HUB 2025

Outlook | Mid-Year Rate Report

CONSTRUCTION

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Construction

Mid-Year Rate Insights

The builders risk insurance market continues its adaptation amidst evolving construction technologies, increasing climate-related exposures, and more advanced underwriting models. Severe weather and water-related losses have led to higher deductibles and heightened scrutiny by underwriters, particularly for large-scale projects like high-rise towers and mixed-use developments. Enhanced catastrophe modeling has further refined insurers' risk assessments, prompting capacity restrictions on risks like flood and earthquake. Despite these headwinds, the market overall remains competitive.

Non-combustible construction continues to be the most attractive risk segment for insurers, with ample capacity and competitive pricing readily available. Projects demonstrating robust risk management practices and favourable loss histories are exceptionally well-positioned to capitalize on this softened insurance market.

Conversely, wood frame construction projects are experiencing elevated scrutiny due to a history of higher loss frequency. While capacity is available, it typically comes with tighter terms, higher deductibles and specific risk control requirements. Underwriters are placing significant emphasis on fire protection, weatherproofing and strict adherence to construction warranties for these projects.

Mass timber construction projects are increasing, driven by growing sustainability goals and embodied carbon regulations. Although long-term performance and claims data for mass timber remain limited, many carriers are expanding their appetite, often offering greater capacity than for traditional wood frame. However, pricing in this segment remains inconsistent, reflecting a cautious underwriting approach.

Several critical factors are currently shaping the builders risk market, including tariff-driven cost pressures, particularly from U.S. duties on Canadian steel, aluminum, and lumber that continue to push material costs upward. These increases directly contribute to elevated replacement values, which is becoming a significant factor in underwriting and premium calculations.

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The escalating incidence and severity of climate-related catastrophes such as wildfires, floods, and hail have led to unprecedented insured losses. Consequently, insurers are adopting more conservative underwriting practices, reducing capacity, and applying stricter terms in high-exposure zones. Furthermore, adverse claims experience means contractors with a history of frequent or severe losses are facing higher premiums and potential coverage limitations.

Escalating construction costs from persistent inflationary pressures, exacerbated by global supply chain disruptions, continue to drive up overall project expenses. Finally, the labour market constraints and the ongoing skilled labour shortage, are resulting in widespread project delays and further cost escalations, adding another layer of risk for underwriters.

Professional liability rates for architects & engineers are down 10% to flat. Rate trends in the market vary based on discipline, project type and geography. While geotechnical engineers face relatively stable rates due to limited market size, disciplines like electrical, civil and mechanical engineering are seeing the largest rate decreases due to strong insurer appetite. Specific project types also materially impact insurers' appetite, as condos and transit consistently remain areas of underwriting concern. Geographically, competition is highest in larger markets like Ontario, Alberta, British Columbia and Quebec (for excess), while the Prairies and Maritimes see more stable pricing due to fewer specialized brokers. This competitive environment is driven by increased capacity, both domestic and from Lloyd's, and a belief that risks are now appropriately priced after the 2020–2023 hard market. Despite rising claims severity, insurers are aggressively pursuing new business, adding staff and pushing rates lower since late 2023. However, the sustainability of this soft market will depend on how recent claims evolve.

Canada Rate Report

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 all industries throughout North America.

Commercial insurance rates in Canada for middle to upper-middle market companies are decreasing 5% on average, depending on client claims history, risk control measures and natural catastrophe exposure.

The Canadian insurance market is currently experiencing a competitive rate environment driven by factors such as economic conditions, loss trends, and carrier capacity. Insurers are carefully assessing risks, with premiums largely determined by individual risk factors such as industry, location and coverage needs. Tariffs are expected to affect loss costs, particularly on auto lines, as the parts needed to complete vehicle repairs increase. Many carriers are forecasting claims costs could increase 3% to 6%. Similarly, insurers are closely managing their exposure in wildfire-prone regions and other high-risk geographies. As market dynamics shift, businesses and individuals must stay proactive in managing their exposures to optimize insurance costs.

Coverage	CAN Rate Guidance	Insights
Individually Rated Commercial Auto (IRCA)	Flat to +5%	Rising claims costs and increasing vehicle thefts continue to impact the auto insurance industry. Most provinces are seeing upward rate filings, driven by more frequent claims and higher repair costs. Tariffs on auto parts are expected to further escalate the cost of repairs and replacements.
Fleets	-5% to Flat	Premiums are expected to keep rising due to inflation-driven claims costs and increasing vehicle thefts. Rate filings are trending upward across most provinces, fueled by more frequent claims, higher repair costs and tariffs that further inflate auto repair and replacement expenses.
General Liability	-5% to Flat	General liability continues to perform well and has helped insurers offset the more challenged property lines. Insurers are more flexible in pricing and terms as they look to write more liability to diversify their book.
Package	Flat	This segment is expected to remain stable, with potential for rate reductions driven by increased competition in Canada. A growing number of both domestic and international carriers are seeking to write package business, and with rising supply alongside stable demand, downward pressure on premiums is anticipated.
Umbrella & Excess Liability	-5% to Flat	Excess casualty pricing remains stable for Canada-only risks. However, accounts with U.S. exposure may see premium increases, depending on the attachment point and business segment, due to the higher litigation risk in the U.S. market.

Canada Rate Report

Coverage	CAN Rate Guidance	Insights
Commercial Property	-10% to -5%	The commercial property market remains highly competitive, with most segments seeing rate reductions. While reinsurance costs have risen slightly, properties in catastrophe-prone regions may face modest rate increases due to frequent severe weather. Although rebuild costs are stabilizing, insurance-to-value (ITV) remains a key concern. Ensuring clients are fully insured to the full rebuild or replacement value is essential for proper compensation in the event of a loss.
Environmental	Flat to +5%	Environmental insurance rates continue to vary by industry and site history. Businesses in low-risk sectors like clean tech, warehousing and logistics, particularly those with no known environmental issues, can expect stable or even competitive pricing. In contrast, high-hazard operations such as chemical manufacturers, waste handlers and brownfield redevelopers continue to face higher rates, stricter terms or retentions due to greater underwriting scrutiny. Insurers favor accounts with strong environmental management systems, newer infrastructure and proactive risk mitigation. Market capacity remains stable but cautious, with some major carriers reducing long-tail exposures or tightening underwriting guidelines. Loss severity is rising, especially for groundwater contamination and complex cleanups. Inflation and supply chain disruptions continue to drive up remediation costs, while concerns over property valuation are prompting more detailed underwriting of site appraisals and cleanup estimates. Uncertainty around emerging contaminant regulations is also pushing insurers to revise pricing models.
Directors & Officers: Private	-10% to Flat	The market remains highly competitive, putting downward pressure on pricing, though overall stabilization is evident. Accounts moving to platforms like ProEx Digital are seeing greater premium reductions due to panel efficiencies. In the EPL space, competitive conditions continue to influence rates. However, underwriters are closely monitoring economic trends, particularly rising corporate bankruptcies, which could shift risk assessment strategies.
Directors & Officers: Public	-10% to Flat	After years of sharp declines, the public D&O insurance market is largely stabilizing, supported by ample capacity. Dual-traded and post-transaction accounts have seen the largest rate cuts due to their inherently higher premiums. New market entrants continue to undercut incumbents, keeping competition high. While U.S. claims are ticking up slightly, the increase hasn't yet shifted the broader market. In contrast, Canadian claims trends remain favourable, helping to balance overall conditions.

Canada Rate Report

Coverage	CAN Rate Guidance	Insights
Cyber Liability	-15% to +5%	The cyber insurance market is currently soft, with most insureds seeing flat renewals or rate decreases. Some are even securing deeper discounts as insurers aggressively compete for new business. Law firms are a key exception, facing higher rates due to ongoing claims in that sector. This soft market isn't driven by fewer claims — incidents remain frequent — but by a surge in capacity over the past two to three years. Many new insurers have entered the space, offering both primary and excess cyber coverage, and this aggressive pursuit of market share is pushing rates down. However, as losses begin to mount, especially for newer entrants that will be compelled to adjust their strategies, the market is expected to correct and tighten over time.
Professional Liability: Misc. Errors & Omissions	-10% to Flat	The Miscellaneous Professional Liability (MPL) market is highly competitive, with rates typically flat to down 10%. This broad category covers various professions, and abundant capacity, particularly from MGAs, is the main driver behind falling rates. Insurer appetite remains strong for most MPL classes, though there's less interest in certain real estate professionals and those with higher financial exposures, such as accountants. However, many in these categories are often covered through mandatory or specialized professional programs. Despite claims inflation, MPL claims remain lower in frequency and severity compared to regulated professions like architects, lawyers and insurance brokers. This favourable loss profile, combined with high capacity, suggests competitive conditions will likely persist.

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