

Outlook 2025

Construction

Construct a resilient future using a strong risk management approach as a blueprint for success.



Risk & Insurance | Employee Benefits | Retirement & Private Wealth

What to Expect in 2025

Construction firms will face unpredictable conditions in 2025, including the environment, market disruptions, uncertain interest rates and the overall economy. But tight risk management and the ability to adapt, supported by strong insurance strategies will help minimize the uncertainty in maintaining profitability, boosting recruiting and retention and staying resilient.

16%

Percentage of construction firms that have sufficient insurance coverage to protect profits¹

1. Results from HUB's Outlook Executive Survey, which polled 900 C-Suite and VP-level executives on the issues facing them on profitability, employee vitality and organizational resilience.

Despite optimism, systemic and economic headwinds could pressure profits.

The construction industry will continue to find work on large, multi-billion-dollar projects, largely in infrastructure. But inflation, climate change and interest rates — not to mention the expense of insuring the large risks that come with sizable construction projects — could dampen profits.

Total new construction spending is projected to reach \$2.145 trillion in 2025, hitting \$2.340 trillion by 2028.² Non-residential construction spending is only expected to increase 2%, stalling after this year's anticipated 7% gain.³

In 2025, cooling inflation and declining interest rates are likely to result in more construction projects, but also upward pressure on labor and supply costs. Materials costs will continue to have a major effect on profitability due to fluctuating prices.⁴

Forty-four percent of construction respondents to HUB International's 2025 Outlook Executive Survey report they are "highly confident" about their companies' performance in 2025, which bodes well for growth and the overall state of the industry. However, any new profits could be significantly impacted by the lack of insurance to protect against risk, with only 16% citing that the coverage they have is adequate.

Equally concerning is the systemic risk of \$2 trillion in commercial real estate debt maturing over the next two years.⁵ Refinancing these loans with high vacancy rates⁶ is likely to result in more defaults, potentially causing a broader lending pullback, which would be a major blow to the construction industry's bottom line.

As the business environment remains unstable — and unpredictable — tightly managed financial controls will help construction firms compete for a shrinking pool of capital.



To keep balance sheets strong as construction firms handle larger and more complex projects, companies will need to lean on an experienced insurance broker who can proactively identify alternative insurance options and risk transfer mechanisms, such as parametric insurance and retention strategies.

Companies partnering with other construction firms on large projects will need guidance from their broker and a holistic approach to insurance and risk management as the level of complexity and interconnectivity increases with each partner.

2. Statista.com, "[New construction put in place in the United States from 2005 to 2023, with forecasts until 2028](#)," August 7, 2024.
3. American Institute of Architects, "[Construction spending gains projected this year, expected to stall in 2025](#)," July 17, 2024.
4. Construction Dive, "[Construction input prices drop for first time in 2024](#)," June 13, 2024.
5. MossAdams, "[The Commercial Real Estate Debt Dilemma](#)," April 3, 2024.
6. Statista, "[How Many U.S. Offices Are Empty?](#)" July 11, 2024.

Address labor gap with benefits, training and tech.

The construction industry's continuing labor shortage may alleviate a bit in 2025 — the projected shortage will drop by about 50,000 workers in 2025 — but there will still remain a worker deficit of more than 450,000.⁷

Making matters worse: One in five construction workers is older than 55⁸ and there's a dearth of incoming Gen Zs and Millennials entering the profession.

Severe weather conditions are also a major problem — not only does it increase the danger to workers, but it will drive down the number of people interested in construction as a profession.

The industry has turned to apprenticeship programs for help. In fact, there's been a 40% jump in registered apprenticeship programs in the previous decade, with construction firms and their trades accounting for more than a third of all apprentices, more than any other sector.⁹

Technology can also help. For example, drones and robots can help with the most dangerous construction tasks. There's also wearable tech that detects body heat and fatigue and provides GPS tracking to detect falls or no movement for an extended period.

Personalized benefits can also help attract and retain workers. Respondents to HUB's survey cited challenges in providing adequate benefits to compete for top workers, and nearly half reported low employee participation and satisfaction with current programs, highlighting an opportunity to structure a benefits strategy that focuses on what employees value. By digging into the company's population data through a [Workforce Persona Analysis](#), a customized strategy can deliver benefits that workers truly want and need.



For instance, childcare benefits could help attract more women to the business, while mental health benefits are key to combat high rates of suicide within the industry.¹⁰ Other creative solutions could include [access to personal insurance](#) to take an additional layer of stress off employees' plates.

This strategy can deliver [quality employee experiences \(QEX\)](#) that create an environment in which employees are more engaged and productive than those without personalized benefits.

7. Construction Dive, "[Construction's labor shortage continues, despite dip in open jobs](#)," June 5, 2024.
8. U.S. Bureau of Labor Statistics, "[Labor Force Statistics from the Current Population Survey](#)," accessed September 19, 2024.
9. NewsNation, "[America needs skilled workers: are apprenticeships the solution?](#)" April 11, 2024.
10. NBC News, "[Construction workers are dying by suicide at an alarming rate](#)," June 23, 2024.

Preparedness and new solutions are essential as resiliency is tested.

Challenges ranging from economic to atmospheric will continue to test construction firms' resiliency in 2025.

Weather extremes will continue to disrupt project timelines and more seriously put workers at risk. Extreme heat is a top cause of death for workers laboring outside,¹¹ and adjusting work schedules to protect against sweltering temperatures makes physical construction work take 36% longer.¹² Compounding concerns are the continuing risks of unpredictable materials costs and the prospect of refinancing trillions of dollars in commercial real estate.

Modular construction can help construction firms stay resilient against climate-related and economic challenges, offering safer working conditions and an entrée into mega construction projects. These mega projects offer opportunities to improve efficiencies, capacity and share risk through strategic partnerships or mergers. Construction megadeals (valued over \$1 billion) began surging globally early in 2024.¹³

As catastrophic events, inflation and supply chain constraints affect insurance costs and availability at required limits, rigorous risk management is critical for resiliency in 2025.

Parametric insurance, which pays policyholders when weather thresholds pass a prespecified mark, is an alternative to traditional insurance programs that don't cover losses associated with heatwaves, for example.¹⁴ Another alternative, project-specific insurance, is customized for the job with coverage and costs shared among owners, general contractors and subcontractors. Project-specific insurance helps insulate and protect the rest of the business if there is an incident or claim on a large project.



Firms who work in lockstep with a best-in-class broker to develop a comprehensive claims management plan will be best positioned to weather the uncertainties of any type of business disruption. Additionally, having an effective loss mitigation strategy can help reduce the severity of the claim by leveraging coverages, such as Extra Expense, to reduce downtime and minimize loss of profits.

Construction firms readying themselves for the challenges of 2025 will get their houses in order to take advantage of the good and weather the bad. An experienced broker is key to help evaluate the adequacy of insurance programs and provide risk management resources that support business goals.

11. Time, "[Extreme Heat Is Endangering America's Workers—And Its Economy.](#)" August 3, 2023.
12. Bisnow, "['Adaptation Cost of Anguish': How Extreme Heat Is Slowing Down Construction.](#)" Sept. 5, 2023.
13. MileHigh CRE, "[US Construction Outlook: Megaprojects will Define the Industry in 2024.](#)" January, 2 2024
14. Axios, "[Increasingly costly heat waves present insurance challenges.](#)" July 16, 2024.


Turning to tech in search of solutions.

Technology stands to transform nearly every facet of the construction business, potentially alleviating long-standing pressures like safety, productivity and labor shortage. But many firms are overwhelmed by it and have neither the skills nor the budget to invest — nor are they prepared for the accompanying risks like bad actors hacking equipment or shutting down sites entirely for ransom.

Still, investments are growing in data analytics, the internet of things (IoT) and telematics, not to mention drones, wearables and other devices. One survey found 68% of firms investing in artificial intelligence alone in 2024; those that do invest improve revenue and profit growth and deliver more projects on time and under budget.¹⁵

Even as more firms test the tech waters, they lack awareness of the heightened risk of cybercrime. Deep fake technology cyber criminals scammed an engineering firm out of \$25 million in 2024 when bad actors posed as the company's CFO, highlighting the need for ongoing training to help employees spot red flags and request additional verification before making costly mistakes.¹⁶

And HUB's survey found only 32% of construction firms have cyber insurance. One contractor, a HUB client, suffered a quarter-million-dollar fraudulent funds transfer incident but was reimbursed through cyber insurance only eight weeks after the event, proof that the coverage was well worth the investment.



In addition to training, a cyber incident response plan is key to securing adequate cyber coverage, yet three-quarters of construction firms lack one.¹⁷ Being proactive against cyber risk through multifactor authentication, cybersecurity training and protocols with a solid backup strategy makes businesses much more attractive to underwriters.

An insurance broker who specializes in construction has the knowledge and resources to identify and help address such exposures with creative solutions to balance the growing risks of technology with its lucrative rewards.

15. Deloitte, "[State of Digital Adoption in the Construction Industry 2024](#)," April 18, 2024.

16. CFO Dive, "[Scammers siphon \\$25M from engineering firm Arup via AI deepfake 'CFO'](#)," May 22, 2024.

17. Construction Today, "[Safeguarding the construction industry in the digital age](#)," October 23, 2023.

Navigating Your Next Steps

HUB construction insurance, risk management and employee benefits specialists will work with you to develop a tailored strategy that will protect the bottom line, support your workforce and build resiliency for 2025. Here are some initial considerations:

1

Develop a comprehensive risk plan.

Making risk management a pillar of your organization's culture can help identify exposures and develop response plans in case of any type of incident, whether that is a weather-related event, a threat of physical safety or a cyberattack. Make sure your broker understands how to approach risk and can identify gaps in insurance that could disrupt your daily operations.

To compete for a shrinking pool of skilled labor, personalized benefits based on [HUB Workforce Persona Analysis™](#) and data analytics can help your company differentiate itself from the competition. Creating a [quality employee experience \(QEX\)](#) will boost engagement, improve recruitment and retention and promote worker wellbeing

2

Create a personalized benefits strategy.

3

Remain focused on workplace safety.

Safety is already the focal point of your operation, but with an influx of new and less-experienced workers, injury risks increase. Work with a risk professional to review your safety program at least annually and address any issues.

Stay in contact with your broker and let them know about changes to the business to eliminate surprises at renewal. Review exposures and insurance needs at least 90 days prior to policy renewal to allow your broker to find the optimal coverages for your organization.

4

Be transparent with your broker.

Construction Rate Guide – U.S.

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, rates for middle- to upper-middle-market companies are experiencing rate increases for nearly all coverages as carriers need additional premium to support increased losses and expenses. Below are projections of rate increases that we anticipate in 2025. 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	2025 Construction Rate Guide	Insights
Commercial Auto	+10% to 25%	Increasing claims frequency remains a driving force behind rising commercial auto rates. Businesses that use telematics and are proactive with risk control (i.e., training, reviewing, monitoring drivers) will experience the most favorable rates.
		Those that move to loss-sensitive or deductible programs will see more underwriting flexibility as rates start to stabilize. Carriers may offer more attractive terms in a multi-line primary casualty program that includes general liability and workers' compensation. The market remains volatile for fleets with guaranteed cost program structures due to limited capacity.
		Carriers continue to scrutinize exposures specific to hired and non-owned auto coverage, especially for accounts with claims activity.
General Liability, Package, Wrap-Up & Project Specific	Commercial Non-CAT Flat	Rates are stabilizing in some construction classes as carriers become more aggressive on commercial projects. However, rates for residential projects vary significantly by state. New entrants to the residential market have slowed overall rate increases, while high-hazard and frame construction risks remain challenging.
	Residential Non-CAT Flat to +5%	Anticipate additional underwriting scrutiny as baseline premiums will elevate. GCs and subcontractors feel financial pressure as the number and size of projects grow. Robust contractor prequalification remains crucial as risk of contractor performance and default issues increase.
	High Hazard +5% to 10%	
Workers' Compensation	-3% to +3%	Workers' compensation remains highly profitable, but reinsurers anticipate trouble ahead due to rising claims severity. States experiencing legislative pressure for worker classification (independent contract vs. employee) may also impact underwriting and premium audit standards.
Umbrella & Excess Liability	Flat to 10%	Auto is the main concern for umbrella renewals and capacity remains tight for larger, heavy-duty fleets. While the market is still hard, rates are showing signs of moderating for best-in-class risks.

Construction Rate Guide – U.S.

Coverage	2025 Construction Rate Guide	Insights
Builders Risk	Small Frame Projects with CAT exposure +5% to 20%	<p>How catastrophic (CAT) areas are defined continues to broaden to underwrite the increased prevalence of wildfire, convective storm and flood events.</p> <p>For any frame project, capacity remains limited, with underwriters reserving capacity for best-in-class projects with well-qualified developers and contractors and above-average compliance and site security protocols.</p> <p>The use of technology to mitigate jobsite risks, such as water leak detection devices, fire protection systems, video surveillance and security alarms, continues to be a focal point for underwriters.</p>
	Small Frame Projects Non-CAT Flat	
	Large Frame Projects with CAT exposure +5% to 20%	
	Large Frame Projects Non-CAT -5% to Flat	
	CLT (Mass Timber) engineered wood product +5% to 15%	
	Non-Frame with CAT exposure +5% to 15%	
Contractors Equipment	Non-Frame Non-CAT Flat	
	With CAT exposure +5% to 20%	Similar to builders risk, insureds with tighter security controls to mitigate theft-related claims are experiencing more favorable rates.
Installation Floater	Non-CAT Flat	Rates have stabilized for non-CAT-exposed sites. Expect some rate relief for CAT exposure.
	With CAT exposure +5% to 20%	

Construction Rate Guide – U.S.

Coverage	2025 Construction Rate Guide	Insights
Environmental	-5% to +10%	Rates will vary by occupancy class. Non-habitational builders may experience rate relief, while the market may see increases for any habitational exposure. With new carriers competing for business, pollution legal liability (PLL) and environmental rates for most contractor classes remain stable, but markets are somewhat limited for site pollution. Per- and polyfluoroalkyl substances (PFAS) remain a hot topic and underwriting concern.
D&O	-10% to +5%	D&O insurance for public companies remains highly competitive, as capacity is plentiful, and underwriters remain aggressive. Terms and conditions remain favorable for insureds.
Cyber	-10% to Flat	Cyber rates continue to fall. Although significant breaches/outages with service providers (i.e. Change Healthcare, Crowdstrike) haven't led to rate hikes yet, harder market conditions may occur during the first half of 2025.
Professional Liability	Architects and Engineers (A&E): Flat Contractors: Flat to +5%	Despite increased claims cost, carriers remain aggressive for new business, with underwriters reserving capacity for risks with favorable loss history. Rates for contractors professional liability (CPL) and combined PLL/CPL programs remain stable, while carriers compete aggressively for better-performing risks. Rates for project-specific professional liability (PSPL) remain elevated due to limited market capacity and projects growing in technical complexity and scope.
Surety & Subcontractor Default Insurance (SDI)	Flat to +5%	Though surety and SDI are not rate-driven, the markets react by constraining appetite, capacity, and/or tightening coverage terms and conditions. Surety losses are climbing in certain sub-classes, resulting in tighter underwriting parameters and increased financial scrutiny. As loss activity continues to increase for SDI, expect higher self-insured retentions (SIRs) coupled with more limited program capacity.

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

HUB Construction

When you partner with us, you're at the center of a vast network of experts who will help you reach your goals. For more information on how to manage your insurance costs, reduce your risk and take care of your employees, talk to a HUB construction insurance specialist.

\$2.5B

in commercial insurance premium brokered by HUB

40,600

insurance policies managed

134,000

construction clients

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