



HUB International 2022 US Insurance Market and Rate Report

# CONSTRUCTION



Risk & Insurance | Employee Benefits | Retirement & Private Wealth



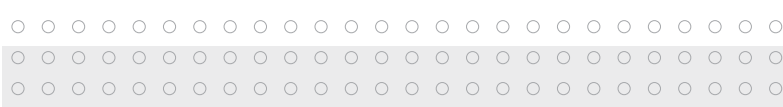
# Risk Ahead

While the construction industry is projecting steady growth in 2022, labor shortages and supply chain disruption will continue to present obstacles to growth.

Contractors who operated low-cost models in 2021 with just-in-time supply chains collapsed. Those who demonstrated resilience, planning and risk management were able to successfully navigate supply, labor, and financial uncertainties.

Here are the insurance trends we are seeing in the industry:

- Quality of work is becoming an important element in development of insurance premiums, particularly as data and analytics advance and there is an ability to better measure quality - poor quality work correlates to claims activity.
- The market is flooded with submissions, as virtually all accounts are going out to market. Risks with poor controls and claims activity are being heavily penalized and often have trouble securing quotes at all. Contracts must be in order at the time of submission, and underwriters are scrutinizing contractor safety programs and contractor pre-qualification protocols.
- There's been a shift in insurance purchasing: Increasingly, owners, developers and general contractors are procuring insurance through Controlled Insurance Programs (OCIP and CCIP) rather than a traditional insurance programs. That can entail additional risk; contractors should allocate additional capital to risk management to manage safety and mitigate claims.
- As the construction industry turns to technology to cope with labor shortages, it introduces significant cyber risk. Carriers are raising cyber insurance rates 20% and more then three-quarters of construction firms say they have experienced a cyberattack in the past year. Many carriers are declining renewals and leaving the market entirely.
- Because capacity is extremely limited, underwriters are favoring best-in-class risks, particularly for Umbrella and Excess Liability coverage. Clients are turning to excess and surplus markets — at increased prices — as the only option to secure this coverage.







**For more insights, read [HUB International's 2022 Construction Industry Outlook](#) and get additional perspectives on what to expect and prepare for in the year ahead.**





# US Rate Guidance

HUB International's rate guidance comprises an analysis of proprietary national survey data and interviews with HUB commercial insurance brokers and risk services consultants who specialize in the Construction industry.




On average, we are experiencing rate increases for many coverages as carriers need additional premium to support increased losses and expenses. Below are projections of rate increases that we anticipate in 2022. It's important to discuss your business' exposure with your insurance broker and understand what to expect well in advance of your next renewal.

Coverage Type	2022 YOY Rate Guidance	Insights
<b>AUTOMOBILE</b> 	<b>↑ 20%</b> (clean risk)	Auto is not flattening out as predicted previously. Rate increases are significant even for accounts with no losses. A fleet with poor losses can easily see increases of 40% or greater.  Umbrella carriers are now requiring insureds to carry higher Automobile limits on the primary.
<b>GENERAL LIABILITY, WRAP-UP &amp; PROJECT SPECIFIC</b> 	<b>Commercial</b> <b>↑ 5%-15%</b>  <b>Residential</b> (without single-family homes) <b>↑ 5%-20%</b>  <b>Residential</b> (including condo or single-family) <b>↑ 10%-50%</b>  <b>High Hazard</b> <b>↑ 10%-50%</b> (clean risk)	For Commercial, best in class insureds will find stable pricing with minimal increases.  Residential contractors with any exposure to condo or single-family homes are having difficulty obtaining coverage.  High hazard risks typically consist of street and road contractors, steel fabrication, remediation, excavation, demolition and other activities seen as especially dangerous.
<b>WORKERS' COMPENSATION</b> 	<b>↔ Flat</b>	Rates vary from state to state. Overall, there is stability outside of California, Florida, Illinois, New York and Texas.
<b>UMBRELLA &amp; EXCESS LIABILITY</b> 	<b>↑ 20% or higher</b>	The market remains volatile. Small trade contractors who aren't typically required to purchase high limits usually don't need this coverage, while large contractors usually must purchase it. In some cases, carriers aren't supporting enough capacity, making it difficult to secure appropriate limits.

# US Rate Guidance

Coverage Type	2022 YOY Rate Guidance	Insights
<b>DIRECTORS &amp; OFFICERS</b> 	<p>↑ 5%-10%</p>	<p>D&amp;O rates are increasing due to social inflation and nuclear verdicts.</p>
<b>BUILDERS RISKS</b> 	<p><b>Small Frame Projects with CAT exposure</b> ↑ 5%-20%</p> <p><b>Small Frame Projects not CAT exposed</b> ↑ 5%-10%</p> <p><b>Large Frame Projects with CAT exposure</b> ↑ 10%-30%</p> <p><b>Large Frame Projects not CAT exposed</b> ↑ 10%-35%</p> <p><b>Non-combustible Projects with CAT exposure</b> ↑ 5%-20%</p> <p><b>Non-combustible Projects not CAT exposed</b> ↑ 5%</p>	<p>Builders Risk is becoming more difficult to place as capacity is limited and retentions and rates are increasing, particularly ones with projects in catastrophe (CAT) exposed areas. In addition to premiums, the cost of materials is rising, adding to overall construction costs.</p>
<b>CONTRACTORS EQUIPMENT</b> 	<p><b>With CAT exposed</b> ↑ 5%-20%</p> <p><b>Not CAT exposed</b> ↑ 1%-5%</p>	<p>Rates are relatively stable, but due to increased theft overall, insureds will be required to have tighter security controls in place.</p>
<b>INSTALLATION FLOATER</b> 	<p>↑ 1%-5%</p>	<p>Rates are stable, but insureds with exposure along the coasts will see higher rates.</p>

# US Rate Guidance

Coverage Type	2022 YOY Rate Guidance	Insights
<b>CYBER LIABILITY</b> 	<b>↑ 20% or higher</b>	Underwriting guidelines have become much stricter, for example requiring MFA compliance, and terms are difficult to procure at renewal.
<b>ERRORS &amp; OMISSIONS</b> 	<b>Architects &amp; Engineers</b> ↑ 5% <b>Contractors Professional</b> ↑ 5%-10%	Profitability has declined as more A&E firms are being added to lawsuits. While rates are still soft, they are starting to rise.  Design liability has captured the industry's attention following the condo collapse in Florida. These types of firms will likely purchase higher limits than previously.
<b>SURETY BONDS &amp; SUBCONTRACTOR DEFAULT INSURANCE (SDI)</b> 	<b>↔ Flat</b>	The market is hardening for terms and conditions, but insureds can secure coverage if they can pass financial qualifications.

**Note:** Rate is typically defined as the amount of money necessary to cover losses, expenses, and provide an insurance company with a profit for a unit of exposure. Exposure refers to a business' or individual's susceptibility to various risks encountered daily. Carriers evaluate the level of risk an insured faces in calculating insurance premiums.



# Risk Mitigation

Here are key points to remember for risk mitigation in 2022.

**Pre-qualify subcontractors** — Formalize a process to select subcontractors that meet or exceed industry standards. Metrics to track pre-qualification must be communicated to your broker and insurance carrier. HUB Risk Services has developed a tool kit to assist clients.



**Build resilient supply chains** — Build material reserves and cultivate backup supply sources. Reconsider reliance on foreign-made supplies and just-in-time materials sourcing. Establish local and regional suppliers when possible.

**Improve quality** — Traditionally, meeting code was the metric used to measure quality. But now, insureds must go above and beyond that standard. This includes documenting components that passed the quality test. Available data cannot be a checklist as technology that monitors quality has improved by leaps and bounds. Consider video walk-throughs to document quality with a 360-degree camera so it can become part of the building record.



**Improve training** — Establish standards to ensure work gets done correctly the first time. Many contractors turned to new equipment to combat supply chain disruptions. As new methodologies are implemented, an influx of quality-related claims are expected. Training not only affects safety and productivity, but also your insurance premiums.

**Embrace technology and cyber risk management** — The potential for new technology in construction is a more efficient, safer and interesting work environment that's likely to attract more young people to the industry. But technology also increases the potential for cybercrime, making it essential for contractors to take up risk management protocols such as improved firewalls, two-factor identification, and periodic security audits.



# Strategic support that puts you in control.

When you partner with us, you're at the center of a vast network of experts who will help you reach your goals. Because we know your industry, we can help you minimize losses, protect your reputation, and help you plan confidently for the future. With HUB, you have peace of mind knowing that what matters most to you will be protected — through unrelenting advocacy and tailored solutions.

For more information on how to manage your insurance costs, reduce your risk and take care of your employees, contact a HUB construction insurance specialist.

[hubinternational.com/construction](http://hubinternational.com/construction)

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