Global Construction Insurance and Surety Market Report

2026

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Introduction

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Introduction

As we approach the second half of 2026, there are meaningful opportunities and cause for optimism in the global construction industry — despite operating in an environment of persistent complexity.

The value of construction activity worldwide is expected to grow from roughly $16 trillion in 2025 to $17 trillion in 2026 and to reach nearly $22 trillion by 2030[1]. Construction activity continues to expand, with digital infrastructure, power generation and other critical assets creating a robust pipeline of large-scale projects. Climate risk, extreme weather and aging assets are also heightening demand for the construction of resilient infrastructure. Insurers and regions remain well capitalized and growth oriented, and market conditions, while varying by region and risk class, remain favorable for well-managed risks.

At the same time, the industry is confronting challenging market trends that show few signs of abating. Inflationary pressures on material and labor costs continue to intensify, compressing project margins while enlarging and complicating budgets. Supply chain disruptions persist, and lead times for key materials and equipment remain uncertain. Labor shortages and skills gaps, particularly in specialized trades and technology-enabled roles, remain fundamental obstacles. The industry's increasing digitalization heightens cyber risk, pushing companies to balance risk and return.

Regulatory and compliance requirements, including building safety standards, sustainability disclosure and local content rules are compounding the complexity inherent in these projects.

Construction industry spending already represents around 13 percent of global GDP[2], including the 220 million people employed globally in construction[3], the industry's direct value added, and all upstream and downstream industry activities. And today's artificial intelligence (AI) boom can scale only if construction and power meet the demand — requiring investment, materials, labor and more. Insureds can make strategic risk moves today to manage cost, risk and profitability. At the same time, they can focus on strategies to address supply chain disruption and geopolitical volatility while hedging to address commodity and raw materials price volatility.

Note: The conflict in the Middle East is evolving and uncertain. The uncertainty may affect supply chains, project timelines and other issues. Currently, the extent of the impact is unclear, so a proactive and vigilant approach is recommended. Although the situation will continue to present challenges, the region's resilience and stimulus initiatives are expected to support long-term growth of the construction sector.

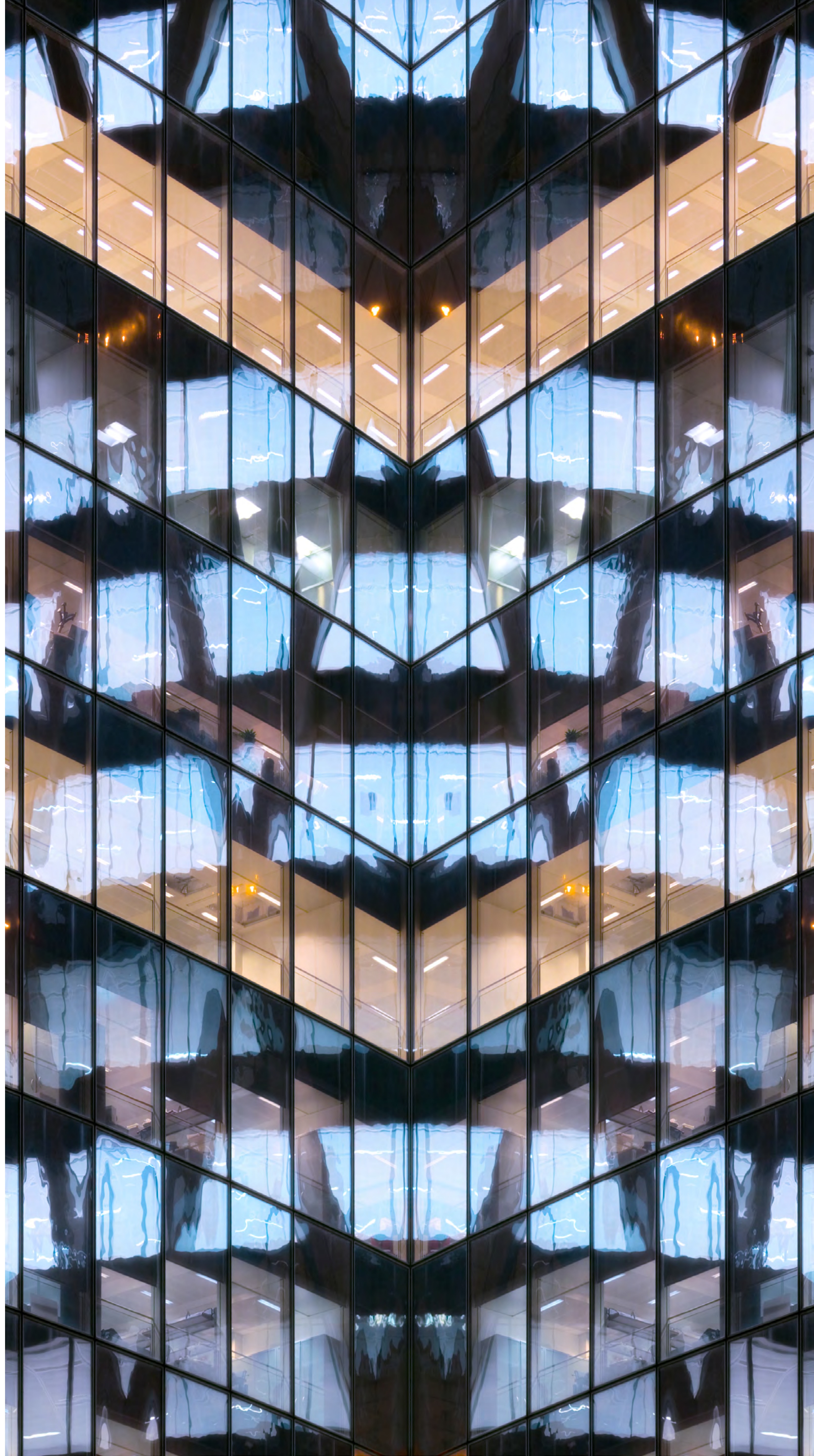
[1] "Report 2026: Projected to Reach $21.73 Trillion by 2030, Growing by $4.5 Trillion During 2026-2030," Research and Markets, January 28, 2026, https://www.globenewswire.com/news-release/2026/1/28/3227258/0/en/Global-Construction-Market-Report-2026-Projected-to-Reach-21-73-Trillion-by-2030-Growing-by-4-5-Trillion-During-2026-2030.html.
[2] "Global Construction Trends," Market Prospects, August 13, 2021, https://www.market-prospects.com/articles/global-construction-industry-trends.
[3] "More than two million workers will be needed in the construction sector in Europe by 2030," International Trade Union Confederation, June 30, 2023, https://www.ituc-csi.org/more-than-two-million-workers-will-be-needed-in-the-construction-sector-in-europe-by-2030.

Key Trends Shaping the Industry

- **Exposures from macroeconomic and geopolitical volatility persist.** Inflationary pressures, commodity price volatility and trade disruptions continue to affect projects across many markets. Supply chain fragility, exacerbated by geopolitical tensions, remains a common cause of project delays, cost overruns and procurement failures, with the implications magnified for insureds and insurers.
- **Cyber exposures are commanding closer attention.** As construction sites and project management environments become increasingly interconnected and data dependent, cyber risk considerations have become more central to underwriting. Insurers are sharpening their focus on cyber exposures across construction portfolios, while companies are elevating their cyber risk management to a project-level priority.
- **Advanced technologies continue to reshape risk assessment and mitigation.** The increased use of data and analytics — including building information modeling, digital twins and project monitoring — is allowing insurers to evaluate and price risk more accurately. These advances support underwriting and contribute to loss reduction. They are also beginning to enable more tailored and innovative products.

Factors Driving Growth

- **Three sectors are driving global construction demand.** Digital infrastructure, power infrastructure and other critical assets are the main engines of construction growth worldwide. Demand across each of these sectors is expected to remain strong, driven by the energy transition, the expansion of the digital economy, and the need to modernize and climate-proof aging assets. Research shows data center build-outs are expected to generate $3 trillion in global spending through 2030[4].
- **Projects continue to grow more complex, and private financing continues to rise.** Private financing is playing a growing role in helping large-scale projects become reality. Large and complex projects require robust risk transfer from the earliest stages of project development, dictating that companies must use both project risk management and insurance.
- **Rising demand for resilient infrastructure will increase investment in the global construction industry.** Intensifying climate risk and extreme weather boost demand for more resilient, sustainable infrastructure and for upgrades to existing and aging infrastructure. Increased investment in sustainable construction across transportation, energy, housing and other sectors will help expand the market.



[4]Matthew Thibault, "Breaking down the data center opportunity for builders in 2026," Construction Dive, January 22, 2026, https://www.constructiondive.com/news/data-centers-construction-2026-trends/810016/.

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Construction Property Insurance

2 Market Overview

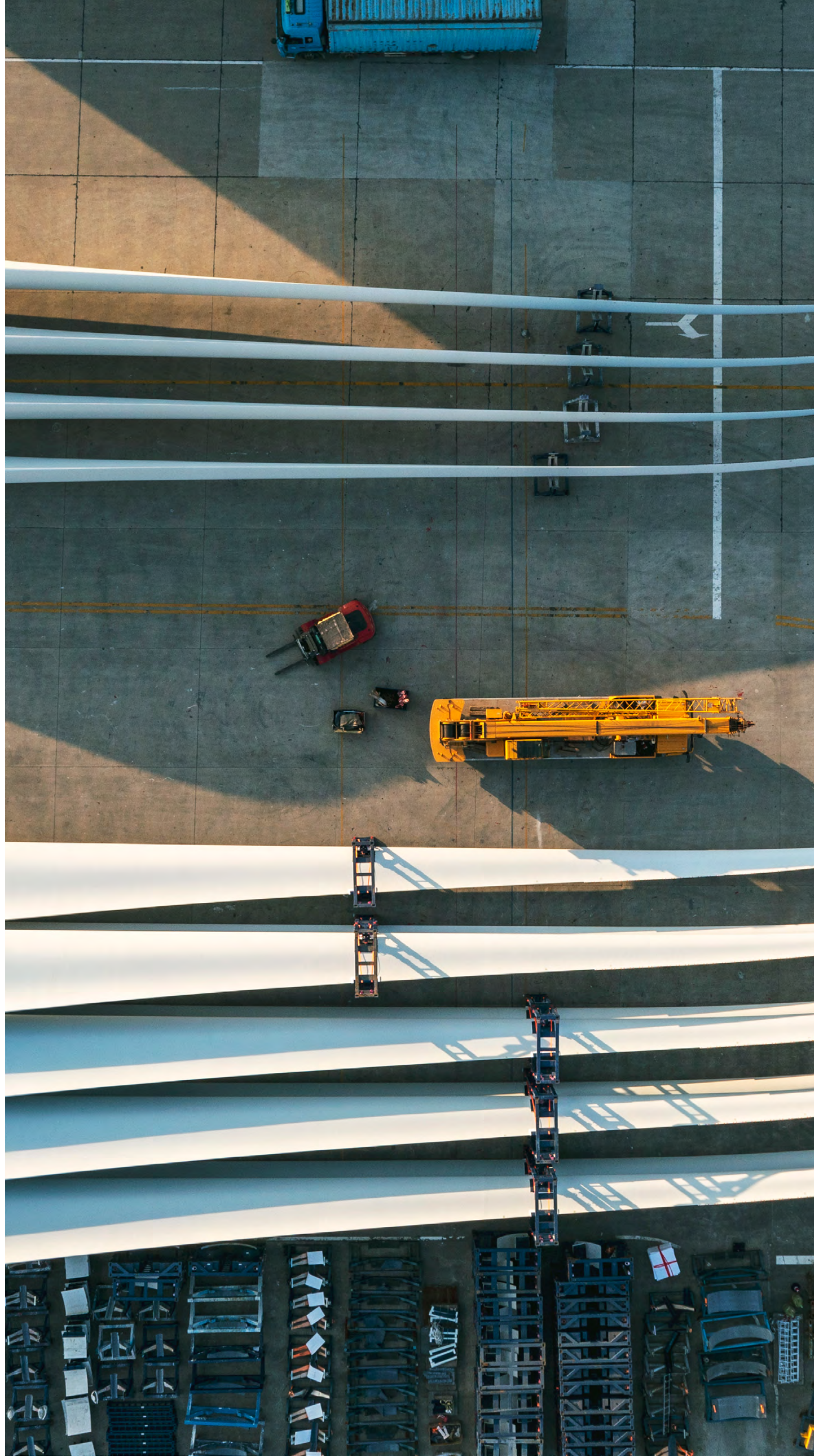
The construction and infrastructure industry continues to face a mix of headwinds and tailwinds in property insurance. On one side, natural catastrophe and secondary peril exposures (wildfire, severe convective storms, floods and earthquakes) remain a key concern, driving technical pricing, tighter limits and higher deductibles in high-hazard regions. On the other side, improved reinsurance conditions and strong competition for well-managed, loss-free projects are helping stabilize capacity and terms across much of the market.

Market growth is becoming more narrowly focused by region and segment. Demand is strongest in sectors such as data centers, the energy transition and large-scale infrastructure, where project values are increasing and many developments now include dedicated power-generation assets or other complex engineering features. Asia, parts of North America and other regions with significant infrastructure and digital-economy investment are expected to remain active, although heavy civil and underground works continue to attract closer scrutiny from underwriters.

While there is meaningful variation by geography and project type, capacity is generally available for construction property risks, with most insurers preferring quota-share participation and capping individual lines on larger projects.

Increased losses related to natural catastrophes remain a significant industry challenge. 2025 was a relatively mild catastrophe year, which has gradually led to a softening market. Even so, global natural disasters continue to cause economic losses, underscoring the growing volatility that construction stakeholders must navigate. Total economic losses reached approximately $260 billion, with nearly 55 percent of all losses occurring in the U.S. alone. Severe convective storms and wildfires were especially damaging, driving record losses in several regions and highlighting that secondary perils are becoming primary cost drivers alongside flooding and tropical cyclones.

The peril mix and regional profiles continue to vary. In the U.S., wildfire and severe convective storms dominated loss totals, while Europe saw major summer storm outbreaks across Central Europe, France and Italy. In Asia-Pacific (APAC), losses were led by events such as the Myanmar earthquake, combined with significant flooding and tropical cyclone impacts. The Americas were heavily affected by Hurricane Melissa in the Caribbean. On a cumulative basis since 2000, tropical cyclones and flooding have each generated more than $2 trillion in economic losses, and all perils combined now total roughly $8.65 trillion in global economic losses, equivalent to about 7.8 percent of 2024 global GDP.



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Insurers are maintaining a strong focus on adequate pricing, catastrophe-modeling transparency, delay in start-up (DSU) exposure and construction quality controls — especially for projects in catastrophe-prone areas or with complex DSU profiles. For the construction industry, this environment reinforces both risk and opportunity to mitigate risk. Projects in catastrophe-exposed areas face heightened vulnerability to wildfires, severe storms, floods, earthquakes and tropical cyclones that can damage works in progress, disrupt supply chains and cause substantial delay in start-up costs. At the same time, improved catastrophe modeling, climate scenario analysis and better forward-looking flood projections — such as indications that U.S. pluvial flood risk could rise by 12 to 19 percent by mid-century under certain emissions scenarios — are helping project sponsors and insurers better quantify exposure and design more resilient infrastructure. Parametric covers and other innovative risk transfer solutions are increasingly important for attracting capital, managing volatility and enabling faster recovery after events.

For more information on trends related to climate change and natural catastrophes, see our 2026 Climate and Catastrophe Insight report.

2 North America

High-Level Overview

Market capacity remains plentiful, but lead insurer options are still limited to a select few. Quota share participation is the preference of most insurers, particularly on projects valued over $100 million, where capacity from any one insurer is usually limited to 35 percent. Market softening is expected to continue following a mild natural catastrophe year and heightened expectations of growth for insurance companies.

Insurers are expected to focus on price adequacy, with particular attention to natural catastrophes and secondary perils such as wildfire and severe convective storms. The limits of individual insurers could be affected in cases with significant accumulation across first-party property portfolios.

Market Detail

United States

Natural catastrophe exposure varies by region. Earthquakes are the most important risk in California and the Pacific Northwest, but the impact of atmospheric rivers has raised concerns about flooding. Severe convective storms are the major concern in the country's central and Midwest regions, particularly where large property values are accumulating as a result of data center construction.

Storm surge exposure along the Gulf and Atlantic coasts and possibly Hawaii could be significant, while wildfires are a major risk in arid areas, particularly in the West. Finally, named windstorms (NWSs) are an issue in Florida, the East Coast and possibly Hawaii.

Capacity, pricing and insurer approach vary by type of natural catastrophe. Capacity and pricing remain relatively flat for NWSs, floods and earthquakes, though NWSs in Florida are still a challenge to place. A tightening of limits and/or increased deductibles — including percent value at risk at time of loss (VARATOL) for wildfire and convective storm in high-hazard areas — has occurred.

Water damage continues to be the attritional loss driver for standard "four-wall" building construction, which means that insurers have increased their focus on deductibles and the use of technology to reduce risk exposure and/or quantum of loss events. The London Engineering Group (LEG) 3 clause and similar enhanced Defects Exclusions (DE) are still available from most insurers, but different approaches are emerging. Examples include proprietary company wording, tighter definitions of damage or defects, higher deductibles, and the occasional use of sub-limits.

Market growth is likely to be focused in a few segments:

- Construction related to pharmaceutical manufacturing and research facilities is continuing to grow rapidly because of technological advancements fueled by new classes of drugs and medicine.
- Data center construction is booming and expected to continue growing. Projects are multiple times larger than they were even a couple of years ago, significantly increasing power requirements. As a result, a rising proportion of projects include dedicated power-generation facilities, with more interest in small modular reactors (SMRs).
- High levels of investment in government infrastructure represent a significant opportunity. For instance, the replacement of aging infrastructure and other improvements remain high priorities.

Project cost increases are resulting in a corresponding change in policy terms, with issues related to labor and mobility, the availability and cost of financing, the deployment of federal funds, the impact of tariffs, and other continued inflationary pressures. Cost increases for ongoing projects often far exceed the automatic escalation provisions in policies, thus requiring midterm adjustments. All other peril (AOP) deductibles are being pushed up by the high costs of replacement and repair.

Opportunities may exist around alternative risk transfer options. The higher focus on natural catastrophes and secondary perils, including wildfires and severe convective storms, could lead to the development and use of alternative risk transfer options, such as parametric insurance.

Canada

In the Builders Risk (master and project-specific) and Contractors Equipment segments, insurers are expanding their appetite and have clear aspirations in their pursuit of new market share. However, their growth targets are more subdued than last year. Many markets targeted expansion of 10 to 12 percent in 2025, but most have tempered expectations in 2026 to 7 to 9 percent. This range will still allow for increased competition, which will drive continued flexibility on terms, conditions, and rates.

Builders Risk placements for large, mega and complex projects are using a combination of domestic and London-based or European underwriters. The preferred option depends on the type of project and where companies can obtain the most suitable terms. For smaller projects, domestic capacity is usually sufficient.

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For wood frame construction, which attracts higher rates than other construction types, the class is seeing some downward pressure on rates. However, traditional policy requirements — for example, adherence to warranties for high-hazard operations (such as hot works) and best practices in risk control — still remain.

Appetite for mass timber risks continues to grow, but rates are still inconsistent due to the lack of claims data. Markets also vary in how they classify mass timber by construction class: Some markets view this category as (engineered) noncombustible, while others place it in the middle ground between frame and noncombustible. Another factor that influences rates is whether mass timber is used as structural elements of the building or only for aesthetic purposes (for example, decorative elements in a lobby). Some insurers also continue to require a delamination exclusion.

Severe weather risks and other perils will continue to affect project insurance terms. In addition, improved data from insurer modeling have caused underwriters to deploy less capacity for flood and earthquake as they seek to manage their overall natural catastrophe exposure. Water damage deductibles for towers and large mixed-use developments still exceed previous standard deductible amounts despite the damage from water being potentially mitigated by the deployment of technology solutions. Design coverage (LEG & DE) under a Builders Risk policy is a focus for underwriters and will affect project insurance terms.

Environmental issues, regulation, technology (encompassing new construction methods, machinery and materials and risk mitigation technology such as sensors and the Internet of Things), supply chain volatility and tariffs will influence how insurance markets react to construction risks. Contributing factors include an emphasis on eco-friendly and sustainable building materials, regulatory and building code changes, technological advancements, and climate change. Insurers will also have to grapple with rising inflation and an ever-evolving skilled-labor force.

2 EMEA

High-Level Overview

- With a few exceptions, pricing continues to soften in the European Union (EU) construction insurance market, supported by robust underwriting capacity and strong competition among carriers. Projects with high natural catastrophe exposure and those with prototypical or scalability elements are subject to increased technical scrutiny, with a particular focus on effective risk engineering, resilient design standards and comprehensive risk information.
- While the current situation in the Middle East has impacted contract negotiations and caused delays as parties reassess the provisions and allowances for time and cost implications to renegotiate terms where possible, the region has a solid forward book of infrastructure projects. The short- to medium-term effects on supply chains and the cost of fuel and materials will see delivery costs increase with the escalation of project values and the cost of insurance. Long-term impacts are still unknown. Many countries, such as Saudi Arabia, are shifting focus from high-profile giga projects to investments in AI, digital technology and critical infrastructure to meet key milestone objectives and priorities. As a result, construction growth will continue well into the future.

Market Detail

France

The Construction All Risk (TRC, Tous Risques Chantier), continues to be shaped by:

- **Enhanced accumulation management:** closer monitoring of multi-line and multi-project accumulations.
- **Stricter risk selection:** underwriting decisions shaped by the quality of technical documentation and robustness of risk management.
- **Capacity discipline:** reductions on natural catastrophe and political risk exposures, largely influenced by reinsurers.

Insurers are increasing retentions, particularly on TRC programs with high natural catastrophe exposure and in certain territories (notably the U.S. and Canada). At the same time, they are tightening policy terms through sub-limits, targeted exclusions, more restrictive clauses and formulations. Rising repair and reconstruction costs are driving higher loss ratios and creating sustained upward pressure on pricing. However, for projects supported by well-structured risk management frameworks, TRC rates have largely stabilized. Reinsurance and administration costs are having a significant impact on decennial-type covers, contributing to consistent technical pressure on these long-tail lines.

Projects linked to the energy transition are attracting strong interest from underwriters and benefit from prioritized capacity allocations, provided that risk engineering and project governance maintain high standards.

Germany

Insurers are still providing ample capacity and keeping rates steady.

For 2026, the underlying price level is expected to remain unchanged. However, premium discounts are anticipated to grow for policies with minimal losses, while terms are likely to deteriorate further for contracts with poor claims performance. Competitive pressure has intensified as new providers enter the market and existing insurers aim to move from a supporting to a lead role.

Construction, infrastructure and industrial developments can secure robust, high-quality protection through combined project insurance solutions.

These comprehensive programs typically bundle construction all risks (CAR), third-party liability and professional indemnity exposures. A broad spectrum of insurers are active in this space, and the right market access is critical to achieving adequate and efficient risk transfer, especially for large-scale or highly complex schemes. Although premiums vary depending on the individual risk profile and project characteristics, overall rate levels have largely settled.

Persistently high loss costs from water damage have caused some insurers to limit capacity for stand-alone CAR placements or insist on higher water-related deductibles. At the same time, underwriters are placing increased weight on loss-prevention strategies and transparent risk management, with particular scrutiny on projects incorporating hybrid-timber construction methods.

Italy

The Italian construction insurance market experienced strong demand in 2025, driven by substantial public investment in infrastructure and the ongoing energy transition. Capacity is generally adequate but increasingly selective. For large projects, only a small number of insurers typically act as lead insurers on these risks, which keeps competition relatively low.

Flood-related catastrophe losses in recent years have led to tighter terms and conditions, particularly for projects in exposed areas, and a more disciplined, technical approach to underwriting. The Italian civil code requires builders, contractors and developers to purchase Decennial Liability insurance for most types of construction projects. Therefore, reinsurance continues to play an important role, especially for large infrastructure and renewable energy projects — only a few markets can underwrite these types of risks. Looking ahead, demand is expected to stay stable through 2026, thanks to major infrastructure development initiatives, building renovation and energy-efficiency upgrades. Leading Italian clients are expected to further invest outside Italy by participating in tenders abroad.

Netherlands

Insurers are experiencing increasingly competitive pricing. Water damage remains a frequent source of loss across portfolios, leading to rising deductible levels. Insurers are prioritizing risk control and loss prevention.

Sustained high profitability continues to attract both new market entrants and returning capacity. As a result, virtually all risks can now be placed with insurers active in the market, contributing to downward pressure on premiums.

The country needs a significant amount of additional housing. Many companies are delaying projects as they await permits, particularly in light of Per- and Polyfluoroalkyl Substances (PFAS)- and nitrogen-related regulatory requirements.

Nordic Countries

The market is traditionally very competitive, with local insurers often underwriting 100 percent of large risks. This began to change over the past five years as some major local insurers rebalanced their portfolios. Because of this shift and the increasing designation of construction as a strategic growth segment, many international insurers are recruiting local underwriters in the Nordics.

The market is currently characterized by abundant capacity and intense competition, particularly on projects with low natural catastrophe exposure and strong risk management. This heightened competition is exerting downward pressure on rates. At the same time, underwriters are still exercising discipline in how they deploy capacity on large and complex risks, especially those involving new technologies.

Spain

The market is expanding and remains highly contested, with lower pricing for uncomplicated placements. Demand for erection all risk (EAR) and CAR has increased in line with a higher volume of upcoming building and infrastructure projects, alongside a strong flow of new international projects. For more conventional risks, premium levels are under downward pressure, reflecting a crowded marketplace and the presence of additional capacity.

For large, technically complex projects, terms are softening slightly, influenced by the breadth and quality of underwriting data, the degree of natural catastrophe exposure and the site's geographical profile.

The inherent high-severity nature of these covers means that insurers are placing greater emphasis on demonstrable risk governance and proactive loss-mitigation practices when assessing and pricing submissions.

Middle East

While the current situation will continue to present challenges, the region's resilience and priority infrastructure and stimulation initiatives should support long-term growth.

The market continues to expand and enjoy significant support from reinsurers. Enhanced competition is resulting in competitive pricing for buyers despite growing project complexity. The EAR and CAR insurance markets are keen to deploy more of their existing capacity to strengthen their market position, ultimately creating significant oversubscription on some placements for critical infrastructure.

Broader terms and conditions have returned, including the reinstatement of previously excluded provisions such as wider defects covers and wet-works clauses. As market conditions evolve, insurers are increasingly opportunistic, expanding their appetite and deploying more capacity. Eager to capture a slice of the action, new entrants — including managing general agencies (MGAs) and international insurers — are setting up offices in the region. They are seeking to gain access to continuing investments in most sectors, such as the intended spending on AI and high tech and the infrastructure needed to support the ambitious plans.

The construction sector will continue to be a growth engine, and the region is well supported by reinsurers competing for new premium income. That being said, risk profiles and natural catastrophe exposures will be closely scrutinized by underwriters and their risk engineers; the softer market in all operational sectors is making construction a prime target to support growth objectives.

APAC

High-Level Overview

- The market remains broadly competitive, particularly for well-managed risks with low loss history and exposure. Competition is supported by improved reinsurance conditions, although disciplined underwriting, higher deductibles and tighter terms continue for natural catastrophe exposures and technically complex projects.
- Market conditions are increasingly segmented, with strong appetite and capacity for real estate and standard infrastructure risks but more technical pricing and selective capacity deployment for heavy civil works, underground construction and natural catastrophe-prone locations.
- Insurers have heightened their emphasis on catastrophe modeling transparency, DSU calculations, construction quality controls and governance amid growing demand for high-limit coverage for data center, semiconductor, energy and large-scale infrastructure projects throughout the region.

Market Detail

Asia

High-Level Overview

Construction property/CAR conditions across Asia remain generally competitive for well-performing, well-managed projects, supported by improved global and Asia property-catastrophe reinsurance conditions at the January 2026 renewals. However, natural catastrophe exposure (wind, flood and earthquake), complex engineering (wet works/underground) and projects with challenging DSU profiles continue to attract technical pricing, higher deductibles and tighter terms.

Key Market Trends

- There is improved competition for loss-free programs, especially where natural catastrophe modeling and accumulation management are robust.
- Continued segmentation: Real estate and “benign” onshore risks remain the most competitive, while heavy civil works, underground works and large-span structures are the most demanding.
- Ongoing growth in high-tech manufacturing (data centers, semiconductor and battery plants, and power-generation plants) increases demand for higher limits, DSU and specialist endorsements.
- There is greater scrutiny of construction methods (such as modular and mass timber), quality assurance and control, and contractor supply-chain resilience.

Underwriting Focus Areas for 2026

- **Natural catastrophe modeling transparency:** hazard maps, probable maximum loss and estimated maximum loss assumptions, accumulation by zone, and loss mitigation evidence.
- **DSU:** robust schedules, realistic delay assumptions, critical-path analysis and sound contract liquidated damages structures.
- **Quality management:** testing commissioning protocols, water ingress controls, fire protection strategy, and contractor and subcontractor oversight
- **Project governance:** change management, third-party interface management and lessons learned from prior phases.

2026 Watchlist

- Peak-zone natural catastrophe accumulation that could increase deductibles and sub-limits (flood, typhoon wind and quake).
- Complex engineering and underground works: high-severity, single-loss potential and limited lead appetite.
- Battery energy storage systems (BESS) within data centers: fire protection, testing and commissioning and DSU sensitivity.
- Long project durations and extensions: careful attention to policy periods, escalation clauses and exposure creep.

Table 1: Anticipated Rates, Insurer Appetite, and Capacity by Region and for Selected Countries

Region or Country	Rates	Insurer Appetite	Capacity
Asia (Overall)	Competitive; moderate decreases for best in class, with technical pricing in natural catastrophe hot spots	Good on well-managed risks; selective for natural catastrophe and complex engineering	Generally adequate; strongest for midsize projects
China	Soft to competitive in many segments; technical pricing on complex or large values	Strong, particularly for growth sectors	High in key hubs
Hong Kong	Competitive; more technical pricing for complex works	Selective on high-severity property profiles	Adequate; terms may tighten on higher-risk occupancies
India	Soft to competitive for many classes; risk selection drives wide dispersion	Strong on infrastructure and industrial; cautious on natural catastrophe aggregation	Ample; mix of domestic and international support
Indonesia	Stable overall; higher deductibles and tighter wording for natural-catastrophe-exposed projects	Selective; improved where risk engineering and management is strong; limited or restricted for underground, wet works, transmission and distribution (T&D) works	Adequate but managed for quake/wind/flood accumulation; moderate increases for low-risk commercial construction, while specialty/industrial (mining and energy) remains constrained
Japan	More disciplined; firming for natural-catastrophe-exposed risks	Cautious; underwriting for profit persists; cautious in providing high natural catastrophe limits	Constrained at the top end; structuring often required
Malaysia	Competitive; moderate decreases on loss-free portfolio	Good for infrastructure and real estate with strong controls	High for most placements; accumulated exposures are carefully managed
Philippines	Stable; natural catastrophe exposure drives deductibles and sub-limits	Selective in catastrophe zones	Sufficient but more conservative in peak zones
Singapore	Competitive; modest decreases on loss-free portfolios	Strong for quality risks and well-presented DSU	High; regional hubs support larger limits
Taiwan	Competitive; rates soft in low exposure segments; pricing for complex works and photovoltaic systems	Cautious; underwriting for profit persists; policy limits and conservative in terms and conditions	Adequate; terms may tighten on higher-risk occupancies
Thailand	Generally stable; infrastructure exposed to earthquakes (EQ) may see firmer terms	Cautious on flood and new EQ exposure; better on engineered mitigation	High; peak-zone capacity carefully managed
Vietnam	Soft to competitive; continued interest for industrial/infrastructure projects	Growing appetite, especially where sponsors are strong	Increasing with more participants

Australia

Australia's construction sector entered 2026 at historically elevated levels of activity, with a large volume of work tied to residential construction, healthcare, data center development and energy project sectors. The lead-up to the Brisbane 2032 Olympic and Paralympic Games is expected to generate a substantial uplift in construction project activity across South East Queensland. Accelerated investment in transport infrastructure, venues, athlete and media accommodations, urban renewal, and supporting social infrastructure will create a deep, multiyear pipeline of work and materially expand opportunities for contractors in major works, specialist trades and ancillary services.

There is growing interest in, and uptake of, latent defects insurance (LDI) in the Australian market, with New South Wales at the forefront. Regulatory reform, large-scale residential development and a heightened focus on building quality are fueling demand for first-party, no-fault structural defect cover.

Early engagement from other states and territories signals a gradual but discernible broadening of appetite for LDI solutions nationally. Capacity in the Australian contract works insurance market remains robust, with strong local participation even following some recent insurer consolidation.

The market is further underpinned by increased engagement from London insurers, whose growing appetite and line size on Australian placements continue to reinforce overall capacity and support competitive terms for well-presented risks.

Underwriting assessments are placing greater emphasis in insurers' underwriting reviews on persistent skilled-labor shortages — particularly in key trades and professional roles. This trend reflects rising labor costs and slower project delivery, which materially heighten overall project and claims risk across Australia.

For well-performing construction programs, insurers are again willing to negotiate and reinstate coverage enhancements lost in the hard market. Elements include softened exclusions, increased sub-limits, more-favorable deductibles and conditions that more accurately reflect the client's specific risk profile and track record.

Project alliance agreements remained a common contracting structure in the market into early 2026. On large infrastructure projects, the attractiveness of these agreements is driven by benefits such as enhanced collaboration between stakeholders, shared risk and reward mechanisms, and more integrated communication.

Together, these activities can support higher-quality delivery, improved cost efficiency and, in many cases, faster completion compared with traditional contracting models.

Insurers are taking a favorable view of technology- and defense-related projects, which are growing quickly in number. High-tech-industry manufacturing projects, such as the construction of data centers, are proliferating quickly as demand for computing power grows. Projections suggest that an additional 1,500 megawatts of compute will be required by 2030.

The Australian government's spending on defense projects increased quickly in 2024 as the country looked to improve its defense capabilities and modernize its fleet of aircraft and vehicles. Defense spending on new projects (such as shipbuilding facilities) is expected to continue to rise through 2029. Insurers generally take a favorable view of technology and defense projects as preferred and in-scope risks, especially when delivered by contractors with a proven track record in these areas.

2 Latin America

High-Level Overview

Latin America enters 2026 with a broader and more technically complex construction pipeline. Public-works programs, public-private partnership (PPP) concessions and private capital in the energy transition underpin activity across Brazil, Chile, Peru, Panama and Uruguay, while selective recovery is seen in Mexico and Colombia. Reinsurance capacity is sufficient but increasingly discerning, prioritizing risk narratives that demonstrate resilience to natural catastrophes, robust construction standards, contingency planning and transparent data.

Market Detail

Successful placement will depend less on price and more on the quality of the technical submission. High-quality risks — those with resilience to catastrophic events, adherence to codes and standards, tested contingency plans and verifiable information — will continue to unlock higher limits, broader wording and more efficient attachment structures.

- Infrastructure will remain as the primary engine: multi-year highways, rail, ports, aviation and water-security assets will increase CAR/EAR and DSU/ALOP demand.
- Energy transition will accelerate: Solar, wind, hydro and BESS clusters are expected to expand in Brazil, Chile and Colombia; transmission will require sophisticated interfaces and outage coordination.
- Oil and gas: Renewed momentum is expected in Argentina, Brazil, Colombia and Mexico; elevated facultative limits with complex DSU dynamics are likely to persist.
- Mining and heavy industry: Large expansions in Brazil, Chile and Peru are expected to sustain heavy civil exposures and long-tail defect liabilities.
- Telecom and digital infrastructure will continue to grow: Hyperscaler-driven campuses will bring high-spec mechanical, electrical and plumbing (MEP) and fire engineering requirements with extended policy periods.

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London Market

Global reinsurance capital sits at a record high (an estimated $760 billion in September 2025), reinforced by strong retained earnings and growing third-party and insurance-linked security (ILS) inflows.

The January 2026 renewals confirmed a buyer-friendly shift, with double-digit rate reductions on many non-loss-impacted property programs across regions, including Latin America. In this context, London shows ample appetite and broader lead options for CAR and EAR but with more selective deployment on natural-catastrophe-exposed construction.

In 2026, London is no longer a hard market across the board; the cycle has clearly turned toward softer pricing in certain lines and competition for volume. Construction-specific signals in London (2025 updates rolling into early 2026) point to continued rate decreases — particularly on UK domestic and transactional CAR — with insurers lowering minimum premium thresholds to win share. Capacity is rising, and coverage remains broad on major projects (LEG2 is commonly accepted; LEG3 is discussed on a case-by-case basis). The trade-off is underwriting discipline. Brokers warn that profitability may be strained if loss activity picks up (for example, with natural catastrophes, defects and insolvencies).

Action for placements:

- Exploit the buyer's market to test lower attachments and consider aggregates where modeling supports it.
- Differentiate on submission quality — resilience to catastrophe, construction standards, contingency planning and transparent data remain the decisive levers for higher limits and broader wording.
- Preserve technical guardrails (such as deductibles, warranties and LEG selection) to avoid giving back too much in a softening phase.
- At this time last year, we reported that most January 1, 2025, treaty renewals had produced favorable conditions in pricing, conditions and capacity. This resulted in a steady softening of the market through 2025, which continued into the early part of 2026. The overall pace of softening has been more modest than expected. However, with the increased levels of global capacity now firmly established through new market entrants and the recalibrated appetite of well-established players, we fully expect to see a greater rate of change as 2026 progresses. We are seeing considerable pressure from domestic and regional markets as insurers look to capitalize on the continued strong flow of new projects.
- The London market continues to be a strong option for large and complex risks. With a wide mandate for global business and the flexibility to offer long periods with broad manuscript wording, many clients continue to value the options that London offers.
- London markets are also showing a strong appetite for supporting Builders Risk facilities and programs as a means of shoring up a regular flow of business from developing sectors with a strong pipeline of projects.

3

Professional Liability Insurance

3

Market Overview

The professional liability insurance market, also referred to as professional indemnity (PI), varies in size and growth, with some regions far outpacing others in terms of maturity. Markets in North America, Australia, and parts of Europe, the Middle East and Africa (EMEA) are more mature, leading to stability and improved capacity.

Large Asian markets continue on a path to maturity, and the Latin American market is still nascent, which is reflected in limited coverage availability.

Still, several themes emerge across professional liability markets:

- Claims severity continues to put pressure on markets as social inflation, project complexity and expenses rise. In response, insurers are intensifying their claims reviews.
- In established markets, PI conditions are generally stable to soft, especially for well-managed risks and annual programs, and insurer risk appetite and capacity have expanded. Underwriters remain cautious and focused on robust risk management from insureds.
- Project-specific coverage is available but comes at considerable cost given the higher risk. The rise in mega projects, including large-scale, complex infrastructure projects, is driving demand, but insurers are cautious and underwriting is rigorous.

3 North America

High-Level Overview

- Market conditions remain broadly stable, and underwriting is disciplined. Rates across the U.S. and Canada are generally holding steady, particularly on loss free accounts, though increases continue for loss-impacted risks.
- Claims severity and inflation in loss costs continue to exert pressure. While overall claims frequency is relatively consistent, claims severity continues to rise due to monetary and social inflation, defense costs, jumbo verdicts and increasing rectification activity.
- Capacity is available but is more targeted and structured. Ample capacity exists in many segments, although deployment is more selective based on geography, risk type, and environmental, social and governance (ESG) profile. Project-specific coverage remains available but costly, particularly for mega projects, and often requires significant retentions and layered structures.
- Upward pressure on retentions persists. Insurers in the U.S. and Canada continue to seek higher retentions, especially for loss-affected accounts and large projects, using deductibles as a lever to manage inflation and actuarial uncertainty.
- Technology exposure is an increasing differentiator. Growing integration of technology within professional services is driving demand for technology errors and omissions (E&O) solutions.

Market Detail

- Market rates are expected to remain relatively unchanged.
- Claims costs have continued to rise. Monetary inflation, social inflation, defense cost inflation and jumbo verdicts are here for the foreseeable future. The best strategy for architects and engineers is to maintain extreme vigilance on risk management.
- Insurers have been putting pressure on retentions. They will continue to monitor retentions because of concerns over inflation and the reality that the benchmarks for underwriting deductibles have remained unchanged for a decade. Such increases improve actuarial predictions without direct impact to premiums, potentially making this a more frequent lever for underwriters as their clients grow weary of sequential years of premium increases.

United States

Architects and Engineers

- **Individual insurer appetites are expected to remain broadly stable.** Major insurers are following the growth areas of construction, but there remains little appetite for heavy residential. We continue to observe some consolidation in some major markets.
- **Insurers are responding to a desire for coverage of technology risk.** Technology exposures are becoming more integrated in professional services offered by design professionals. Technology risk coverage remains a coverage differentiator and will become a more significant determinant of insurer choice.
- **Project-specific insurance coverage continues to be available but at considerable cost.** The addition of a quota share facility, created through collaboration among multiple insurance carriers and a well-regarded A&E defense attorney, along with continued capacity from major insurers, has stabilized the project-specific market. Premiums on mega projects are hovering between 40 percent and 50 percent of the primary layer limit. Insurers are also seeking minimum retentions of $1 million or more for mega projects.

Contractors

- **The professional liability market for contractors is expected to remain stable.** Incumbent insurers will attempt to hold to modest rate increases but may be willing to accept flat to moderately negative changes. New market entrants are driving competition on primary rates as expanded capacity has disrupted the more established markets.
- **We expect continued hypervigilance around appetite.** Insurer appetite has been continually refined over the past three-plus years in response to loss emergence and profitability concerns. Generally, appetite remains strong for contracting-related risks in the U.S. with ample capacity to build necessary limits.
- **Some owners are looking to protect practice capacity through the use of project-specific policies.** Due to the increasing number of mega projects, many owners have a willingness to accept either annual practice policies or a project policy that more adequately meets the needs of the project and associated limits. However, we have seen fewer design professional limits due to the specialized nature of mega projects, where the cost of project-specific limits results in an annual program often being the only option presented.
- **Claims activity in the construction sector is relatively constant, but claims severity is increasing.** The continued uptick of claims activity related to design means these issues are now hitting contractors' policies, with a specific uptick in rectification claims. More than ever, insurers are reviewing claims notices for irregularities in reporting or claims handing procedures that could potentially be basis for denial of coverage.
- **Insurers have sought higher retentions across the board.** Generally, the premium credit offered often does not warrant the higher retained exposure, which has led most clients to maintain their retention levels where possible. Accounts with claims issues are seeing mandated increased retentions with little to no flexibility. Concerns over inflation, combined with the reality that underwriting deductible benchmarks have remained unchanged for a decade, will spur more upward pressure on retentions.
- **Coverage for rectification continues to evolve.** Insurers are also looking closely at rectification claims, in some cases making changes to reporting requirements and/or setting sub-limits for rectification.

There are no apparent relief valves for loss cost inflation for professionals. Monetary inflation, social inflation, defense cost inflation and jumbo verdicts are here for the foreseeable future. The best strategy is to maintain focus on risk management.

Canada

- **Premium levels remain healthy.** Insurers demonstrate continued opportunistic interest in both annual and project-specific programs. While competition remains active, it is more targeted, with insurers focusing on classes and geographies where they have clear appetite (notably architects and engineers) and showing less interest in contractor E&O risks.
- **Pricing is relatively unchanged, except where losses have occurred.** On annual policies, renewals are expected to be mostly flat on clean accounts, with new rates within 5 percent above or below expiring rates. Where there are losses, especially significant ones, insureds should expect increases. On project-specific placements, there is optimism around progressive design-build projects, but there is not yet sufficient long- term experience to justify meaningful rate reductions. Outside of loss impacted accounts and higher risk segments, overall pricing in the industry is expected to remain broadly flat.
- **Additional entrants and a handful of expanding markets continue to provide capacity, although this is not uniform across all segments and regions — and ESG considerations influence underwriting appetite and capacity.** Capacity is more readily available for architects and engineers but remains limited for contractors and for risks with significant Quebec exposure. ESG considerations also continue to influence underwriting appetite, with less available capacity for carbon intensive and other ESG sensitive exposures.
- **Limits are expected to be steady in most markets.** The majority of insurers continue to offer a maximum limit of CA $5 million, with some willingness to deploy additional capacity, particularly where participation is split among multiple layers in both corporate programs and project specific towers. In Quebec, assembling desired limits may still require more layering and a broader panel of insurers.
- **Claims costs continue to rise.** As in previous years, legal fees, expert fees and inflation are the main drivers of cost increases. Fixed-price contracts will continue to be the main source of claims; several claims in this area are taking years to settle because of their size and complexity.
- **Retentions are generally stable, but movements remain case specific.** From a project specific perspective, retentions continue to vary widely by insurer, project type and project size. With increasing project values, insureds should expect to largely bear any required increase in overall retentions. For corporate programs, retentions are expected to remain relatively flat unless there is significant revenue growth, an adverse loss record or a notable shift in risk profile.
- **We do not expect significant coverage changes.** Terms and conditions remain stable for annual programs, but there is increasing interest in technology E&O policies as more firms sell their own software or provide stand-alone technology services. This exposure is not automatically covered under standard professional-liability policies.

For project-specific policies, interest in contractor insurance solutions is expected to continue to supplement capacity on project-specific professional liability policies for architects and engineers, or to meet contractual requirements.

3 EMEA

High-Level Overview

- Within the EU, PI conditions are generally stable to soft, with ample capacity and competitive terms, especially for well-managed risks and annual programs.
- In Germany and Italy, PI is largely embedded in broader project solutions with strong insurer appetite and competitive pricing. The Netherlands and Spain are seeing softening or easing markets where competition is high but underwriting remains selective, particularly for complex projects and single project professional indemnity (SPPI).
- In the Nordics, appetite is more focused on large, well-managed contractors and marked by high SPPI rates despite stable capacity.
- France is moving from a period of sharp rate increases to relative stability, with cautious underwriting, volatile claims experience, and growing emphasis on deductibles and retention solutions to manage total cost of risk.
- In the Middle East, demand and capacity for SPPI and PI are strong and competitive, supporting attractive pricing and long policy periods. Limits and deductibles currently suit a low-litigation environment, but growing foreign investment may change dynamics over time. Loss activity remains stable and without significant deterioration, though underwriters are vigilantly monitoring changes.

Market Detail

France

After several years marked by sharp rate increases and targeted capacity withdrawals on sensitive exposures, the French PI market is now entering a phase of relative stabilization. Recent M&A activity and a repositioning among insurers have raised some questions from buyers, but the impact on placements remains limited.

The entry of new market participants helps to maintain a satisfactory level of capacity and competition in France. Insurers continue to adopt a cautious and selective underwriting approach, with particular scrutiny on construction-related professional activities, which are seen as structurally more exposed.

From a technical standpoint, the PI market remains characterized by persistent volatility in claims costs and lengthening claims settlement periods, which tie up reserves over an extended duration.

In light of the pressure on technical profitability, insurers are encouraging clients to implement appropriately structured deductibles and to consider retention solutions (for example, captives and alternative risk transfer structures), with the objective of optimizing the total cost of risk rather than focusing solely on up-front premiums.

In this environment, the rate increases observed in recent years are now generally more measured than in previous renewal cycles, particularly for insureds demonstrating strong risk management and favorable loss histories.

Germany

The PI market continues to offer sufficient capacity, and rates are broadly stable with technical adjustments for higher-risk or loss-affected profiles. Construction, infrastructure and industrial clients can still secure high-quality PI cover, but effective market access and robust risk management remain key. Detailed risk information is often a prerequisite for optimal terms.

PI cover is typically included in combined project insurance programs. This structure helps keep prices for PI coverage competitive and attractive for carriers.

Italy

Demand for PI insurance has remained broadly stable compared to the previous year. The main sources of demand continue to be covers required by law, particularly for professionals registered with professional bodies and designers of public works (who are often insured under the general contractor's policy). Substantial capacity is available in the market, both for corporate PI programs and under the SPPI state scheme. In 2026, demand is expected to remain broadly unchanged. Insurer capacity remains high, and terms and conditions are very competitive.

Netherlands

The market has softened, and premium reductions are increasingly negotiable for well-performing risks. Insurers are primarily focused on retaining their existing portfolios and are adopting a more selective approach toward underperforming accounts. At the same time, heightened competition is driving insurers to actively consider and propose on attractive new risks. Overall capacity in the market remains sufficient, with incumbent insurers seeking to grow their books and new entrants demonstrating strong growth ambitions. However, following the withdrawal of a leading market participant, some capacity-related challenges are expected.

Nordic Countries

Insurer appetite remains quite limited for contractors' annual PI programs. Insurers are mostly interested in writing large contractors with good claims history and excellent quality management. SPPI is available on the market, but rates remain very high. Capacity and rates remain stable.

Spain

Interest in PI coverage is increasing, with pricing varying according to the risk profile of each project. The broader market for construction-related insurance is easing in terms of competition and pricing, but insurers continue to adopt a prudent and selective underwriting stance. Within the PI segment, appetite has been especially strong among contractors involved in engineering, procurement and construction contracts, as well as engineering and architectural practices engaged in major developments.

Insurers' approach also differs based on policy type. For annually renewable placements, terms are becoming more competitive and capacity is ample. Premiums for most SPPI policies are generally stable or trending upward for more complex projects in challenging regulatory environments.

Underwriters are paying closer attention to the technical credentials and track records of insured firms, alongside the design and effectiveness of their internal quality assurance frameworks.

Middle East

Demand for construction PI insurance continues to strengthen, particularly for SPPI policies. Primary capacity continues to be provided by a significant number of multinational and local insurers with SPPI treaty reinsurance.

Some insurers that previously exited the class have returned with renewed appetite and can write policies with 17-year policy periods (inclusive of 10-year extended reporting periods). The market continues to be highly competitive, even for more exposed projects (such as offshore works and wet works), which is helping keep pricing at attractive levels.

Capacity remains adequate relative to the majority of limit requirements under clients' contracts with principals. Total theoretical capacity is around $200 million, although limit requirements more typically range from $10 million to $50 million.

Deductibles continue to reflect the relatively low litigation environment across the region. However, with increasing foreign investment, the litigation environment is expected to evolve over the coming years, which will inevitably affect underwriting in relation to deductibles.

Claims and losses remain benign, with no material deterioration in either frequency or severity; however, insurers continue to monitor the portfolio closely for any emerging trends.

3 APAC

High-Level Overview

- In Asia, construction PI (including architects and engineers and contractor design exposures) remains segmented in 2026. Straightforward, low-risk domestic portfolios are competitive, while complex, higher-risk projects such as design and construct (D&C), geotechnical, facade, prototypical design and certain renewables/offshore continue to experience constrained leading capacity.
- While demand is growing for these projects, the complexity leads to rigorous and slower underwriting.
- Underwriters continue to resist very long policy periods. Programs with multiyear construction periods and extended reporting/maintenance obligations require early structuring and careful negotiation.
- Construction activity in Australia continues to rise, and deferrals and abandonments have fallen[5]. Growth in housing and energy in particular is creating an ambitious project pipeline[6].
- Australia's PI market continues to soften, but some professions and activities are experiencing greater scrutiny.
- Despite early signs of insurer consolidation activity, competition is strong with existing players offering competitive pricing and increasing their capacity deployment. Strong risk management is key for insureds to achieve favorable terms.
- Project PI is an exception and remains challenging due to lack of capacity. Pricing remains high due to limited availability and insurers seeking rate adequacy. Underwriting is rigorous, and coverage enhancements such as loss mitigation and consequential loss are charged as additional premiums.

Market Detail

Asia

Key Market Trends

- The market is experiencing stable to modestly improving rates for low-complexity risks with good loss experience, but there is continued pressure for complex classes.
- There is limited lead appetite for high-severity architects and engineers (A&E) exposures; follow capacity is available, but often only after a strong lead is secured.
- Complex projects take longer to underwrite due to increased information requirements and internal referral processes.
- There is an increased focus on ESG, building safety compliance and "new tech" exposures (BESS, modular, mass timber and advanced facade systems), which can further lengthen underwriting times.

Underwriting Focus Areas for 2026

- Clear delineation of design responsibility (scope, delegations, novations and subcontracted design control).
- Quality controls: design review gates, peer review, building information modeling governance, change control and as-built documentation discipline.
- Prior project experience and claims learnings for the same design typology (prototypical design, tunnels, bridges, energy).
- Contractual liabilities: Fitness for purpose, liquidated damages tied to design and uncapped indemnities.

2026 Watchlist – Design and Engineering Professional Indemnity

- D&C and geotechnical engineering exposures: severity potential and limited leading appetite.
- Prototypical design and facade design: building safety and defect trends.
- Renewables/battery energy storage systems and offshore: technology performance uncertainty and supply chain quality risk.
- Policy period constraints: caution around periods longer than 10 years and limited appetite for extensions post-inception.

[5] "Overview," Infrastructure Australia, accessed March 26, 2026, https://www.infrastructureaustralia.gov.au/ipl/Introduction.
[6] "Surety Market to Surpass US$ 33.1 Billion by 2032, Reveals Global Surety Bond Industry Analysis and Growth Trends: Maximize Market Research," Maximize Market Research Pvt. Ltd., February 2, 2026, https://www.prnewswire.com/news-releases/surety-market-to-surpass-us-33-1-billion-by-2032--reveals-global-surety-bond-industry-analysis-and-growth-trends-maximize-market-research-302676471.html.

Region/Country	Rates (2026 Outlook)	Insurer Appetite	Capacity
Asia (Overall)	Competitive on benign risks; firmer for complex architects and engineers (A&E)/D&C	Selective; lead appetite is the key constraint	Adequate follow capacity once lead secured
Hong Kong	Competitive for standard A&E; technical for complex/prototypical design	Selective by discipline and project type	Adequate, but lead terms drive outcome
India	Growing demand; varied pricing by project type	Improving with market growth	Generally adequate
Japan	Disciplined approach; careful on long periods and complex civil works	Cautious	Each insurer's capacity is small, and they are reluctant to provide services
Singapore	Competitive for standard A&E; technical for complex/prototypical design	Selective by discipline and project type	Adequate, but lead terms drive outcome

Australia

- **PI rate reductions are achievable at both primary and excess levels, and this softening is seen through the broader sector.** However, some professions and activities continue to experience greater scrutiny. These include property developers, certifiers and valuers, mining consultants, surveyors, and those involved in design and manufacture. Projects involving water-related risk (desalination), rail and rolling stock, high-rise buildings, renewables, and processing plans are among those attracting more scrutiny.
- **There is a gap between primary and excess pricing.** Key primary insurers are more likely to apply a strict underwriting discipline, whereas excess insurers are becoming increasingly flexible at attachment points in excess of $10 million.
- **Insurers are open to challenged risks (claims impacted or non-preferred risks) provided insureds can demonstrate improved risk management and lessons learned.** Target and non-challenged risks are seeing premium reductions, sometimes without any requirement to remarket. For larger clients, presentations to insurers are key in achieving a favorable outcome.
- **Submission quality continues to play an important role in determining the degree of underwriting scrutiny.** Underwriting remains disciplined overall, but insurers are willing to consider a broader spectrum of risks, including non-preferred accounts or those with prior claims. The quality of the submission continues to play a critical role in the outcome. Insurers are especially focused on gaining a comprehensive understanding of risk management practices, key personnel experience, internal controls and procedures around reviewing tender responses, and lessons learned from previous claims. Exclusions may apply if risk management controls are considered inadequate.

3

- **Insurers are displaying varied positions on silent cyber.** Several Insurers continue to apply cyber exclusions, though some may be willing to schedule a cyber policy as "other insurance" in lieu of a cyber exclusion. Typically, those that continue to apply the exclusion are mandated to do so by treaty or their own business rules, so removal is non-negotiable. Others have removed the exclusion, with several moving to clarify affirmative coverage.
- **There are indications of a growing willingness to apply consequential loss exclusions.** Insurers may consider providing cover depending on individual risk and may consider charging additional premiums for the cover. Provision of consequential-loss cover is contingent on insureds having such requirements in their contracts, and insurers might consider providing this cover based on an assessment of individual risk. Insureds should monitor the level of cover being offered as well as their contractual obligations on all of their contracts.

3 Latin America

High-Level Overview

- The Latin American personal liability market for A&E remains limited. The industry is still far from adopting a risk management strategy, and policies are mostly contractual requirements related to personal liability on specific infrastructure projects and imposed by lenders or government bodies. Despite significant design and/or construction failures on major infrastructure projects, the absence of broad legal obligations and compulsory coverage requirements continues to limit market growth.
- Given the softening market across all lines of business, A&E policies have benefited from increased insurer appetite, opening the possibilities to broader limits and more competitive attachment points and premiums, while maintaining strong underwriting discipline. Requests for detailed information on each project, credentials and experience of all firms involved, including subcontractors, are key to access capacity.

Market Detail

- Professional liability coverage is generally limited to important infrastructure projects. In general, only international lenders, not local lenders, are including PI coverage under their lending conditions.
- The existing PI market centers on a few countries. In Colombia, “decenal” insurance has increased. This coverage, which provides limited coverage to the final buyer but excludes coverage to any lender or third party, was established because of a law requiring construction companies to buy A&E insurance to protect homeowners against the risk of building collapse due to structural damages for a period of 10 years. Decenal is currently underwritten under property programs. Insurers are also active on projects in Mexico, Brazil, Chile and Peru.
- Where policies do exist, limits are usually under $5 million but can reach $10 million. We have seen an uptick in requests for limits of up to $30 million in specific cases. Major global insurers provide these policies, although insurers may need to access the reinsurance market to secure capacity. SPPI policies are more common than annual policies.

3 London Market

- Overall, the London market for design firms professional indemnity (DFPI) continues to track closely with U.S. and Canadian pricing dynamics, with all three regions experiencing an extended period of softening through the final quarter of 2025 and into 2026. The market remains highly competitive, and many insurers are openly targeting growth in their DFPI portfolios, which is translating into meaningful rate reductions for buyers, particularly for well-performing and desirable risks.
- Rates have generally been falling across most territories. Outside the U.S. , we are typically seeing rate decreases of more than 10 percent, especially for larger and more established design firms with strong risk management frameworks and favorable claims histories. These reductions are most pronounced for core disciplines and s insureds that insurers view as strategically important. For U.S.-domiciled insureds, the softening trend is more moderate but still notable; here, rates generally range from flat to negative 5 percent on renewal, with the potential for more substantial concessions where there is significant competition or where insureds are willing to restructure program design, retentions or limits to secure additional savings.
- Most incumbent insurers are prepared to accept rate decreases to retain their existing business, recognizing the cost and uncertainty associated with replacing attractive accounts in a soft market. Competitive tension is reinforced by the ongoing increase in capacity. In addition to existing DFPI markets, we are seeing more insurers and syndicates that have historically focused on non-U.S. PI signaling their intention to write U.S. design firm business from 2026 onward. Notable examples include Sompo, Westfield, QBE and Zurich, all of which are expected to bring additional capacity into the U.S. segment via London. This broadening of appetite is reinforcing the downward pressure on rates and improving choice of markets for both U.S. and international buyers.
- While the current environment is favorable for insureds, both insurers and brokers remain mindful of the inherently longtail nature of DFPI exposures and the potential for further deterioration of portfolio quality on historic underwriting years. These legacy exposures continue to influence underwriting strategy and capital allocation, even as more recent underwriting years appear comparatively attractive. In this context, we see features typical of a softening cycle, including elements of “dual underwriting,” where new business can be priced more aggressively than renewals, and where preferred new accounts may benefit from broader coverage or more flexible terms as insurers compete to grow market share.
- We expect to see continued evolution in underwriting appetites and risk selection as we move through 2026. Movements of key personnel within the London market, changes in portfolio performance and a growing body of claims data from the post-hard market are all likely to influence how insurers deploy capacity. As a result, buyers can anticipate an environment in which competition for attractive risks remains strong, but underwriting discipline and scrutiny of less desirable or distressed accounts may increase, particularly if loss trends begin to challenge current pricing assumptions.

4

Construction Casualty Insurance

4 Market Overview

Market Overview

As with other products, the state of construction casualty insurance market varies by region, country and sector. However, there a number of forces shaping the broader sector:

- Mega projects such as data centers, infrastructure and energy have large exposures, driving more interest in casualty coverage. Overall, pricing remains competitive, but these projects introduce heightened risks.
- Fragmentation continues to characterize the construction casualty market. Risk appetites are different for commercial and residential construction, for example, and there are regional nuances. There is also a widening gap between primary and excess coverage.
- Capacity is generally adequate, but insurers are increasingly reducing limits. Overall, complexity is driven by inflation pressures, heightened legal risks, mega projects and claims severity, among other factors.

North America

High-Level Overview

- The U.S. construction casualty market entering 2026 is increasingly bifurcated.
- Auto liability and auto physical damage rates are expected to continue to rise in 2026 as insurers struggle with profitability. Auto and auto-related losses continue to be a concern affecting all casualty lines of coverage. Larger fleets with significant exposure in California, Florida, Georgia, Illinois, Louisiana and Texas are most challenging.
- The general liability market remains relatively stable with a few exceptions. Heavy civil — street and road, tunneling and bridges, and for-sale residential — remains challenging.
- Workers' compensation remains stable, with many seeing rate changes ranging from single-digit decreases to low-single-digit increases.
- The marketplace for two-line controlled insurance programs (CIPs) is competitive, with a growing number of mega projects (more than $1 billion) considering this program structure. Past project-specific placements need extensions. We expect pandemic-related project delays to improve for projects that started after 2021 or 2022. The excess liability market has somewhat stabilized after the significant rate increases experienced from 2020 to 2023. However, greater frequency of large claims has reduced net deployed capacity, and a two-tiered market based on risk classes has emerged.
- The project-specific marketplace continues to be a bright spot, with new market entrants for general liability only and for workers compensation and general liability CIPs. Private equity (PE) investment in the U.S. construction sector continues to accelerate in 2026, but that investment and the contractors being acquired lean toward the residential-service contractor space (for example, HVAC, roofing, foundation and remediation services). The market conditions for this segment are still challenging, especially when PE-backed clients are looking to keep retentions low to alleviate collateral need.

Market Detail

United States

The U.S. annual corporate renewals market varies by primary line.

Auto liability and auto physical damage rates will continue to increase in 2026 as insurers struggle with profitability. Auto and auto-related losses continue to be a concern affecting all casualty lines of coverage. Automobile liability single-plaintiff verdicts continue to rise, putting pressure on structure, attachment points and pricing. Contingent transportation-related losses have led to requirements for additional underwriting data, while technology-supported physical controls and complementary software have become standard. To offset rate increases, many contractors with larger fleets are looking for alternative risk solutions, including corridor and multiyear loss adjustable structures. Organizations can highlight the fleet management controls they have implemented to achieve better-than-market-average results.

General liability remains relatively stable with a few exceptions. Clients are likely to experience low- to mid-single-digit increases, and coverage terms should be largely unchanged with exceptions for restrictions on cyber liability, electronic data, biometric data, per- and polyfluoroalkyl substances (PFAS), known as "forever chemicals" and excess of wrap. However, rates have been increasing for civil (particularly street and road), residential construction and contractors with heavy wildfire exposure. Contractors with more than 20 to 30 percent of their work in certain jurisdictions (California, Florida, Georgia, Cook County in Illinois, Louisiana, New York and Texas) are likely to have less market interest. Inflation continues to be a concern with respect to legacy reserves.

- **Biometrics and PFAS are in focus for all insurers across all industries.** The challenge with biometrics is related to privacy concerns surrounding identifiable data created by advances in scanning technology. Insurers are excluding PFAS on a broad basis, as uncertainties persist over who could be a responsible party. While there is still room for negotiation with contractors' exposures, language is tightening.

- **Workers compensation continues to perform well, with average rate adjustments ranging from single-digit decreases to low-single-digit increases.** This range is because workers compensation losses tend to be more affected by medical inflation and claim frequency than by social inflation and claim severity, which are more difficult to contain.
- **The excess liability market has somewhat stabilized following the significant rate increases experienced from 2020 to 2023.** Overall, coverage terms remain stable, although there are creeping restrictions on contingent excess of wrap coverage, cyber liability and electronic data. Coverage remains sufficient, thanks in part to recent market entrants. Carriers continue to review their minimum premium requirements on both practice programs and longer-term projects when clients are buying more than $100 million in limits. However, greater frequency of large claims has decreased net deployed capacity. Still, insurers continue to experience more-frequent single claimant and plaintiff settlements and verdicts greater than $10 million and $100 million, respectively. These claim sizes are commonly referred to as nuclear and thermonuclear verdicts. As a result, overall net deployed capacity is down year over year. Insurers continue to make changes to their portfolios, including increasing minimum premiums, requiring higher attachment points, introducing corridor retention options, managing capacity deployment, and requesting to be moved up to a higher attachment point within a tower.
- Insurers that were regularly deploying $25 million tranches of capacity in the intermediate to high excess layers are continuing to cut back where possible. Fortunately, sufficient capacity remains to plug any potential gaps.
- **Competition remains extremely strong in both two-line (general liability and workers compensation) and general-liability-only CIPs.** Rates remain low in all areas except New York and residential for sale. This competitive market has been driven by a number of recent entrants, particularly within the high-deductible ($100,000 to $250,000-plus) general-liability-only space, which is now being placed with standard and admitted insurers that previously shied away from this business. Insureds with both stand-alone and rolling owner-controlled insurance programs and contractor-controlled insurance programs (OCIP/CCIP) should consider marketing their programs broadly.
  This approach can not only capitalize on premium rates and terms and conditions but also enable negotiation on every facet of the program, including size of enrolled projects, duration of enrolled projects, types of projects and maximum construction value.

- **The excess market for commercial nonresidential projects** outside New York continues to be quite favorable. Most projects with excess-limit requirements of $250 million or less will be oversubscribed, creating significant competition. However, brokers will continue to focus on insurers with strong track records on policy extensions, because increasing policy durations and project complexity will continue to require more flexibility from the excess marketplace.
- **Insurers are looking to trim limits.** As with annual practice policies, insurers that would have provided $20 million to $25 million on a single project or rolling program 24 to 36 months ago are now looking to trim that amount to $10 million to $15 million. Including more insurers on a program typically increases premium spending. Trimming limits is most pertinent in difficult project classes, such as heavy civil projects (tunnels and bridges), those with a policy term exceeding seven years, and those with New York exposure.
- The average limit deployed for lead excess on heavy civil projects has continued to decrease over the past 12 months. Most large civil projects receive a maximum lead excess limit of $5 million today compared with an average of $8 million to $10 million one to two years ago. As a result, a $5 million excess of $5 million layer is now commonly required to complete an excess tower, and the rate has crept up slightly. Insurers are also maintaining a strong focus on potential aggregation issues with corporate programs.

Canada

- The market remains competitive in commercial general liability (CGL) and wrap-up placements.
- The CGL market is split between domestic and London interests, depending on complexity. London supports most levels of business, but it targets the more complex risks. Domestically, market appetites are still broad but generally focus less on the more complex risk.
- For wrap-up placements, London continues to be the most competitive market. However, domestic insurers continue to make strides on their involvement with this class of business.
- For both CGL and wrap-ups, insureds have the opportunity to improve terms and rates with strong growth targets. And the availability of higher policy limits and increased sub-limit amounts give insurers flexibility on program structure.
- High hazard risks and cross-border exposures are still attracting increased scrutiny. High hazard risks, such as hot roofing or mechanical operations that have the potential for disastrous water damage losses, are a challenge. Clients are required to provide more detailed information, with an emphasis on enhanced risk mitigation strategies. Cross-border exposures, especially those including significant U.S. auto exposure, are also experiencing reduced appetite and stringent underwriting, including from the umbrella and excess insurers that want to see higher underlying limits.
- Contractors with poor loss experience will face a more challenging market. They will have less access to insurer capacity and face increased rates, retentions and potentially reduced coverage. For these contractors, it is important to articulate a proactive risk mitigation and management plan to secure a favorable outcome.
- Court interpretation has affected wrap-up coverage. Some insurers may be tightening up their terms to ensure their intent is properly reflected. This shift is in response to a court ruling that a product manufacturer qualified as an insured under a wrap-up policy even though its employees performed no construction work at the project site.

EMEA

High-Level Overview

- Within the EU, rates are generally unchanged and capacity is at least adequate. Most insureds have access to a broad range of options in a competitive market. However, insurers are placing more weight on loss prevention measures and transparent risk management.
- In the Middle East, the market remains competitive, though it is seeing softening rates. The potential for significant third-party claims is increasing focus on ensuring adequate coverage limits.

Market Detail

France

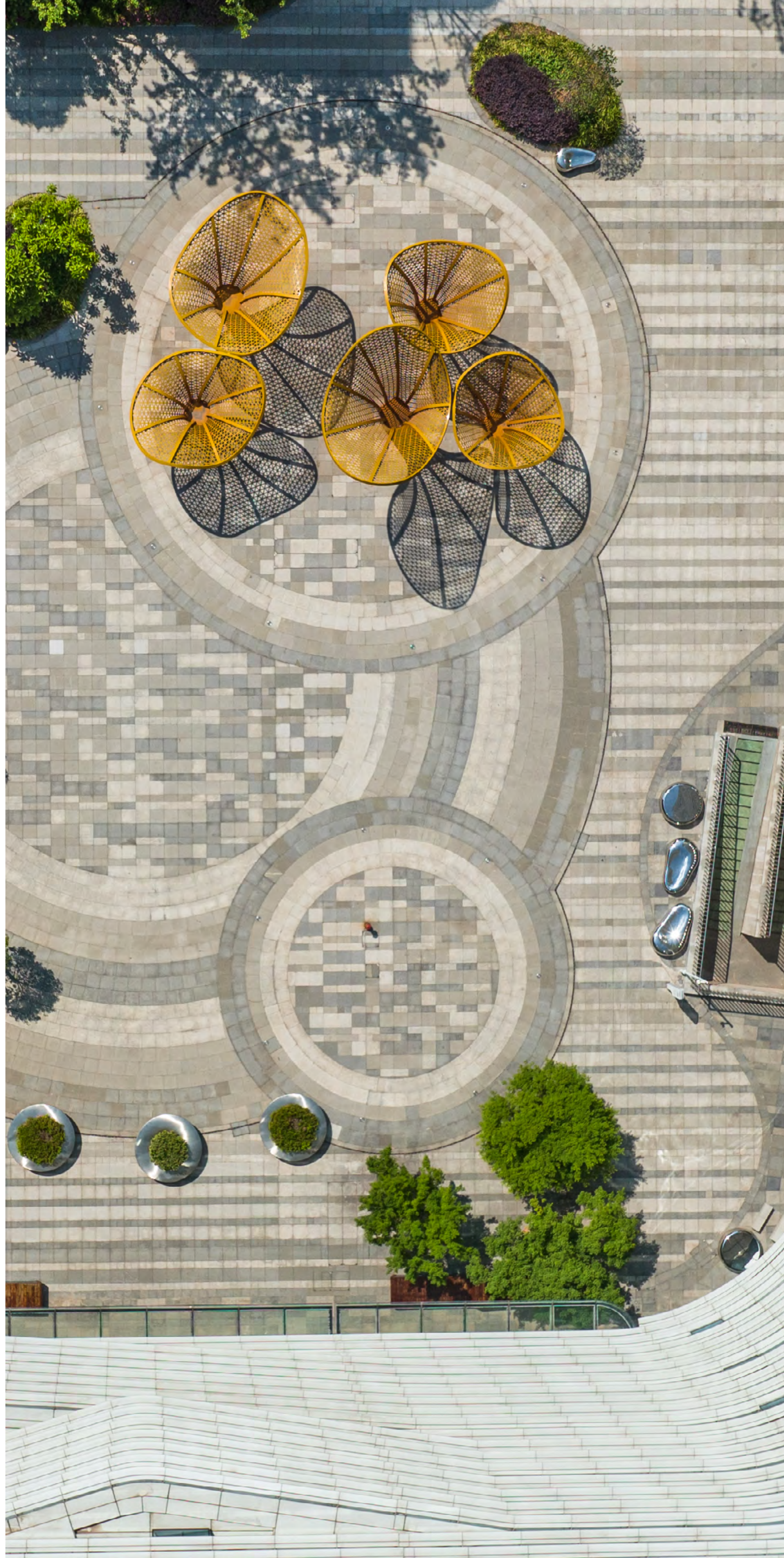
- The number of active insurers remains limited, and the market is broadly stable. Insurers are generally maintaining a prudent underwriting stance, and no systematic rate increases are applied where technical results and loss histories are deemed satisfactory. Nonetheless, upward pricing pressure has been observed on covers for manufacturers, driven by a series of recent claims. This trend is reinforcing insurers' focus on the quality and traceability of products, the effectiveness of design and manufacturing controls, and the robustness of contractual frameworks throughout the supply chain.

Germany

- Insurers are offering sufficient capacity, and rates have settled. Building construction, infrastructure and industrial projects can continue to rely on high-quality coverage in the form of combined project insurance, which includes construction, liability and professional indemnity risks. The market has a wide range of insurers, and identifying the right carriers is crucial for comprehensive risk transfer, especially for large and particularly complex projects. Rates differ by level and type of risk but have generally settled. Insurers are prioritizing loss prevention measures and transparent risk management.

Italy

- The casualty market for construction is characterized by steady demand from contractors, developers and infrastructure operators, reflecting both regulatory obligations and heightened awareness of bodily injury and property damage exposures on and around construction sites. Overall capacity is adequate, but insurers are adopting a more cautious stance on large and complex projects as well as those located in densely populated or environmentally sensitive areas. Claims trends related to site accidents, damage to neighboring properties and environmental incidents are raising scrutiny on risk engineering, subcontractor management, safety culture and contractual allocation of liability. Demand for construction casualty insurance is expected to remain stable through 2026, thanks to major infrastructure development initiatives, building renovations and energy-efficiency upgrades. Market conditions are expected to remain technically driven, with underwriting increasingly influenced by health, safety and environmental performance indicators, loss history and the robustness of contractors' risk management systems.



Netherlands

- The market is currently stable, with ample capacity and no recent new entrants. There is currently sufficient placement opportunity for all industry segments, including for new construction methods such as timber or industrial construction. However, underwriters are reducing their capacity per client — both primary and excess — and proceeding cautiously on underwriting primary international programs. Pricing is flat for the majority of risks, though this varies by type. Insurers are willing to reduce premiums where there is a good loss ratio; this willingness is driven by strong competition and a desire to grow market share. On the other hand, underwriters are requesting higher deductibles in the event of unfavorable claims ratios.

Nordic Countries

- Capacity is abundant and appetite is stable; both local insurers and international insurers with a local presence have strong interest in writing these programs. Rates are competitive but heavily dependent on the insured's claims history.

Spain

- The third-party liability insurance market remains competitive. New insurers are opening offices in the country every year, creating a competitive market. Several insurers are offering tailored products to meet the specific needs of construction companies as well as additional services, such as legal support and risk management advice, to manage liabilities effectively. Premiums have remained flat, but there is a heightened focus on ensuring adequate coverage limits due to the potential for significant third-party claims.

Middle East

- The market remains highly competitive in the casualty space. There is healthy competition for any excess liability limit required beyond the primary coverage, which tends to be written as part of the CAR and EAR package for up to $10 million. The region historically has not been considered highly litigious, but increased focus persists on ensuring adequate coverage limits for larger and complex risks (particularly heavy civils and tunneling projects) and/or those involving international interests and stakeholders. This focus stems from the potential for significant third-party claims during construction periods that can stretch five or more years into the future. An abundance of excess liability capacity is readily available from the reinsurance market, which attracts significant interest and competition for additional premiums.

APAC

High-Level Overview

- Construction third-party liability in Asia remains generally stable in 2026, but rising claims severity, evolving legal theories of liability, and heightened scrutiny of U.S. exposure continue to influence attachment points and wording negotiation. Australia continues to see a softening construction casualty market.

Market Detail

Asia

Key Market Trends

- Non-U.S. exposed risks: typically stable pricing with opportunities for modest improvements on well-performing accounts.
- U.S. exposures: heavier underwriting scrutiny and, in some cases, reduced offered limits or higher attachments and retentions.
- Rising demand for higher limits driven by mega projects (such as hospitals, transit, data centers and manufacturing plants) and longer project timelines.
- Greater differentiation on high-risk activities (for example, tunneling, blasting, marine works, dams, and coal and underground mining) and on contractor safety performance.

Underwriting Focus Areas for 2026.

- Contractor safety culture and leading indicators: trends in total recordable incident rate and lost time injury frequency rate, near-miss reporting, safety audits, and subcontractor oversight.
- Contractual risk transfer: indemnity clauses, additional insured obligations, waiver of subrogation and alignment to local law constraints.
- U.S. nexus assessment: design responsibility, component sourcing, U.S.-based parent guarantees and supply chain exposures that create U.S. litigation touchpoints.
- Environmental and pollution exposures: site contamination, third-party property damage and local regulatory notification requirements.

Table 1: Anticipated Rates, Insurer Appetite, and Capacity by Region and for Selected Countries

Region/Country	Rates (2026 Outlook)	Insurer Appetite	Capacity
Asia (Overall)	Stable; modest improvements possible for loss-free, non-U.S. programs	Good on controlled risks; selective on high severity exposures	Adequate; best at mid to upper layers
China	Softer markets; competitive pricing for many classes	Good	Adequate to strong
India	Competitive; increasing participation	Strong for infrastructure and renewables (with controls)	Ample; new market entrants
Japan	More disciplined; firming in certain classes	Fair: positive in raising premiums	Adequate but less flexible on terms
Korea	Softer markets; competitive pricing for many classes	Good	Adequate to strong

4

2026 Watchlist

Severity inflation and litigation funding effects in higher-limit liability claims; increasing focus on wording clarity and exclusions.

- Environmental liabilities and pollution events, including contractor-generated contamination and community impact.
- Project extensions and long-tail exposures (completed operations), with careful attention to completed ops period and handover definitions.
- High-risk activities (such as tunneling, blasting, marine works and dams) with limited lead appetite.

Australia

Australia's construction casualty market continues to soften. Increasing insurer competition on both structure and price is translating to more flexible cover options and lower premiums. Long-term agreements are becoming increasingly common as insureds seek to lock in coverage and cost stability.

- As with other regions, PFAS exclusions are changing underwriting.
- While worker-to-worker injury claims continue to trend upward in terms of reserves, deductibles for this class of risk have remained relatively stable.
- Growth in excess layer capacity has settled pricing levels at various attachment points above the primary layer and eliminated opportunistic pricing behavior.

4 Latin America

High-Level Overview

- The construction insurance and reinsurance market in Latin America is seeing some consolidation, with larger international players acquiring or partnering with local insurers to expand their reach and experience. The local market is generally more competitive for lower risk limits, although that trend has slowed in the past 12 months because reinsurers are offering more support and the treaties of local insurance companies are more restrictive when it comes to long-term projects, specifically those lasting more than four years.
- The market has softened and become more competitive despite increased risk due to trends such as inflation and higher demand for construction.
- Capacity is generally sufficient, although exclusions and higher premiums for most risk classes, including environmental liability, may rise.
- The market is likely to experience even greater claims activity in 2026, and insurers are putting additional emphasis on site controls, requiring construction companies to invest more in safety and quality assurance.
- Insurers are displaying a greater appetite for industrial works than for civil works, as the latter attract more-frequent claims.
- In Latin America, project-based liability policies tend to follow the economic and legal developments of each country, which means that terms can be volatile.

Market Detail

The market has softened and become more competitive. Until around 2023, not all projects would expect to receive multiple insurer proposals. This situation has changed as the market has softened. In 2025 specifically, most projects received a considerable number of proposals from insurers in both local and international markets that are willing to deploy greater capacity and at a lower cost. This is due to the interest of direct markets or through MGAs.

The local market is generally more competitive for lower risk limits. For limits of up to $25 million, the local market has been significantly more competitive than the reinsurance market. The exceptions are offshore works, tunneling and bridge constructions, which remain a niche of the facultative market.

Insurers are responding to increased risk by intensifying their emphasis on risk mitigation. Insurers are putting additional emphasis on site controls, requiring construction companies to invest more in safety and quality assurance.

Construction casualty coverage can be purchased as an addendum to a CAR policy, although the scope of the risks covered is more limited than in a stand-alone policy. Stand-alone construction casualty policies tend to provide better protection for a construction project risks, which are generally considerable, and are therefore more likely to meet stakeholder needs. Companies can also consider purchasing a stand-alone construction casualty policy to cover risks in excess of the limit in the CAR policy to ensure that they are fully covered.

The state of the market varies considerably by country:

- **Some countries are seeing fewer projects with high required limits.** In Mexico, projects with an insurance limit of less than $50 million were absorbed by local insurers. The few projects with higher limit required facultative capacity. Projects with a requested limit of $100 million — and even up to $200 million — were requested in the period leading up to 2023 when there was strong demand for liability coverage, but this is now less common. A similar phenomenon has been observed in Chile and Colombia.
- **Most projects in Latin America do not require high construction casualty limits.** The majority of construction projects in Central America and the Caribbean (except for beachfront hotels) do not require high casualty limits. The same is true in Brazil, although some complex projects do warrant a high insured limit and therefore need facultative capacity.
- **The market in Argentina is expected to grow.** Argentina's Incentive Regime for Large Investments (RIGI) is designed to attract substantial investments to specific business sectors. Investments made under RIGI are likely to require liability limits due to the ongoing economic volatility of the country — though inflation in the Argentine peso has been slowing and is expected to decrease even further.

London Market

High-Level Overview

- Outside of U.S. exposures, London international casualty insurers' appetite remains for construction-related risks. Construction remains an attractive and growing class of business in the international market. Investment in complex, long-duration infrastructure projects has increased, and healthy market competition is driving expanded limits and broader coverage options while encouraging new entrants. Insurers continue to apply rigorous underwriting standards, particularly for technical risks, regional exposures and extended coverage provisions.

Market Detail

International Casualty

Construction remains a desirable class of business. Last year saw a return to investment in projects, especially those of significant infrastructure relevance. These types of projects typically require substantial limits and have longer-than-average policy periods, requiring large limits and allowing market competition as a result. Expanded limits are supported up to higher levels by both London and domestic insurers, but London markets prioritize rigorous underwriting and the use of internal engineers to ensure clear understanding on more technical aspects. **Competition has pushed insurers to expand line sizes to secure more market share.** Healthy competition and has progressed more in 2026, with many new entrants making their presence known. Multiple layer structures continue to support the ability of multiple insurers to pursue sustainable placements — a key consideration when accounting for the possibility of project overruns. Differentiation through the broadening of coverages has also been considered. Some insurers offer combined policies that include professional indemnity or damage to existing property, and these expansions are subject to additional underwriting information and scrutiny.

Complex projects with long durations are growing in number. Complex project types include infrastructure (for example, tunneling and bridges, residential, and upgrades to energy assets). Such projects are also taking longer, and the market is generally able to accommodate these timelines; capacity is available for projects lasting at least 10 years, plus completed operations or defects liability periods, as long as adequate information and placement time are available.

Regional concerns can generally be overcome. Examples of region-specific risks are water damage to high-rise, multi-tenanted buildings at projects in Canada and worker-to-worker liability claims among contractors in Australia. Coverage is generally still available for these risks; however, insurers need to be given adequate information and the opportunity to propose the right program structure.

Insurers are watching extended coverage closely. As noted above, we see continued support for broad wording as a means of differentiation, but extended coverage — including any indemnity or financial loss extensions — remains under close scrutiny. Since project and policy period extensions can be difficult, incorporating language around an extension buffer or automatic allowances at inception is the new norm.

North American Casualty Insurers

The London market continues to have a healthy appetite for North American construction casualty business. It is estimated that there is currently more than $250 million of accessible capacity, and new capacity continues to enter the market: $20 million came online in 2025.

Clients benefit from a high degree of flexibility. Options are available to clients for OCIPs, CCIPs, individual projects, rolling coverage, owner's interest and annual practice programs at varying attachments ranging from primary to high excess, depending on the exposure profile.

Insurers managed their lines more carefully in 2025. As we enter 2026, lines of $5 million to $7.5 million remain commonplace. However, syndicated London placements and the use of construction-specific facilities mean that significant blocks of capacity are still achievable through accessing the London market. This trend is not construction-specific but applicable to casualty lines in general.

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The market continues to be more competitive for commercial construction than for residential construction. Competitive options are readily available for commercial construction projects, including, but not limited to, roads, bridges, tunnels, rail infrastructure, and commercial and office projects. Residential exposures continue to be challenging, but an increased appetite for commercial-grade, apartment, condo and mixed-use projects continued in 2025 and into 2026, with insurers offering more managed lines.

While many favor project business, insurers are focused on annual practice programs. Lead capacity is available, providing both excess of wrap and per project and per location aggregates. However, the latter can be challenging for some insurers, with aggregate caps favored for programs covering a significant number of projects.

Caution is still exercised in certain jurisdictions. Minimum attachments of around $15 million to $25 million are generally applied in New York, for example.

5
Surety

Market Overview

Overall Market Dynamics

- The annual growth rate in the global surety market is expected to hold steady at 5 percent in 2026; if this trajectory continues, the market could reach $33 billion by 2032[7].
- The growth rate varies by both region and market segment. The U.S., parts of APAC and Latin America will likely continue to be major growth drivers.
- Capacity is largely adequate for contractors and projects with strong credit profiles, and availability is growing in other regions. As mega projects continue to proliferate, maintaining adequate aggregate bonding limits is a growing area of focus.
- Rates continue to be competitive in most markets, especially for strong credit profiles.
- Higher capital adequacy requirements for banks have increased the use of surety where bank guarantees are too costly and constraining capacity.
- Underwriting terms are generally favorable and supportive for strong credit profiles, but underwriters are increasingly selective regarding marginal credit risks and more closely scrutinizing certain bond structures, project contract models and ESG considerations.

[7]Ibid

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North America

The largest and most mature surety market in the world continues to perform well. With strong premium growth, low loss ratios over an extended period , and a robust outlook for overall construction and infrastructure spending, we foresee continued growth in North America across both the contract and commercial surety segments — both in 2026 and beyond.

North America's growth is driven by large heavy civil and infrastructure projects and data center construction. The rapid build-out of data centers is fueling the economy in large measure and is a major factor in the availability of labor and key specialized subcontractors as the construction industry competes for resources.

Government spending and critical infrastructure needs continue to support expansion in transportation, water and wastewater, battery plants, and other industrial manufacturing projects. Increasing contract amounts caused by price escalation and higher contingency and profit margins will also contribute to growth.

Once again, in the U.S. and Canada, several billion-dollar transportation-related civil infrastructure projects closed in 2025, but a number of large infrastructure projects are in the proposal phase in 2026. In the U.S., the model continues to move toward a risk-sharing model for traffic and revenue, while in Canada the model is moving to progressive design build and Alliance models.

2025 saw some credit deterioration in the mid-market construction space, resulting in higher supplier non-payments, performance defaults and insolvencies. Loss ratios have been rising and are likely to keep increasing through 2026. In addition, the renewables sector is expected to experience challenges in obtaining sufficient surety credit because of changes in the regulatory and legal environment, which undermine the viability of the sector and profitability of participants.

Surety capacity remains plentiful, with considerations focused on aggregate capacity. Surety capacity is adequate to meet the expected aggregate limits required in 2026. As the discussion moves toward overall aggregate capacity in 2027 and beyond, the surety markets will confront the scale and scope of mega projects across North America, including any constraints on reinsurance capacity.

We expect that some of the largest global contractors may have backlogs across their projects globally and will simultaneously continue to be impacted by exponential growth in project size and scope. This trend will further drive the need for well-constructed co-surety program arrangements: Some of the largest primary surety markets continue to analyze their global aggregated exposure.

Rates are holding steady across the industry and are likely to remain stable for strong credits. Some upward pressure is expected, especially in the mid-market space. Pricing and capacity continue to be significantly linked to a company's financial and operational credit quality.

EMEA

Across the region, the surety market continues to expand into new territories, supported by ongoing investment in underwriting experience and capabilities. Domestic sureties remain stable and supportive, while international sureties are actively expanding their presence and capacity. In a number of markets, such as France, the Nordics and Spain, low bank pricing is also contributing to more competitive surety rates.

At the same time, stricter bank capital adequacy requirements (for example, Basel-driven rules) have made bank guarantees more capital-intensive, often constraining capacity and pushing up pricing. In this environment, surety has enabled companies to move away from a singular reliance on bank facilities, preserving bank credit lines for core financing needs and maintain their overall competitiveness.

For strong credit risks, surety providers continue to show high appetite. Insurers are offering substantial capacity and attractive, competitive terms while targeting growth in sectors such as construction, infrastructure and energy. However, continued economic volatility means underwriters remain prudent when assessing marginal credit risks, with a more selective approach to capacity deployment and pricing at the weaker end of the credit spectrum.

The rapid rollout of new technology and data centers has seen sureties take a considered approach, as they look to determine their appetite and understand their potential exposure.

UK

The UK surety market has seen more pronounced change. In recent years, new entrants have come into the market, and existing players have broadened their capabilities, resulting in a more competitive landscape. The result has been a broader array of surety solutions available to clients, including more tailored structures and greater flexibility in how capacity is deployed.

Surety has filled a gap created by tighter capital requirements for banks. As banks continue to operate under stricter capital adequacy requirements, UK surety providers have responded by expanding product offerings and structures to help clients preserve bank lines for traditional financing and optimize balance sheet efficiency. These moves have strengthened the role of surety as a strategic alternative to traditional bank guarantees, particularly for larger and more complex programs.

Within the UK, the construction sector has shown clear signs of stabilization. The elevated insolvency levels seen in 2023 and 2024 have decreased. This improvement has contributed to a more supportive underwriting environment, particularly for stronger credits, although underwriters remain cautious and selective when assessing marginal risks.

APAC

The APAC surety market continues to mature. Growth is forecast to be especially notable in the more established Australian and Korean markets, while adoption is expected to accelerate in the Chinese (export) and Indian (domestic and export) markets. Expansion is underpinned by sustained economic growth and the region's significant infrastructure investment needs, estimated at $1.7 trillion annually through 2030[8].

Sector performance remains mixed. The energy sector shows strong momentum, particularly for digital infrastructure projects and export-related guarantees, while the residential sector is expected to remain more challenged in several countries. Banks are showing increasing interest in surety as a risk distribution option and a mechanism to support client bank guarantee needs.

Surety is expected to continue expanding across Asia. For example, following regulatory reforms, India has become the fastest-growing surety market in APAC. Capacity constraints remain limited to specific deals or jurisdictions. Pricing remains generally flat across Asia and is stabilizing in Australia as new entrants support competitive dynamics.

After a subdued 2025, surety activity in Australia should rebound in 2026. Clients are expected to increase surety facility to support expanding pipelines, driven by higher commodity prices, investment in data centers and energy infrastructure, and the ramp-up of projects related to the Brisbane 2032 Olympic and Paralympic Games. Demand for commercial bonds is also rising as businesses seek alternatives to bank guarantees to free capital tied up in leases, workers compensation and regulatory obligations.

[8]Meeting Asia's Infrastructure Needs, Asian Development Bank, February 2017.

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Latin America

The construction and infrastructure surety market in Latin America remains one of the fastest-growing segments globally, supported by sustained public infrastructure investment, increased use of PPP frameworks and growing acceptance of surety bonds as a substitute for bank guarantees. Despite persistent macroeconomic volatility in parts of the region, the outlook for construction-related surety in 2026 is broadly positive.

Governments across Latin America continue to prioritize transportation, logistics, energy transition, water and sanitation, and social infrastructure, driving consistent demand for performance, advance payment, maintenance and payment bonds. Inflation and elevated project costs have increased bonded contract values, further boosting premium volume growth.

Surety is also benefiting from structural financial system trends, including tighter bank capital requirements, reduced availability of traditional credit lines and increased focus on off-balance-sheet solutions by contractors and sponsors. As a result, surety bonds are increasingly viewed not only as a compliance instrument but also as a strategic liquidity and risk management tool for construction companies.

Surety capacity in Latin America is generally adequate, though it varies significantly by country, reinsurer support and contractor financial profile. Most markets benefit from a combination of strong domestic insurers and international surety carriers backed by global reinsurance panels. Capacity remains strongest in Brazil, Chile, Colombia, Mexico and Peru, while smaller Central American and Caribbean markets tend to depend more heavily on facultative reinsurance.

Rates have been largely stable across the region, with pricing primarily driven by contractor credit quality, project risk and jurisdiction. However, in markets affected by political uncertainty, fiscal stress or recent loss activity, upward pressure on pricing and collateral requirements is more evident.

Insurers remain selective and continue to focus on:

- Contractor balance-sheet strength and liquidity.
- Proven execution capability and historical performance.
- Project structure, payment mechanics and contractual protections.
- Sponsor quality, counterparty risk and public-sector credit worthiness.

Key Country Dynamics

- In Argentina, macroeconomic volatility, currency controls and political uncertainty mean that surety bonds often play a critical role in protecting public entities and private investors, with underwriting heavily focused on liquidity support and indemnity structure.
- Brazil remains the largest construction surety market in the region. The implementation of Bidding Law No. 14,133, which increased bond requirements for large public projects from 10 percent up to 30 percent, continues to drive premium growth and demand for structured co-surety solutions. Infrastructure concessions, sanitation, transportation and renewable energy projects are key engines of growth.
- Chile continues to lead in energy-transition-related projects, including transmission lines and BESS, while Peru and Colombia show growing demand linked to road concessions, water infrastructure and social projects.
- Mexico shows steady demand for construction surety, particularly in energy, industrial and transportation projects. Regulatory changes restricting bond issuance to licensed surety companies have reinforced market discipline. Capacity remains adequate for high-quality contractors, though underwriting has tightened for public projects with weak payment mechanisms.

6

Navigating the Current Environment

Navigating the Current Environment

As this report has shown, the global construction insurance and surety market is adapting to evolving and increasingly complex risks. Although the market has exhibited continued strength in this regard, the challenges it faces are considerable.

For construction companies, controlling costs and protecting project profitability are imperative. Sustaining profitability calls for all the typical best practices for managing expenses and optimizing resource allocation. But construction stakeholders must also cultivate a thorough understanding of the risks facing both the industry and the environments in which their projects are located and ensure they have the appropriate contracts in place to manage those risks.

Strategies for Managing Evolving Risks

1. **Secure insurance early, especially for complex projects.** Insurance capacity remains sufficient for most classes of risk in most markets. But rigorous underwriting practices and heightened attention to certain risk classes (such as natural catastrophe risks) can lengthen the process of finding the right coverage, especially for complex or high-risk projects. Allow for an extended underwriting lead time and multiple information rounds. Provide a professionally prepared underwriting submission that includes details of all the necessary information and allows the underwriter to familiarize themselves with the risk exposure and measures taken for risk mitigation.

2. **Scrutinize required insurance and risk assumptions when evaluating contract structure.** If a contractor has not structured a contract in a way that covers costs arising from delays and disruptions, supply chain issues, labor shortages or design difficulties, no insurance policy will be able to respond. Watch out for contract issues such as scope creep, delay and disruption, payment disputes, design and specification issues, and health and safety risks. Define the project risk perimeter clearly — who is insured and what the exposures are for construction, operations, interfaces and completed operations/defects.

3. **Implement risk control and mitigation measures and document them clearly.** Risk control measures are essential to ensure job site safety. Insurers are increasingly pressuring prospective insureds to implement risk mitigation measures amid rising claims. Clearly documenting adequate risk control measures is likely to help secure more favorable construction insurance terms for any project. For complex or high-risk projects, such measures may be a prerequisite to securing coverage.

4. **Stay up to date on claims history.** Ensure claims history is up to date and accurate. We encourage clients to review recent claims history and ensure that all circumstances or claims reported are evidenced on carrier loss runs prior to renewal.

5. **Consider using alternative risk transfer solutions to address risk exposure.** Once contractors have established the damages or delay-related costs for which they may be responsible, they should explore alternative risk transfer solutions to manage their exposures. For construction projects that are vulnerable to extreme weather events, for example, parametric insurance could prove beneficial. Captives can help companies fund non-insurable risks, retain greater risk via a formal mechanism, stabilize risk financing costs over time, access reinsurance markets directly and better navigate volatility in the insurance market. Layered structures and alternative solutions (such as parametrics for natural catastrophes, captives/retentions, sub-limits) should be considered where peak-zone pricing or capacity is challenged. Layered placements and higher retentions can also be used strategically where lower layers are structurally challenged.

6. **Establish a framework for pre-loss preparation and post-loss management.** Facing any type of claim, whether triggered by a natural disaster, an unplanned outage or a significant liability event, can be daunting — even for seasoned risk managers. Running pre-loss preparation workshops at the start of a project will help strengthen the overall readiness of any project team. Activities can include selecting the right loss adjusting and forensic accounting professionals, designing effective claims protocols, modeling probable loss scenarios for stress testing and putting business continuity procedures in place.

7. **Unlock data-driven insights into risk profiles.** Digital claims technology is rapidly transforming how businesses respond to loss, reshaping claims experience and enabling smarter decision making. Today, leaders expect greater speed, transparency and accuracy driven by digitalization and AI, including claims management that is aligned with their broader risk management strategies.

8. **Incorporate project monitoring.** Time overruns are among the top causes of construction disputes. Monitoring critical paths and related slippages accelerates the evaluation of a potential DSU loss when an insured incident occurs. An updated baseline enables earlier identification of a risk's impact and delay severity, facilitating informed decisions in the deployment of mitigation expenses post loss.

9. **Choose the right broker.** The ideal broker has a firm command of construction risk and can draw on in-depth knowledge of the current state of global insurance markets, enabling them to create the best customized program to align with the client's risk retention and risk/reward strategies. As highlighted throughout this report, regional conditions are highly dynamic and evolving rapidly in the global construction insurance market. This is why it is critical to choose brokers who have their fingers on the pulse of the market and can design, structure and place insurance and surety programs that meet client needs.

Growth in the construction industry is expected to continue through 2026, especially for large and complex projects. By partnering with best-in-class brokers to negotiate responsive insurance and surety instruments, construction stakeholders can seize industry growth opportunities while also preserving profitability and financial stability in an environment of rapidly evolving risks.

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