

## High-Risk Construction Projects Demand Specialized Insurance

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Today's construction projects are riskier than ever and often not covered by traditional insurance. Securing casualty insurance in the wholesale market can help construction companies better execute these high-stakes ventures.

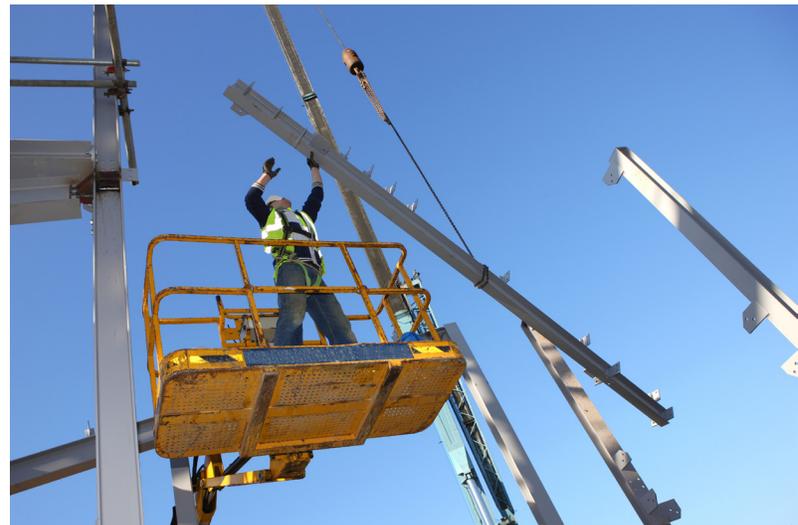
From bridges and tunnels to high-rise homes in coastal areas, more construction projects are falling into a high-risk profile. As economic, political, and environmental indicators push these projects beyond traditional insurance options, wholesale casualty coverage offers the right security to get contracts approved and shovels in the ground.

### HIGH-RISK CONSTRUCTION GETS MORE COMPLEX

Casualty insurers must underwrite increasingly volatile risks, often in high-hazard sectors like skyscraper construction, coastal development, and infrastructure megaprojects. This high-stakes, high-complexity environment is expected to grow as regulations increase and volatility in the construction space continues.

### ECONOMIC UNCERTAINTY

The past five years have kept the construction industry on its toes and reshaped risk profiles, with governmental and economic changes putting current and future construction projects on shaky ground.



According to The Hartford's Global Insights Center, U.S.-imposed tariffs on materials like steel and aluminum are now at 50%, and additional tariffs are in flux, making it difficult to meet budgets and scope future projects. Planning alone can take years before even breaking ground, and once a job starts, any shift in material or labor costs can increase premiums and undermine budget forecasts.

With all the uncertainty surrounding the future cost of goods and labor, many developers are hesitant to start jobs or take on a significant pipeline of work. Having to account for higher costs midway during construction can result in funding problems as well as quality issues.

## ENVIRONMENTAL IMPACTS

In recent years, identification of construction deficiencies in coastal areas has led to heightened risk assessments. Weather-related disasters, like hurricane season on the eastern seaboard and wildfires in the west, have also compounded the state of complex construction. The concern is not only the structures under construction but surrounding structures as well – especially those built more than 20 years ago. For example, in places like Florida, there is significant demand for high-rise residential buildings in areas with challenging soil conditions.

Effective underwriting requires much more scrutiny of adherence to building codes and best practices. Value-added risk engineering services can help developers ensure they are utilizing means, methods, and materials that reduce their risk.

## LITIGATION TRENDS

Construction sites are inherently risky and subject to lawsuits, a challenge in an increasingly litigious society. Monetary awards are climbing and even smaller awards are adding up, increasing risk and putting pressure on the cost of insurance policies. Legal system abuse is also driving costs through the roof with litigation financing becoming a multibillion-dollar business. It's evident in the amount of aggressive attorney advertising that's popping up in markets across the country.

Exceptionally high jury awards, known as nuclear verdicts, have become more frequent and severe. In addition, loss costs are rising and growing at a pace exceeding inflation. In addition, the increases in loss costs have resulted in a more challenging market for acquiring funding and insurance as carriers contemplate potentially large losses.

Furthermore, with the cost of everything, including materials and labor, much higher today than it was three or five years ago, the cost to fix or replace defects in construction has also increased as a result.

## WHOLESALE EXCESS CASUALTY MEETS DEMANDS

Wholesale insurance is a much-needed solution for the complexity of modern-day construction risks. Without adequate limits, contractors can't even step onto a jobsite. The ability to acquire coverage, especially in geographically challenging venues like Florida or New York, can make or break a project.

## MANAGING VOLATILITY WITH SPECIALIZATION

Insurers who specialize in E&S, or excess and surplus, lines typically employ staff with decades of insurance experience and deep expertise in a designated field. Guided by internal data, actuarial insights, and claims collaboration, underwriters can stay ahead of loss trends and refine appetite in the high-risk construction space.

## STAYING AGILE IN COVERAGE CREATION

The flexibility of non-admitted coverage to craft tailored solutions for wrap-ups, project-specific placements and distressed accounts is one of the greatest strengths of the E&S market. Underwriters have the freedom to refine pricing models and coverage terms and examine historical claims data and emerging trends to offer policies that meet coverage needs while safeguarding against rising claims.

## UTILIZING BEST PRACTICES TO MANAGE RISK

Claims severity is rising, especially in bodily injury claims. There are many contributing factors to this, including social and economic inflation and legal system abuse. Treating injuries has become more expensive, and even minor injury settlements are finding their way into excess layers. This can be troubling in jurisdictions that apply strict liability, where contractors may be held responsible for injuries regardless of fault, under local labor laws. Contractors who employ active safety teams on a jobsite are better able to mitigate risks.

## BROKER COLLABORATION

With carriers pulling back on capacity, especially on tougher risks, brokers who bring well-structured submissions early in the process are more likely to secure the coverage their customers need in today's constrained market. When brokers understand the risk and communicate early, it builds confidence and that's how capacity is unlocked in a constrained environment. Experienced carriers can leverage historical knowledge, identify future trends, and focus on what high-risk projects need to satisfy insurance coverage demands. 



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## About the Author

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## About the Article

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