CONSTRUCTION

CONSTRUCTION INSURANCE MIDYEAR MARKET UPDATE 2026

Gallagher SPECIALTY

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CONSTRUCTION ALL RISKS DELAY IN START-UP AND THIRD-PARTY LIABILITY (CASUALTY)

The first half of 2026 maintained a continuation of softening in the construction market, and although the rating environment continues in a gradual downward trend, coverage remains relatively consistent. Many insurers appear to have reported improved 2025 results, which may support a selective growth appetite in 2026.

Much of the new capacity entering the market in 2025 is now fully mobilised, with a clear underwriting strategy for 2026 to grow market share. Some have entered with a target of growth by deploying 'follow' participation behind recognised established lead markets in their early years, whilst others have started with a clear aspiration to lead business and have resourced accordingly, many with the requisite lead market risk engineering capability. Additional entrants may emerge during the remainder of the year, depending on market conditions. Those new markets operating in Lloyd's deliver some clear advantages from a geographical capability and a London Market technical entrepreneurial approach.

The cross-section of Lloyd's CAR markets also now represents a significant amount of PML capacity compared to previous years, allowing them to provide lead terms on all but the very largest projects. This has increased the momentum of overseas business, whether in part or in whole, being placed in London as terms become competitive compared to regional marketplaces. Many existing clients are also keen to maintain their London market relationships, which were secured during the challenges of the harder market, despite increased domestic activity.

For all but the very largest or niche/complex projects, there is an increasing number of markets seeking to offer lead terms, or at least utilising the quoting process to try to secure the opportunity of writing a follow participation on the placement if they do not secure the sole lead position. This is increasingly important as many placements continue to be oversubscribed, with many markets looking to deploy more capacity in both lead and follow positions to mitigate the effects of significant 'sign down'.

It is becoming clear that if markets are to achieve their 2026 growth aspirations in a softening market, coupled with potential sign-downs, the volume of participating placements will need to significantly increase and consequently so will the administrative and servicing requirements. We have continued to see a large number of underwriter movements and a need for additional resources at all underwriting levels. There are also several insurance markets seeking to drive efficiencies through facilitation, MGA capacity deployment or working in a consortium structure to mitigate the administrative cost burden.

Growth in data centre construction may contribute to insurer growth opportunities in 2026. The relatively homogeneous nature of this business allows markets to perfectly align themselves with a specific client or the wider sector in general. Many have sought to offer additional capacity specifically to this sector or offer additional products to sit alongside the traditional construction core coverages.

Given the relatively small amount of historical data on the performance of such projects, some markets continue to take a more cautious approach to capacity deployment until there is greater data on their long-term performance. Based on observed market activity to date, reported loss frequency appears limited, but the sheer number of these projects has also led to many insurers requiring the need for central teams, managing group cross class aggregation, and ultimately capacity deployment.

In general, construction claims activity in the period to date has been low given a quiet period of NatCat events coupled with the diverse nature and geographical spread of global construction projects.

In the UK, the latter half of 2025 saw a decrease in planned projects reaching the insurance market due to the Building Safety Regulations review. In some cases, this has contributed to handover delays, which may extend coverage periods and associated costs, necessitating markets to maintain coverage until formal handover. In many cases, this creates additional insurance costs.

COVERAGE

London brokered international construction risks are placed mainly on broker broadform wordings, tailored for the specific needs of the project or client. Many markets are familiar with this approach and keen to negotiate, acknowledging client needs on a project-specific basis. Coverage remains broadly consistent and relevant to the individual aspect of the construction sector. There is some flexibility on policy sublimits and extensions where needed; however, the core coverage facets such as defects and maintenance coverages and those projects including critical Natural Catastrophe (Named Windstorm/Earthquake) coverage remain consistent. There continues to be a focus from insurers on maintaining deductible levels and basic coverage standards, along with an expectation for clients to demonstrate strong risk management regarding Water Damage/Escape of Water, Flood and Natural perils exposures. Severe Convective Storm (SCS) continues to be a main contributor of losses to the construction sector, and there is significant focus from insurers on mitigation measures.

MARKET CONDITIONS AND PRICING

Rating has remained on a consistent downward trend from the beginning of 2026. For certain project placements, pricing has generally trended lower, in some cases by around 10% versus the same period in 2025. Many markets are targeting cross-class annual business to seek a balance to the volatility of potential new business solely from projects, seeking a more stable, annually renewable element to their portfolio.

Consequently, some well-performing annual accounts have achieved savings of up to approximately 15% to 20% depending on risk profile, claims history and market appetite, with many now being tendered for the first time in several years. Markets are also considering incentivising loyalty with long-term agreements, and low claims premium adjustments.

There remain significant deviations in market terms at the quote stage, but there is now an increased willingness from unsuccessful lead markets to participate with the same terms and conditions as the successful leader, negating the need for split placements, which were prevalent at the height of the hard market.

Natural Catastrophe pricing (critical for many international placements) has remained static despite a relatively benign 2025 US Gulf Coast windstorm season. The London market remains relatively cautious on the levels of capacity deployment, keen to avoid a significant detrimental impact on their wider global portfolio.

Market softening in the construction insurance sector remains at a slower pace compared to others. A slowdown in certain major projects, including in regions affected by geopolitical uncertainty, may increase competition for other opportunities.

The re-emergence of some regional insurance markets returning to the construction sector may also raise some concerns of business being retained locally and smaller orders being received by London markets.

This is potentially increasing competition, which may place further pressure on terms and conditions. Some markets currently only present in London have continued their plan to establish themselves internationally in domestic markets to ensure their ability to access business that may not come to the international market.

The conflict in the Middle East and Ukraine continues to raise concerns regarding the volatility of oil prices, supply chain dynamics and the subsequent effects on the wider global construction sector. This will potentially create long-term opportunity in redevelopment and energy transition needs, but in the immediate term continued geopolitical uncertainty may affect project timing, supply chains and investment decisions in certain regions. This would consequently increase competition for a decreased volume of business.

The UK construction liability (casualty) insurance market continues to soften; however, insurers are maintaining a disciplined approach, with reductions remaining modest rather than seemingly triggering a race to the bottom. More pronounced softening is evident in project-specific Third-Party/Public Liability placements, where excess layers can be increasingly secured on a one-off basis at decreasing rates. By contrast, annually renewable programmes are seeing more controlled savings at renewal, with reductions typically limited to around 5%, despite ongoing pressure from clients and brokers for further decreases.

SUMMARY

The construction market has now seen several quarters of market softening, but remains technically disciplined in addressing the key coverages, and available capacity remains largely aligned with demand. Markets continue to enhance their capability in modelling natural perils accumulation and continue to utilise a rapidly developing portfolio of historical data to manage exposures. Improved modelling may help markets manage exposures, although actual loss experience will depend on event activity and project-specific factors. The historical nature of the London market construction portfolio, being very geographically spread, enables it to take advantage of global opportunities and potentially mitigate exposure to the volume of business emanating from a single location. A large number of construction insurance markets have ambitious 2026 targets; notwithstanding some current minor headwinds, many markets are currently well positioned to achieve a successful 2026.

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CONSTRUCTION PROFESSIONAL INDEMNITY

OVERVIEW

The UK construction professional indemnity (PI) market has generally continued to move in favour of policyholders through late 2025 and into the first half of 2026. Strong insurer profitability, sustained capacity and competitive dynamics have supported meaningful rate reductions and a continued, if measured, broadening of cover for future-facing risks.

At the same time, insurer focus remains selective in key areas. In H1 2026, underwriting attention has centred on structural integrity exposure, particularly for concrete transfer slabs, alongside renewed scrutiny of supply chain professional indemnity resilience.

MARKET CONDITIONS AND PRICING

Market softening appears evident across many Lloyd's and Company market placements.

For well-performing contractors and consultants, this has translated into:

- Average premium reductions of approximately 15% to 20%
- Increased competition on excess layers
- Broader insurer participation at lower attachment points

Pricing outcomes remain increasingly differentiated by governance and risk quality rather than scale alone, with insurers placing greater emphasis on technical oversight, design management and financial resilience.

CONCRETE TRANSFER SLABS

One of the most notable underwriting themes in H1 2026 has been heightened scrutiny of concrete transfer slabs and punching shear failure, reflecting insurer concern regarding transfer slab design and remediation exposure.

Insurers are increasingly requesting confirmation of a satisfactory assessment of legacy exposure to transfer slab construction, reflecting concerns over the severity and cost of remediation where defects emerge, even where no structural failure has occurred.

Market expectations in this area are proportionate rather than forensic. Insurers are generally seeking evidence that firms:

- Have identified historic projects where transfer slabs may have been incorporated, particularly on buildings exceeding 11 metres
- Understand how design responsibility was allocated, including where it was partial or novated
- Have undertaken light-touch internal or technical screening where transfer slabs are known or reasonably suspected
- Can demonstrate a structured and documented approach to reviewing findings

To date, this focus has driven more underwriting dialogue rather than the imposition of any restrictions in cover or increased levels of self-insured excesses, with responses tailored to each insured's project profile and governance framework.

FIRE SAFETY AND CLADDING — CONTINUED IMPROVEMENT FOR FUTURE WORKS

The gradual improvement in market conditions for fire safety and cladding cover seen over the last year has continued into 2026, particularly for go-forward projects.

Key developments include:

- Increasing removal, on selected risks, of:
  - Consequential loss exclusions
  - 'Rectification only' insuring clauses
- Greater willingness to offer full negligence-based cover within a single overall aggregate limit

As expected, cover enhancements remain dependent on robust fire safety governance, clarity of duty holder responsibilities and a well-understood historic exposure profile. Legacy projects continue to attract a more cautious underwriting approach.

SUPPLY CHAIN IMPLICATIONS FOLLOWING THE FAILURE OF WREN INSURANCE

In the UK, recent developments involving Wren Insurance have not disrupted the wider PI market but have sharpened insurer focus on practical consequences for contractors where designers' PI arrangements may be fragile or finite.

> Current conditions suggest construction PI market conditions may continue to improve, subject to capacity.

From an underwriting perspective, this has reinforced attention on:

- The durability and recoverability of design consultants' PI cover
- Interface and novation risk on complex projects
- The realism of contractual PI requirements imposed on professional teams over extended project durations

For contractors, this has further highlighted the importance of aligning contractual risk transfer with what the commercial PI market can sustain over the life of a project.

SUMMARY

Looking ahead to the remainder of the year, Current conditions suggest construction PI market conditions may continue to improve, subject to capacity, claims trends and insurer appetite, underpinned by sustained capacity, competitive renewal dynamics and disciplined underwriting focused on specific technical risks rather than broad market restriction. These conditions continue to support competitive renewal outcomes where strong risk governance and technical oversight can be clearly demonstrated.

The key differentiator is increasingly quality rather than scale. Firms that can evidence proportionate legacy awareness, strong structural and fire safety governance, and clear responsibility allocation across their supply chain may be better positioned to achieve more competitive outcomes.

LET'S **TALK**

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