

Outlook 2026

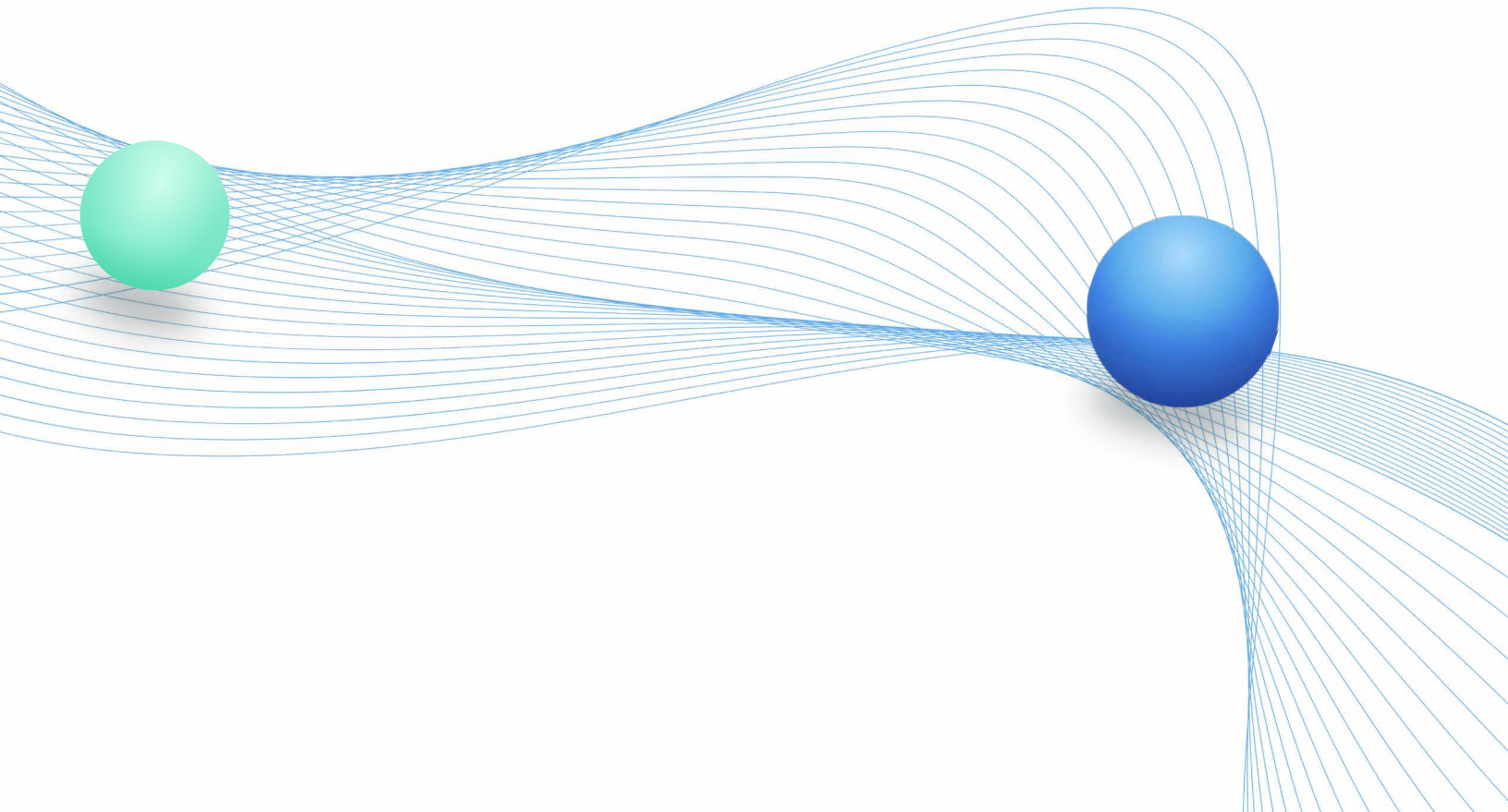
# Construction

Tariffs and labor disruptions will test contractor resilience as growth in data centers fuels opportunities.



# What to Expect in 2026

Uncertainty remains high in the construction industry in 2026 as contractors face tariff and supply chain volatility and immigration enforcement pressures an already tight labor market. Areas of opportunity are emerging, however, as data center construction surges and interest rates are projected to decline. Firms that have demonstrated risk maturity and adaptable business plans will find the momentum they need to stay on solid ground.



## Profitability

# Cost management strategies become more critical amid material volatility and labor pressures.

While supply chain disruptions, labor shortages and climate-related delays will continue to pressure construction budgets, the biggest source of uncertainty heading into 2026 will be material costs due to tariffs. Costs of materials have already risen 34% since December 2020, and tariffs are expected to further exacerbate price increases.<sup>1</sup> All this volatility complicates insurance valuations and project financing that can shift dramatically between bid and completion.

According to the HUB International 2026 Profitability & Resiliency Executive Survey,<sup>2</sup> 92% of organizational leaders across North America believe that rising costs will impact their profitability, a 6% increase over last year.

To adapt to rising profitability pressures, contractors are “pre-positioning” materials, buying supplies months in advance to avoid future price spikes. While this shifts cash flow and raises working-capital requirements, it also offers protection against sudden cost surges.

Adding to cost pressures is the industry’s chronic labor shortage. Immigration enforcement actions throughout 2025 have resulted in workers avoiding construction sites. One-third of construction firms are reportedly affected, with 45% attributing project delays to worker shortages.<sup>3</sup>

Still, there are some bright spots. Interest rates, once a major drag on financing, have stabilized and the Federal Reserve is expected to cut rates through the end of 2025 and into 2026.<sup>4</sup> This will help restart stalled projects, as lower rates will reopen pipelines for commercial, residential and infrastructure projects. And while homeownership has dropped to its lowest level since 2019, [the build-to-rent trend](#) provides builders with a strong revenue source not directly tied to mortgage rates and tax changes.<sup>5</sup>

[Private equity](#) interest in the construction sector is also accelerating, bringing both new capital and heightened expectations around performance, growth by acquisition, risk and compliance. For construction firms, this creates opportunities and challenges, as navigating investor demands often requires expertise. Partnering with an experienced broker who has a strong private equity practice helps bridge the knowledge gap, ensuring contractors receive tailored guidance, risk management strategies and insurance solutions aligned with investor priorities.

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Another area of momentum is data center construction. Driven by surging AI demand, these large-scale projects are ramping up despite inflation. While they pose unique insurance challenges, brokers with deep expertise in the industry are helping firms design creative risk-sharing solutions.

Construction firms could find some cost relief on their insurance through [owner-controlled insurance programs \(OCIPs\)](#) and other creative project-specific insurance solutions that can also streamline risks.

1. National Association of Home Builders, “[How Tariffs Impact the Home Building Industry](#),” accessed September 3, 2025
2. The HUB International 2026 Profitability & Resiliency Executive Survey polled 350 industry leaders and executives across North America on the issues facing them on profitability and resilience.
3. Associated General Contractors of America, “[Construction Workforce Shortages Are Leading Cause Of Project Delays As Immigration Enforcement Affects Nearly 1/3 Of Firms](#),” August 28, 2025.
4. Goldman Sachs, “[Why the Fed May Cut Rates Earlier Than Expected](#),” July 7, 2025.
5. NAHB.org, “[Homeownership Rate Hits Lowest Level Since 2019](#),” July 30, 2025.

## Vitality

# In the face of chronic labor shortages, workforce investments will help mitigate worker issues.

To meet demand in 2026, the industry will need to recruit at least 500,000 workers into construction jobs.<sup>6</sup> Demographic changes are making it more difficult to find those workers, with more than 20% of construction workers over 55 years old and less than 3% of young people considering construction as a career path.<sup>7</sup>

Immigration enforcement has created a new source of strain, with construction sites nationwide experiencing construction work stoppages. In Florida, for example, multiple construction sites were shut down for several days after a raid that resulted in arrests.<sup>8</sup> Such challenges can affect productivity and raise liability risks as firms navigate workforce classification, safety and compliance.

Weather-related events are also putting strain on the construction workforce. Construction workers had the highest number of heat-related deaths between 2015 and 2023.<sup>9</sup> [Protecting workers from heat-related illness](#) by establishing a prevention program needs to be a top priority for construction firms. Several states, including Washington and Arizona, are enacting strict heat-safety rules to mitigate these injuries, and contractors that embrace compliance can see fewer disruptions and gain a stronger reputation as a safety-minded employer.

Protecting workers' wellbeing is both a responsibility and smart business practice given the construction industry has the highest number of lost days due to injury.<sup>10</sup> Incorporating wearable safety devices and wellness programs are other ways construction firms can reduce claims and build trust among employees.

Failing to comply with worker safety requirements can result in significant liability exposure for construction firms from both workers' compensation claims and third-party "action over" lawsuits. Companies that invest in early training and health programs can see meaningful financial returns through lower claims and better productivity, as well as build a culture of caring that shows workers they are valued.

Providing personalized benefits that support workers' specific needs, as well as mental health and general wellness initiatives, is another important way to attract and retain employees. HUB's [Workforce Persona Analysis™](#) helps construction firms identify what benefits employees need and will use.

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*The construction industry will need to recruit **at least 500,000 workers** to meet demand in 2026.<sup>6</sup>*

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Workers appreciate these options, according to [HUB's 2025 U.S. Workforce Vitality Gap Index](#), with 73% of employees agreeing that a comprehensive and personalized benefits program would increase the likelihood they would stay with their current employer. Forty-eight percent indicated they would take advantage of employee wellbeing programs that include extended mental health benefits and gym memberships.

Another innovative approach is offering employees access to retirement resources like [HUB FinPath's](#) financial wellness platform, which can help them reduce financial stress and work towards their retirement goals. Providing these kinds of personalized benefits enhances the overall employee experience, fostering a more engaged and productive workforce.

6. Associated Builders and Contractors, "[ABC: Construction Industry Must Attract 439,000 Workers in 2025](#)," January 24, 2025.
7. Associated Builders and Contractors, "[Construction Labor Shortage: Challenges, Impacts, and Solutions](#)," January 10, 2025.
8. ConstructionDive.com, "[ICE raids on building sites stoke fear, uncertainty](#)," June 4, 2025.
9. The Center for Construction Research and Training, "[Heat Injuries and Illnesses among Construction Workers](#)," August 2025.
10. Travelers, "[The Travelers Injury Impact Report](#)," accessed August 19, 2025

## Resiliency

# To maintain their edge, construction firms will need to pair resilience with foresight.

Extreme weather is emerging as a primary factor for risk management in the construction industry. Record-breaking heat in Phoenix that forced work stoppages — with 113 consecutive days over 100 degrees Fahrenheit<sup>11</sup> — exemplifies the new reality. Such events are becoming more common and disruptive to the industry, with extreme weather like heat, wind and severe storms responsible for delays and expanded timelines for up to 60% of construction projects.<sup>12</sup>

Strategies are now essential for analyzing climate risks and ensuring contractors have appropriate coverage limits. The good news is firms can leverage advanced weather analytics and modeling to identify vulnerable periods in the project lifecycle and adjust schedules accordingly. Insurance brokers can help firms structure coverage that accounts for regional weather patterns and seasonal variations for long-term resilience by utilizing predictive planning, as well.

While traditional insurance remains the cornerstone of risk transfer in construction, climate change-related events are causing businesses to seek alternatives to address coverage gaps. For example, [parametric insurance](#), which gives a payout once a specified weather metric is met, provides construction firms with a strategic supplement for risks that may not otherwise be covered. Firms can bypass lengthy damage assessment processes and receive immediate capital to cover delays and mitigate business disruption.

It's important for construction firms to realize, however, that parametric coverage is not a standalone replacement for traditional coverage and typically doesn't satisfy lender insurance requirements. Experienced brokers can help run scenarios to identify where parametric insurance can be beneficial.

With other coverage lines like commercial auto and excess/umbrella liability experiencing rate increases as high as 15% due to ongoing losses in these segments, exploring other ways to mitigate coverage challenges and risks is critically important.

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*Extreme weather is responsible for delays and expanded timelines for up to 60% of construction projects.<sup>12</sup>*

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A broker with deep industry experience can guide construction firms through scenarios where they would need additional coverage for business interruptions due to supply chain issues, tariffs or labor shortages. They can also evaluate areas where better risk management strategies could reduce the possibility of losses and establish an effective [enterprise risk management \(ERM\) strategy](#). HUB International's 2026 Profitability & Resiliency Executive Survey found that only 6% of leaders have risk management strategies that qualify as advanced in maturity, highlighting significant opportunities for organizations to strengthen their approach.

11. U.S. News & World Report, "[Phoenix Ends Its Streak of 100-Degree Days at 113 Consecutive Days](#)," September 17, 2024.

12. Workyard, "[The \\$7 Billion Nightmare: How Weather Disrupts Construction Projects](#)," March 25, 2025.

## Data Center Projects

# Managing exposures will help firms capitalize on opportunities from the data center construction boom.

Fueled by AI, cloud computing and demand for data storage, data center construction has emerged as a key growth engine for the construction industry with investment in new data center projects totaling over \$9 billion in 2024.<sup>13</sup> Going forward, capacity is expected to more than triple by 2030, with companies investing at least \$7 trillion globally in various types of data center infrastructure. About \$1 trillion of that investment will go toward the building of these facilities.<sup>14</sup>

Though they resemble giant warehouses, data centers are anything but simple. These multi-year, phased developments must be able to continuously expand beyond the parameters of the original plan to meet the evolving energy demand. Because these facilities consume electricity on par with small towns, they can often overwhelm local power grids.

Companies are now building their own plants to ensure reliability.<sup>15</sup> For example, in mid-2025, Microsoft struck a \$16 billion deal to restart the Three Mile Island nuclear reactor in Pennsylvania to power its AI data centers.<sup>16</sup> This project underscores how simple warehouse construction can quickly become a complex industrial project that includes data centers and major infrastructure risks.

In addition, the need for skilled labor, electrical systems and physical security presents new challenges, requiring highly specialized trades and design-build expertise, as well as a specialized insurance program.

The insurance markets are racing to keep pace and manage exposure. Coverage must be spread across multiple insurance markets, requiring brokers with expertise in both construction and power infrastructure. Beyond [builder's risk insurance](#), exposures such as cyber liability and equipment breakdown are drawing greater underwriting scrutiny.

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*About \$1 trillion of data center investment will go towards building these facilities.<sup>14</sup>*

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Contractors looking to capitalize on the growth potential of this space and ensure a durable pipeline of work need to work with an experienced broker who can establish sophisticated coverage structures and risk management strategies.

13. Insurance Journal, "[Data Centers, Overloaded Power Grids Keep Green Energy in the Spotlight](#)," July 7, 2025.

14. McKinsey & Co., "[The data center balance: How US states can navigate the opportunities and challenges](#)," August 8, 2025.

15. Texas Tribune, "[Data centers are building their own gas power plants in Texas](#)," June 5, 2025.

16. Pennsylvania Capital Star, "[Microsoft describes Three Mile Island plant as a once-in-a-lifetime opportunity](#)," June 25, 2025.

# Moving Your Organization Forward

HUB construction insurance, risk management and employee benefits specialists can help you develop a tailored strategy to protect the bottom line, support your workforce and build resiliency for 2026. Here are some initial considerations:

- 1 Develop a comprehensive risk plan.**

Risk management should be a pillar of your organization's culture. By identifying exposures and developing response plans in case of any type of incident, you will be set up for success. A comprehensive risk plan should also include proactive claims management and mitigation protocols to ensure proper procedures are in place before a loss occurs, helping to minimize both losses and expenses. Your broker should understand how to approach risk and find coverage gaps that could disrupt your daily operations.

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- 2 Create a personalized benefits strategy.**

To compete for 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 \(QEX\)](#) boosts engagement, improves recruitment and retention and promotes worker wellbeing.

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- 3 Remain focused on workplace safety.**

Safety should already be the focal point of your operation. An influx of new and less-experienced workers can increase injury risks, so working with a risk professional to review your safety program at least annually and address any issues is critical.

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- 4 Be transparent with your broker.**

Communicate regularly with your broker and let them know about changes to the business to eliminate surprises at renewal. Report all claims — even incidents that could potentially lead to a future claim — to your broker as soon as they occur so they can respond quickly and help mitigate potential losses. Review exposures and insurance needs at least 90 days prior to policy renewal so your broker can find the optimal coverages for your organization.

# 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, commercial auto, excess liability and umbrella coverages are seeing the largest rate increases as carriers need additional premiums to support increased losses and expenses. Below are projections of rate increases that we anticipate in 2026. It’s important to discuss your exposure with your insurance broker and understand what to expect well in advance of your next renewal.

Coverage	2026 Construction Rate Guide	Insights
<b>Commercial Auto</b>	+5% to +15%	<p>Insurers remain acutely focused on geographic exposure, particularly in jurisdictions with heightened litigation activity. Clients with vehicle concentrations in these regions are likely to face higher rates and reduced insurer appetite. Materials inflation also continues to drive claims severity for both auto physical damage and property damage losses.</p> <p>Umbrella and excess carriers are tightening underwriting requirements, often mandating higher primary liability limits for large fleets and, in some cases, for smaller fleets. A combined single limit of \$2 million has become the prevailing minimum to meet excess attachment points. When higher primary limits or additional buffer layers are imposed, total program costs can rise substantially.</p> <p>Average loss severity across auto continues to deteriorate, with claims values increasing across all thresholds. This trend is fueled by several compounding factors:</p> <ul style="list-style-type: none"> <li>○ Higher frequency of litigation</li> <li>○ Escalating legal defense and settlement costs</li> <li>○ Increasing nuclear verdicts</li> </ul> <p>Telematics adoption is gaining momentum, particularly among contractors. Many insurers now expect telematics systems to be implemented for fleets exceeding certain vehicle counts, viewing them as essential tools for improving safety and mitigating loss frequency.</p>
	Commercial Non-CAT Flat	<p>The impact of insured locations has been less severe on pricing and capacity in the GL line than auto. The broader construction market is showing signs of stabilization, but the residential sector remains under significant pressure, especially for GL and wrap-up programs.</p>
	Residential Non-CAT Flat to +5%	<p>Several admitted markets have withdrawn from residential construction. Residential risks — especially wrap-ups and controlled insurance programs — are being placed more often in the excess and surplus (E&amp;S) or non-admitted market instead of with an admitted carrier.</p>
<b>General Liability, Package, Wrap-Up and Project Specific</b>	High Hazard +5% to +10%	<p>Rates have stabilized in some construction classes, and carriers are more aggressively pursuing commercial projects.</p>

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Coverage	2026 Construction Rate Guide	Insights
<b>Workers Compensation</b>	-5% to +5%	<p>Severe weather events and evolving legislation are impacting the coverage landscape, as regulatory efforts aim to improve working conditions, particularly for outdoor and high-risk laborers. At the same time, persistent labor shortages are contributing to higher claims severity.</p> <p>After several years of consistent rate declines, many insurers are pushing back to seek modest rate increases — typically in the 1% to 2% range — on renewals. Growing payrolls in all but single-family home construction could offset any modest increases.</p>
<b>Umbrella &amp; Excess Liability</b>	+5% to +15%	<p>Rate pressure in the umbrella and excess liability space continues, particularly for accounts with sizeable vehicle fleets or exposures in litigation-prone jurisdictions. Insurers remain highly cautious and are aggressively applying “limits management” strategies where they offer smaller limits per layer. Insureds must then stack multiple excess policies, which significantly increases the total program cost. The highest limit offered on a per-layer basis is typically \$10 million.</p> <p>More clients in middle and upper middle markets are struggling to place excess layers above the \$1 million primary limit. Particularly in auto, the attachment points for excess coverage have meaningfully increased, leaving clients with gaps between trading primary and excess layers. In response, multi-year structured buffer layer programs that are designed to sit between the primary and excess policies are becoming more common, especially for clients with large vehicle fleets or complex exposure profiles.</p>
<b>Builder’s Risks</b>	<p>Small Frame Projects with CAT exposure Flat to +10%</p> <p>Small Frame Projects Non-CAT -10% to Flat</p> <p>Large Frame Projects with CAT exposure Flat to +10%</p> <p>Large Frame Projects Non-CAT -10% to Flat</p> <p>CLT (mass timber) engineered wood product Flat to +5%</p> <p>Non-Frame with CAT exposure Flat to +10%</p> <p>Non-Frame Non-CAT -5% to Flat</p>	<p>The builder’s risk market continues to exhibit signs of softening for non-CAT exposure, driven by sustained competition among insurers. Available capacity continues to exceed demand, intensifying competition and exerting downward pressure on premiums. Underwriters are accounting for the growing frequency and severity of wildfires, severe convective storms and windstorms and inland flood events. As a result, many geographic areas previously considered lower risk are now being classified as CAT-exposed.</p> <p>Jobsite security, especially to prevent water damage, fire, theft and vandalism, is a top concern. Underwriters are expecting insureds to use technology to monitor compliance with security protocols. Water mitigation remains a key underwriter concern, especially during construction phases where plumbing is active, but fire suppression systems are not fully functional.</p>

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Coverage	2026 Construction Rate Guide	Insights
<b>Contractors Equipment</b>	<p>with CAT exposure Flat to +10%</p> <p>Non-CAT Flat</p>	<p>The use of asset tracking technologies, such as LoJack systems and GPS-based solutions, is increasingly required by underwriters, especially for high-value construction equipment and jobsite tools. These systems help deter theft and accelerate the recovery of stolen assets. Carriers are prioritizing insureds who are implementing asset tracking technology and demonstrating overall tighter security controls.</p>
<b>Installation Floater</b>	<p>With CAT exposure Flat to +10%</p> <p>Non-CAT Flat</p>	<p>Rates have stabilized for non-CAT exposed sites with ample capacity and competition. For projects in CAT-exposed areas, such as those prone to wildfire or windstorms, some rate relief is beginning to emerge.</p>
<b>Environmental</b>	<p>Flat to +5%</p>	<p>The average rate change represents a blended view across all environmental real estate segments, with rate changes varying significantly by product line.</p> <p>Contractors pollution liability remains the most competitive, with some insureds experiencing modest rate reductions. In contrast, premises pollution liability rates are generally holding steady with minimal change.</p> <p>Environmental casualty risks that include general liability, commercial auto and excess liability are seeing more pronounced rate increases, driven largely by continued loss severity trends and litigation concerns. Within this space, contracting risks are experiencing greater rate pressure compared to accounts with a stronger products liability profile, reflecting the higher exposure associated with on-site operations and third-party claims.</p>
<b>D&amp;O</b>	<p>Flat to +5%</p>	<p>As the soft market has persisted for longer than expected and several carriers either reduced capacity or exited the market altogether, premium decreases are expected to plateau. Privately held owners and managers with no changes in exposure and no claims activity can expect flat renewals to single-digit increases.</p> <p>Employment practices liability is becoming very expensive to insure due to economic inflation and nuclear verdicts.</p> <p>Artificial intelligence-related exposures are increasingly under scrutiny, concerns rise about how AI is impacting work, employment and risk governance.</p>
<b>Cyber</b>	<p>Flat to +5%</p>	<p>The frequency of ransomware and social engineering claims remained elevated in 2025. In addition to ransomware and social engineering, dependent business interruption is a growing focus area, especially following large-scale third-party outages.</p> <p>The use of AI by cybercriminals is enabling more credible phishing attacks. The cyber market is more disciplined and better capitalized than it was at the height of the ransomware surge several years ago. Barring a large systematic event, expect small rate increases in 2026.</p>

# Construction Rate Guide – U.S.

Coverage	2026 Construction Rate Guide	Insights
<b>Professional Liability</b>	Architects and Engineers (A&E) Flat to +5%	The market continues to experience upward rate pressure, driven by a combination of macroeconomic factors and industry-specific loss trends.
	Contractors Flat to +5%	Established carriers are broadly pursuing rate increases, particularly for CAT-exposed projects. However, the final premium impact is moderated by strong market competition. Several carriers are actively looking to grow their A&E portfolios, creating opportunities for insureds to obtain more favorable premiums.
<b>Surety and Subcontractor Default Insurance (SDI)</b>	Stable	<p>The market is driven by credit instead of rates and dependent on factors such as:</p> <ul style="list-style-type: none"> <li>○ Class of business</li> <li>○ Bond obligations</li> <li>○ Financial statements</li> </ul> <p>Insurers will react to challenging accounts by constraining their appetite, capacity and/or tightening coverage terms and conditions.</p>

**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 an individual's susceptibility to various risks encountered daily. Carriers evaluate the level of risk an insured faces in calculating insurance premiums.

# HUB Construction

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**\$2.9B**

in commercial insurance premium brokered by HUB

**134,000**

insurance policies managed

**41,000**

construction clients

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