

Repricing Risk: How Inflation And Tariffs Are Reshaping Construction Insurance

Written by: Tyler Ahrenold, Head of Construction and Inland Marine, MSIG USA

Inflation isn't just raising prices on materials and labor – it's changing how risk is priced.

For contractors, higher costs show up as tighter margins and delayed starts. For underwriters, they show up as a new exposure curve that's harder to predict and more expensive to insure. What once was a straightforward pricing exercise based on historical loss data and replacement cost has become a constant recalibration of volatility, supply-chain uncertainty, and claim severity.

The work itself hasn't changed much – contractors and trade partners are still building – but every part of the process now costs more. In 2025, construction input costs climbed another 4.4% for non-residential projects, while tariffs on imported materials could add an additional 9% to overall project budgets. For insurers, that means a claim can cost 20-30% more to settle in 2026 (plus any tariff effects), and policy pricing must anticipate the total escalation.

At the same time, these economic forces have accelerated and fueled record data center construction spending. Cooling systems, power infrastructure, and automation equipment push total build costs into the tens of billions, raising not only insured values but also the potential for business-interruption losses once those facilities are operational.

As insurers adjust for this volatility and market change, they're pricing uncertainty into every policy. Premiums, deductibles,



and coverage terms are reflecting higher unpredictability in higher costs. For contractors, the cost of risk is being felt in tighter underwriting, rising insured values, and greater scrutiny at renewal. Those who can demonstrate control over costs, safety, and transparency are best positioned to keep coverage affordable.

SEVEN WAYS CONTRACTORS CAN CONTROL THE COST OF RISK

Inflation and tariffs may be outside of a contractor's control, but risk management isn't. In a market where volatility itself drives pricing, the most effective way to keep coverage affordable is to make your risk more predictable. That starts with clarity: clear contracts, consistent safety practices, transparent project data, and open communication with insurers.

1. STRENGTHEN CONTRACT LANGUAGE

Contracts remain one of the most powerful tools for managing risk. When material costs or tariffs fluctuate, who bears that burden should be clear. Escalation clauses or “cost-plus” structures can protect margins when steel or concrete prices jump mid-project. Some contractors are shifting to owner-purchased materials to remove that volatility from their books entirely. On long-duration jobs – say, a two-year data-center build – aligning insurance coverage with contract terms around delays and material sourcing can prevent costly disputes later.

2. PLAN FOR SUPPLY-CHAIN UNCERTAINTY

Tariffs have encouraged more domestic sourcing, but that doesn't eliminate the risk of disruption. For example, a contractor relying on a single regional supplier for switchgear or HVAC units could face weeks of downtime if that vendor can't deliver. Evaluate whether supply contracts guarantee price and delivery consistency across the full project timeline. For high-value equipment, consider security measures or staggered delivery schedules to reduce theft exposure. Insurers view these proactive steps as signs of control, and that can mean better pricing.

3. UNDERSTAND YOUR EXPOSURES AT EVERY PHASE

Every project carries a shifting set of risks. Underwriters price coverage based on how well a contractor anticipates and mitigates those variables. Builder's risk coverage is a prime example. Before the roof goes on or the sprinkler system is active, a project is far more vulnerable to water or fire damage. High-value materials stored on site can also become theft targets, especially as replacement costs rise with inflation. Demonstrating preventive measures – such as temporary detection systems, controlled site access, or layered security – shows insurers that you understand where the project is most vulnerable and how you're managing it.

4. BUILD A SAFETY-DRIVEN CULTURE

Underwriters consistently link jobsite safety to loss performance. Research supports this strong relationship between a company's safety culture and its onsite performance. Projects that can demonstrate measurable safety engagement often see fewer incidents and lower claims frequency, which

directly stabilizes premiums. One general contractor recently introduced a “stretch and safety” protocol before every shift – simple, but effective in reducing soft-tissue injuries and signaling a culture of accountability.

5. USE TECHNOLOGY TO YOUR ADVANTAGE

Digital tools are becoming an equalizer. Jobsite sensors can detect temperature spikes or humidity before materials are damaged. Telematics systems track vehicle use and driver behavior, reducing fleet-related claims. Even basic project-management platforms can help identify trends – like recurring delays with specific trade partners – that raise exposure. Insurers are using similar data-driven tools, including AI models that scan reports and loss histories to better understand risk. Contractors who can demonstrate that same level of insight – showing how they collect, track, and act on data to manage safety or cost – are better positioned to earn an underwriter's confidence and negotiate more competitive terms.

6. STRENGTHEN CYBER READINESS

Connected jobsites have transformed how construction gets done, but they've also created a new class of exposure. Every tablet, sensor, and project management app is a potential entry point for a cyberattack. Underwriters are watching this closely. Many are now factoring cyber preparedness into overall risk selection and pricing, because digital disruption can be just as costly as physical damage. Firms that can show a proactive stance – clear data-security protocols, network segmentation for field devices, and mandatory cyber coverage for trade partners – signal that they understand how interconnected their exposures really are.


7. DON'T SKIMP ON PROJECT MANAGEMENT AND INSPECTION

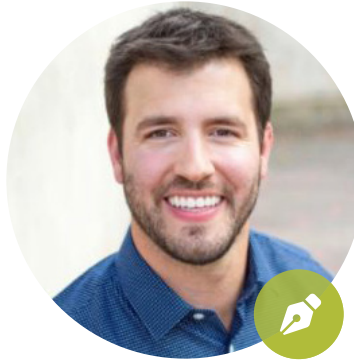
Large, complex projects bring together dozens of experts and trade partners. The more layers of oversight you can maintain, the more confident insurers are in your ability to manage risk. Underwriters pay close attention to how well critical systems like electrical, mechanical, and fire suppression are reviewed and documented. Many insurers even use AI tools to review engineering and inspection data for red flags, so detailed documentation now works directly in your favor.

YOUR INSURANCE PARTNER MATTERS MORE THAN YOUR PREMIUM

The right insurance partner can make the biggest difference in how well your business absorbs uncertainty. When materials, labor, and tariffs fluctuate, you need an insurer with staying power and construction-specific expertise – not just capacity.

Claims handling should come first, not price. Complex losses can take years to resolve, so look for carriers with in-house adjusters and risk engineers who understand how projects are built, not just how they're insured. Financial strength matters, too; your insurer should still be there when the last claim is settled.

Finally, keep the relationship open. Let insurers walk jobsites, share safety data, and recommend improvements. Those inspections aren't just audits – they're opportunities to prevent small losses before they become big ones. Contractors who treat their insurer as a partner in risk control, not a line item, often see it reflected where it counts most: in a lower total cost of risk. 



About the Author

Tyler Ahrenold is the head of Construction and Inland Marine at [MSIG USA](#).

About the Article

Reprinted from [Construction Executive](#), February, 2026, a publication of [Associated Builders and Contractors](#). Copyright 2026. All rights reserved. Associated Builders and Contractors is a national construction industry trade association representing more than 21,000 members. Based on the merit shop philosophy, ABC helps its members develop people, win work, and deliver work safely, ethically, and profitably for the betterment of the communities in which they work.

Any views and opinions expressed in this article may or may not reflect the views and opinions of the Construction Management Association of America (CMAA). By publishing this piece, CMAA is not expressing endorsement of the individual, the article, or their association, organization, or company.