite the individual risks.

Insurers looked to increase capacity and previously departed insurers re-entered the market.

There were no marked changes in rates or appetite for LEG 3 or delay in start-up (DSU) coverages.

Liability

Greater competition was observed for general liability, especially from the London market which saw renewal premiums generally flat and project-specific rate reductions of between 5% to 20% as insurers sought to expand or take on new business opportunities.

Terms and conditions for general liability remained unchanged, with the exception of an increased focus on treaty type exclusions.

Claim values, specifically in the worker-to-worker liability space, increased.

Several new insurers increased competition in the excess/umbrella liability market, which led to reductions in premiums. Some companies sought to take advantage of saving in the excess of loss space by purchasing higher limits.

Similar to the primary market, expanded or new business revenue budgets drove rate reductions in the project-specific space. Renewals saw rates increase between 5% to 10%, while project-specific ranged from 5% to 15%.

Average rates for environmental liability were flat to 5%. Insurers increased rates in 2024 due to increased reinsurance costs and claims activity, as well as inflation. For risks attractive to insurers, the average rate reduction ranged from flat to 10%.

PFAS continues to be a significant area of concern for insurers globally. Insurers in Australia have varying appetite for insuring PFAS risks.

In 2024, the Australian environment liability market saw heightened competition for existing business (renewals). This was driven by a decline in the number of new business opportunities (new policies/projects) compared to the previous year.

Consequently, insurers faced challenges in achieving their growth targets. As a result, insureds saw lower rates or smaller proposed rate increases.

Professional indemnity (PI)

The Australian PI market benefited from several new insurers and capacity into both the global and local PI markets. The majority of new entrants focused on small to medium-sized enterprises (SMEs), however, several showed capabilities in writing larger contractors.

Rates fluctuated from 5% increases to 30% decreases. The largest reductions were a result of the new entrants in the market, which helped to bolster competition.

Rates were flat for single project professional indemnity (SPPI). The market did not see an influx of capacity, as seen in the corporate annual space.

Surety

Surety rates increased in response to claims. Appetite remained strong, although cautious for tier 1 and 2 construction companies.

There was limited capacity for other companies, and only one surety was willing to consider facilities for companies with annual turnover below AU$50 million.

Cyber

The Pacific observed a steady reduction in cyber rates for construction, accompanied by enhanced coverage and lower waiting times or retentions.

Sample benchmarking data from Marsh's construction client group showed an above-average rate reduction of 11.9%, compared to other industries in the region, which ranged from 5% to 11%. These savings resulted from several favorable conditions, including increased maturity in insureds' cybersecurity architecture, a better understanding of cyber risks and exposures, and improved capabilities for detecting, preventing, and responding to cyber incidents.

Increased investor confidence also led to more capital in the insurance market, allowing for greater capacity.

Cover extensions that were once limited are increasingly accessible to policyholders that can demonstrate strong cyber risk maturity.

UK

Construction industry update

The UK construction industry grew by 0.4% in 2024, hampered by rising material and energy costs, labor shortages, and persistent inflation.

Performance was further hindered by ongoing weakness in the residential sector, which has been in decline since 2023. This downturn is attributed to low consumer confidence, high borrowing costs, and a decrease in new housing orders, all of which have reduced demand for housing construction projects.

According to the ONS, total value of new housing orders fell by 10.9% YoY in 2024, while the total value of output for new housing construction fell by 5.7% YoY during the same period.

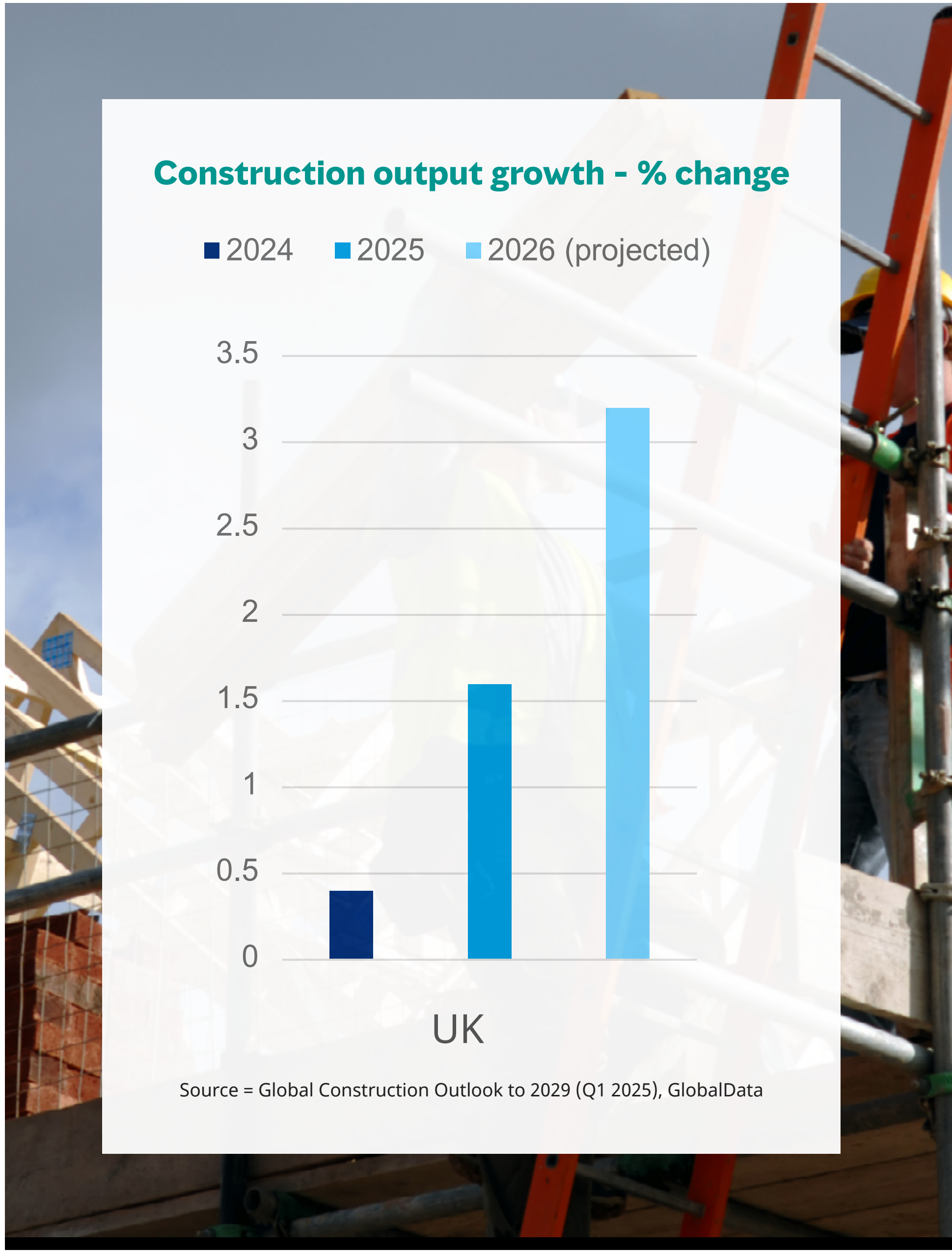
The industry is expected to record an annual average growth of 3.2% during 2026-29, supported by investments in transport and renewable energy infrastructure, with the government's aim to reduce carbon emissions by 80% compared to 1990 levels by 2035.

This confidence stems from the Government's Autumn Budget, which outlined plans to address economic challenges, strengthen public finances, and drive growth while supporting public services for the financial year.

Key allocations include £214.1 billion for the Department of Health and Social Care (DHSC), with funding for critical repairs, lab upgrades, and medicine infrastructure; £99.7 billion for the Department for Education (DfE), targeting school rebuilding and improvements; £30 billion for the Department for Transport (DfT), including investments in electric vehicle charging, cycling and walking infrastructure, and local roads; and £14.1 billion for the Department for Energy Security and Net Zero (DESNZ), with significant funding for carbon capture and storage, energy efficiency, nuclear power, and clean energy projects.

The Ministry of Housing, Communities, and Local Government (MHCLG) will receive £12.6 billion to support housing investments, including remediation of unsafe housing and affordable homes. The Department for Business and Trade (DBT) will receive £3.3 billion, with allocations for zero-emissions vehicle manufacturing, aerospace, and steel production transformation.

The budget also supports key transport projects, including East West Rail, the Transpennine Route Upgrade, and Northern Powerhouse Rail. Additionally, the devolved governments will receive over £86 billion, with £47.7 billion for Scotland, £21 billion for Wales, and £18.2 billion for Northern Ireland.



Product breakdown

Builder's risk / CAR / EAR

Rates were relatively flat in 2024 although an element of volatility still existed on large capacity or highly exposed natural catastrophe location risks. Minimal major coverage changes and restrictions were seen throughout the year.

Insurers have maintained their focus on ensuring an appropriate level of deductible is maintained or where trends of heightened loss activity due to a specific peril, for example water damage / flood levels of deductible have increased.

Delay in start-up (DSU) remains an exposure that needs to be fully understood and underwritten, so large projects with significant capacity demands are likely to still be firmly controlled by the insurance market.

Liability/Casualty

The UK liability market transitioned from a period of stability to an improved rating environment driven by new and increased capacity, wider insurer appetite, and regulatory changes.

Third-party liability (TPL) rates contracted in many areas, particularly those that are not CAT or frequency exposed.

Insurers continued to aggressively target this business in response to aggressive top line growth targets, often offering cross class initiatives and long-term agreements.

New capacity entered the liability market and renewed insurer appetite in the sector. This created additional lead capacity and increased levels of competition for rates.

Annually renewable programs differentiated between new business pricing and renewal pricing. New insurers looked to compete, often without the legacy and scrutiny around rate reductions, so that marketing efforts and limits restructuring were generally positive for insureds. Capacity was abundantly available and pricing competitive, while coverage remained wide.

Primary layers benefited most from these improvements, with excess pricing often flat or marginally reduced against increased exposure bases. Single project policies continued to improve, with a variety of lead options and fewer restrictions around period and coverage.

Insurers remained focused on PFAS, although these exclusions are generally limited to exposed areas such as energy and utilities. However, there is an increased requirement for good quality risk information at the quotation stage. This also applies to any sustainability or climate change.

The UK employers' liability market followed a similar trend. Insurers remained cautious around claims inflation, but this may be offset by the positive change to the personal injury discount rate. This change had a significant impact on employers' liability and motor pricing.

Capacity was adequate and terms and conditions competitive. Excess layer capacity was widely available, although there was no reduction in minimum rate per mile requirements, particularly for clients with large accumulations of employees at any one site or location, or with underground exposures.

Motor liability rates continued to increase, as insurers reported 2023 as the worst-performing year in over a decade. Sectors such as passenger transport and logistics typically experienced increases, while greater competition was observed for private car and van fleets.

Professional indemnity (PI)

PI rate movement in London continued its downward trend. This shift may be attributed to the growth clients achieved in the previous financial year and the overall claims landscape.

The mid-market sector saw a significant rate drop as competition for new business intensified. While there were claims concerns in the tier 1 space, rate reductions were generally observed across the board.

Throughout 2024, there was little insurer effort to restrict the scope of PI coverage. Several new insurers in the market provided clients with alternative options at both the primary and excess layer attachment points. This trend is expected to continue into 2025, with more capacity available and new budget and growth targets for the year ahead.

Significant claims concerns persisted; however, these issues did not affect renewals for those with a more favorable claims history.

London's appetite for single project professional indemnity (SPPI) began to recover in 2024. There is increased capacity and a willingness to consider SPPI, subject to project type, size, territory, and the period of insurance required.

Cyber

Rates continued to decline amid increased insurer competition, with rates falling 8%. This trend was fueled by an influx of capacity into the market from both incumbent and new insurers.

Clients with annual revenues greater than £250 million typically experienced greater rate decreases.

Surety

The market saw a significant tightening of capacity and appetite for the sector, largely due to insolvencies over the past 24 months.

Sureties are increasingly more diligent, thorough, and conservative in their underwriting approach to construction businesses, requiring more detailed and regular underwriting information.

At the same time, they are also taking a more cautious approach to the bond terms they are prepared to accept for contractors.

US and Canada

Construction industry update

US

Following an annual growth of 6.6% in 2024, the US construction industry is expected to record slower growth of 1.4% in real terms in 2025, caused by sluggishness in the commercial, industrial, and residential construction sectors.

Alongside the introduction of tariffs and uncertainty as to their future use, the industry is also facing risks from ongoing geopolitical tensions, both which could spur spiralling construction costs in the short to medium term. Additionally, the industry still faces a hangover from the previous inflationary period, which has had a significant effect on contractors and developers through rising material prices, labor shortages and margin pressure, reducing both resilience and project viability in the industry.

Despite these challenges, GlobalData expects the industry's output to rebound from the second half of 2025, before recording an annual average growth of 2% during 2026 to 2029, supported by investments in the chip manufacturing and automobile sectors at the local level.

The industry is also expected to be bolstered by public and private sector investments in data centers, energy and transport infrastructure projects.

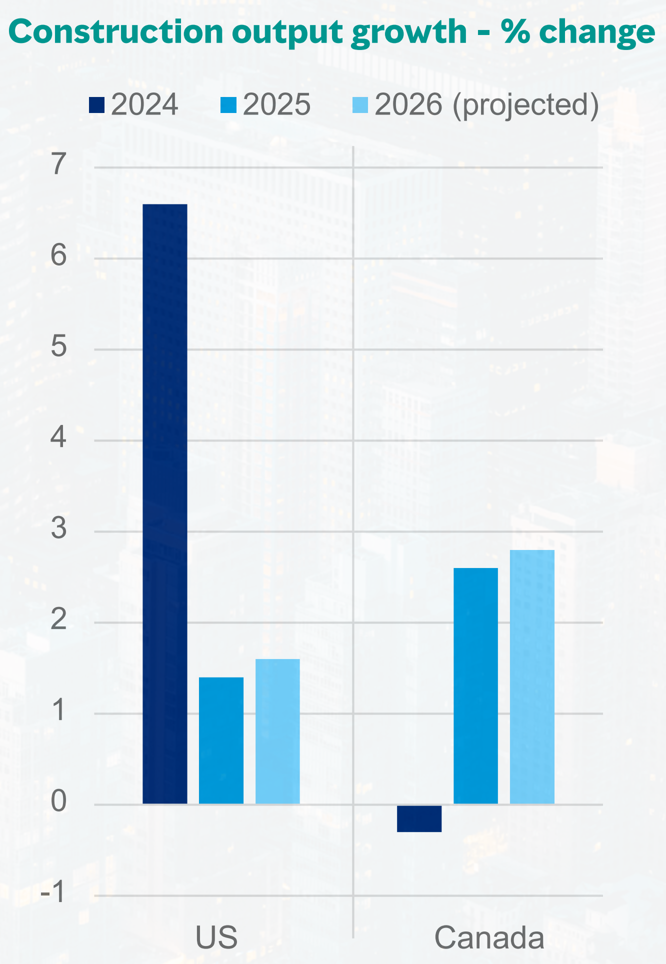
Canada

The industry in Canada is forecasted to expand by 2.6% in real terms in 2025, evidenced by increasing building permits and six consecutive months of rising non-residential building construction investment in Canada.

According to Statistics Canada, the total value of building permits issued grew by 3% in 2024, following an annual fall of 7% in 2023. Meanwhile the total investment in building construction rose 1.8% to $22.1 billion in January, as per reports by Statistics Canada, with investment being mainly channelled in renewable energy projects and transport infrastructure.

The industry's output is expected to expand at an annual average growth rate of 2.8% between 2026 and 2029. Growth will be supported by developments in the housing, transportation, industrial, and energy sectors.

Growth will also be supported by the government's target to reduce carbon emissions by 40% by 2030, as compared to 2005 levels. In addition to investing US$450.4 million in smart renewables and grid modernization projects by 2030, the Canadian government also plans to invest an additional US$187.7 million in pre-development work for major sustainable electricity projects by 2030.



Source = Global Construction Outlook to 2029 (Q1 2025), GlobalData

Product breakdown

Builder's risk / CAR / EAR

In the US, rates for builder's risk started to stabilize in 2024, but varied based on project type.

- Pricing began to stabilize depending on exposure type, and concurrent policy terms and conditions were attainable, although some policy extensions remained challenging.
- The underwriting process for builder's risk took longer as insurers responded to greater scrutiny from lenders, joint venture partners, and other stakeholders. Complex deals were generally lengthy, typically taking two to four months to finalize.
- Rates for delay in start-up (DSU) and LEG 3 were flat. US insurers seldom offer LEG 3.

In Canada, builder's risk rates were flat. Projects continued to face cost and time overruns, as well as a growing demand for skilled labor.

- Capacity increased for projects considered "in appetite" for most insurers, without natural catastrophe (NatCat) exposure.
- Pricing was steady, reflecting the measured approach taken by insurers over the past few years, along with new capacity.
- For projects with NatCat exposure, particularly following NatCat-related events in 2024, underwriters are likely to continue to limit capacity deployment and require higher retentions and stricter informational requirements.
- Underwriters paid close attention to heavy civil projects, wood frame construction, and ESG-driven initiatives, where detailed project presentations and risk engineering are important.
- Most insurers that underwrite construction have treaties that combine the Canadian book with other regions, which can help to mitigate the impact of a severe catastrophe year.

Liability

The US casualty market remained stable, with risks continuing to be scrutinized and increased competition for loss-free, moderate hazard risks.

- Capacity was challenging in New York, as well as for wildfire, residential, and street/road risks and obtaining excess wrap-up coverage was difficult due to industry losses.
- New exclusions for biometrics were introduced, along with continued exclusions for cyber and breach of contract.
- General liability rates were flat to +10%, while rates for workers' compensation ranged from -5% to 5%. Auto liability rates increased by 5% to 20%.
- Alternative risk transfer (ART) products were appealing to some clients due to continued increases in "traditional" insurance premiums. ART programs and other self-insured programs allowed insureds to exercise greater control over their total cost of risk.
- The project market remained strong, leading to insurers experiencing significant year-over-year premium and revenue growth, both from primary and excess placements.
- Capacity in the excess liability market remained limited per layer, whereas previous years saw carriers offering larger lines (for instance, while an insurer may have previously offered US$25 million, it may now offer 50% less or US$12.5 million). Structuring an excess tower required a strategic and skilled approach to maximize total limits available from insurers while balancing the program's total cost.
- Insurers benefitted from the diversity of targeted project scopes, with the largest growing segments in data centers, manufacturing, transportation, and power/energy. Residential projects tend to be less targeted, resulting in limited market participation, particularly in the for-sale residential space (including home building and condominiums).

In Canada, general liability rates declined by 4%.

- Insurers continued to manage their limits in the umbrella layers but were willing to deploy larger limits in the excess layers.
- The market was highly competitive, as insurers pursued aggressive growth targets and looked for ways to grow by deploying larger limits. Insurers were also more willing to negotiate terms and conditions than in previous years.
- Auto liability rates were flat for well performing renewal accounts.
- Capacity was restricted, as many insurers will only offer CA$1-2 million in limits.
- Many insurers continued to increase rates on renewals for environmental liability due to challenging loss experiences and increasing claims costs. Insurers that wrote risks with more complex exposures often included restrictions on coverages. Appropriate due diligence continued to be a requirement from insurers to obtain coverage.
- Mold was underwritten carefully. Severe weather events contributed to an increase in claims related to mold or indoor air quality and silt or sedimentation releases.

Professional indemnity (PI)

In the US, about 65% of insureds experienced rate increases, 20% saw a decrease, and 15% saw flat rates in 2024 influenced by individual claim activity, high-hazard project types, changes in client services, acquisitions or divestitures, and the location of risk.

- Underwriters increasingly sought retention increases on renewals and considered underwriting information carefully, requesting the percentage of design/build projects compared to other delivery methods, as design/build projects (where construction begins before design completion) were rated more heavily.
- The progressive design/build method saw fewer claims than traditional design/build methods. Insureds who submitted complete applications with transparency about claims and entered the market early tended to achieve better results. Additionally, those willing to increase retentions were generally viewed more favorably by insurers.

In Canada, annual PI rates were flat or increased 2% to 5%, driven by new insurers and a general insurer view that rates were appropriate to maintain profitable business.

- There was growing demand for higher limits, with a strong emphasis on alternative risk transfer (ART) structures, especially for clients with good to great loss history.
- Single project professional indemnity rates remained flat or increased 3% to 6%.
- New insurers rejoined the market, coverage remained largely unchanged, and ART solutions were appealing for high value, high risk projects.

Surety

In the US rates were flat.

- The surety industry remained profitable for insurers, and the top 10 insurers experienced loss ratios in the high teens, despite ongoing insolvencies at the smaller and mid-sized subcontractor level, as well as consistent volatility in the labor market and disruptions in the supply chain.
- Sureties will closely monitor macro conditions and the impacts on clients' operations and financial conditions. Top insurers may respond positively to the necessity for increased capacity.

In Canada, rates remained relatively flat among the standard and established Canadian contract market.

- New entrants and increased capacity offered more competitive rates, commissions, and facility terms.
- The market had an abundance of capacity in the mid-market, and more players looked to engage in large capacity and co-surety opportunities. The competitiveness of the mid-market led to more favorable terms.
- Large contractors faced increased due diligence and scrutiny from sureties. Projects grew in size and complexity, with multiple multi-billion projects in the same region, where previously there were only a few of this scale. This resulted is larger backlogs and pressure on facility limits, both single and aggregate. While sureties remained supportive, they sought more information around delivery and project execution.

Subcontractor default insurance SDI

In the US, SDI rates were flat, although there was a steady increase in defaults among small and mid-sized subcontractors.

New insurers and offerings increased competition in the marketplace, helping to keep rates flat while enhancing terms.

Several new buyers looked to purchase SDI, primarily general contractors whose revenues increased due to rising construction costs. Higher revenues enabled general contractors to purchase SDI, a trend that is expected to continue if building and infrastructure development grows in the US market.

Cyber

In the US rates decreased 7.5% between Q1 2024 and Q3 2024.

- 94% of Marsh clients saw year-over-year decreases in their renewal rates.
- Companies continued to increase their limits in response to declining rates.

Canada benefited from a relatively stable cyber rate environment, primarily driven by an increase in insurers entering the Canadian market, which provided more options and increased competition.

- On average, clients experienced anywhere from flat to -10% premium reductions throughout 2024. Improved cyber controls also drove more savings.
- Coverage remained relatively broad, with a few insurers expanding coverage with options for property damage, which was not previously available.
- Underwriters require a significant amount of information and clients are encouraged to provide detailed and thorough responses.

Conclusion

Marsh's global Construction Practice is one of the largest teams of dedicated construction specialists in the insurance industry. Made up of more than 1,000 construction specialists in nine global hubs, our team works closely with a variety of clients across the construction, infrastructure, and engineering sectors. From multimillion dollar turnover family businesses to multi-billion dollar multinationals, we tailor our range of services to our clients' needs and provide them with access to leading placement capabilities.

To learn more, please contact your local Marsh representative.

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