



2025 Global Construction Insurance and Surety Market Report

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Introduction

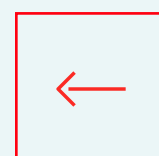
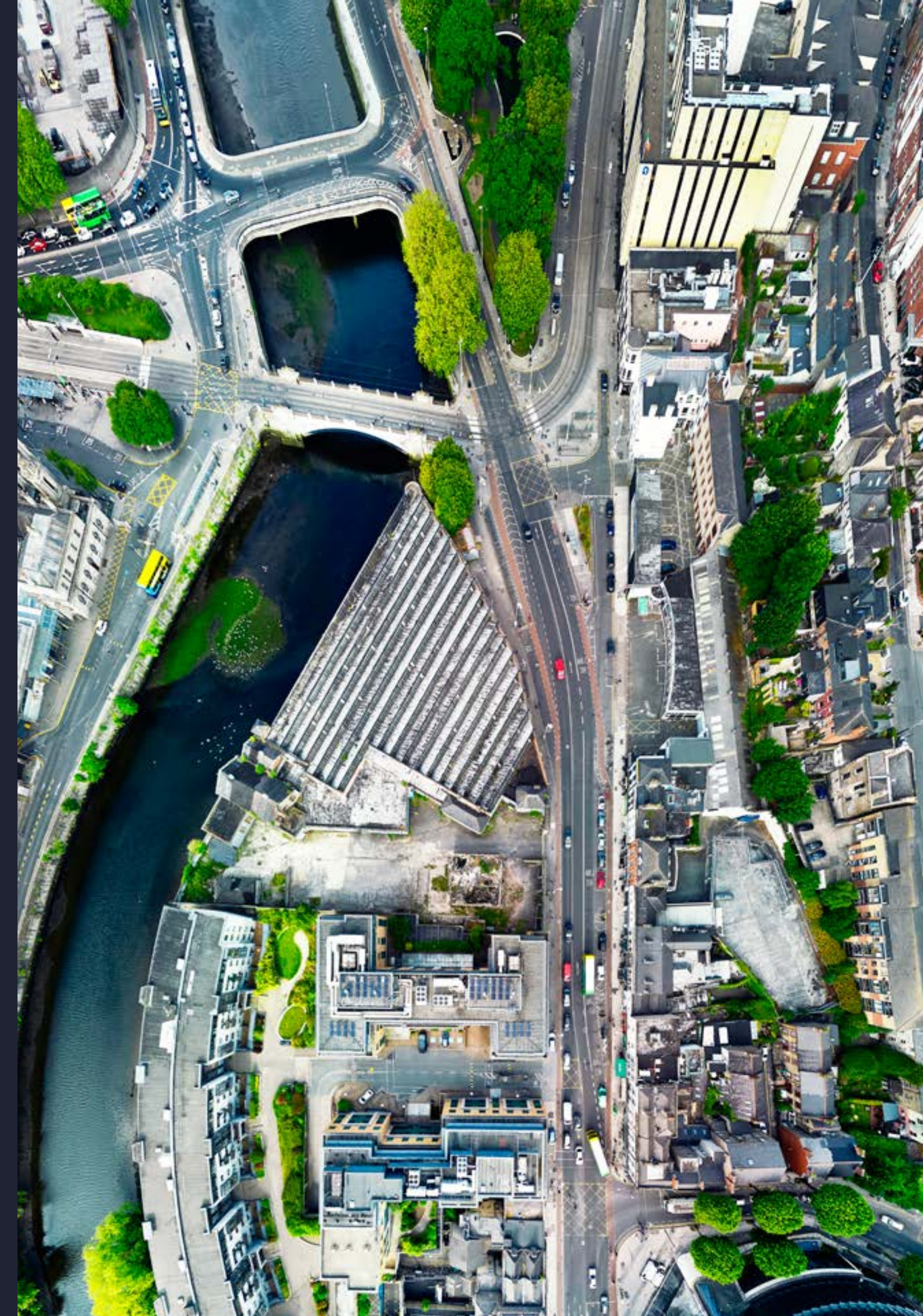
As we approach the second half of 2025, the mood across the rapidly evolving construction insurance market could be described as cautiously optimistic.

There are reasons for optimism. The construction insurance industry as a whole is in a softening cycle, with most product lines and geographies benefiting from more favorable conditions fueled by increased capacity and insurers' growth aspirations. There has been rapid growth in the number of large, complex construction projects — especially related to infrastructure, energy and high-tech manufacturing — which offers significant opportunities for construction insurance. Technological innovation and digitization are improving efficiency, safety and risk management practices.

On the other hand, the industry faces several challenges. Risks related to natural catastrophes continue to grow globally, many markets are characterized by macroeconomic uncertainty and volatility, and persistent challenges related to the labor force and supply chain resilience continue to cause project delays. Selective underwriting is expected to persist in high-risk areas. Conditions have also deteriorated in some geographies (e.g., Japan).

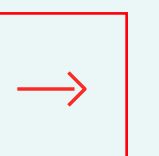
Overall, while the construction insurance market has real strengths and potential for growth, it must also evolve and navigate a variety of challenges if it is to sustain its momentum.

The remainder of this introduction covers the key trends — both positive and challenging — shaping the industry as a whole and the factors that are driving growth. Chapters 1 to 4 provide a detailed overview of the markets for construction property insurance, construction professional liability insurance, construction casualty insurance and surety broken down into the following regions: North America, Europe, the Middle East and Africa (EMEA), Asia-Pacific (APAC), Latin America and the London market (as applicable). Chapter 5 concludes with a list of factors that companies should consider as they look to navigate this complex market.



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Introduction



Key Trends Shaping the Industry

- **The increase in prevalence and severity of natural catastrophes is affecting both capacity and rates.** Global natural disasters in 2024 resulted in economic losses of at least \$368 billion — 14 percent higher than the long-term average.¹ This is a truly global issue, although risk profiles vary by region. The insurance industry plays a critical role in managing climate-related risks, but the growing impact of natural-catastrophe-related risks is leading to higher rates and decreased capacity in some regions. Natural catastrophes are a particular issue for construction property insurance; see chapter 1 for further details.
- **A two-tiered market is emerging for some products and in some regions, based on risk classes.** While the market varies by product and by region, many markets have softened over the past year, which means that clients with relatively low-risk projects or good track records are experiencing favorable outcomes. However, challenged risk classes — including projects related to heavy civil contracting, those exposed to significant natural catastrophe risks and those that have had previous losses — are experiencing greater-than-average rate increases and might have difficulty acquiring coverage.
- **Technological innovation is improving risk mitigation practices.** Advancements in data analytics, satellite monitoring and construction technology offer insurers the chance to better assess and predict risks. This can improve underwriting accuracy, reduce claims and open the door for innovative, tailored products.
- **Cyber risks are becoming increasingly prominent.** With the rise of digital insurance platforms, data privacy and cyber security are critical issues for insurers, requiring stronger protocols and regulations to protect consumer information. Clients are also heavily focused on cyber risks, and insurers are paying more attention to the underwriting of these risks.
- **The industry is facing challenges related to economic and geopolitical instability.** While economic conditions vary by region, inflation has been an issue in many parts of the world. Ongoing geopolitical instability has also decreased supply chain resiliency, which can increase the likelihood of project delays and cost increases.

¹ Climate and Catastrophe Insight, Aon, 2025.

Factors Driving Growth

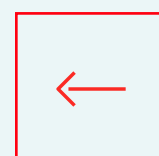
- **Infrastructure and energy investments are growing in many regions.** Increasing infrastructure spending in many parts of the world offers significant opportunities for construction insurance, particularly around transportation, housing and energy-related developments. Many of these projects are large and complex, and therefore often require specialized or bespoke insurance services. Project Alliance Agreements and Progressive Design-Build are becoming more prominent contracting structures on large infrastructure projects, providing benefits such as enhanced collaboration, shared risk and reward, and improved communication.
- **Projects related to high-tech manufacturing are a major growth area.** Construction of high-tech projects such as data centers is booming in many parts of the world and is expected to grow further. Project sizes are growing quickly, which significantly increases power requirements and — in some cases — project complexity. An increasing proportion of projects include dedicated power-generation facilities, for example.
- **There are substantial growth opportunities in emerging markets, particularly in parts of Asia.** The construction insurance market is growing quickly in emerging markets — particularly in India and China — and this trend is predicted to persist as countries continue to grow. Markets are also expected to continue to grow and mature in parts of Latin America and Africa. Reinsurers are working toward making coverage more accessible, particularly in underserved regions, which will facilitate this growth.
- **Demand for products that incorporate climate adaptation and resilience concerns is rising.** Reinsurers can develop tailored products that help fund rebuilding efforts after disasters or promote investments in sustainable infrastructure that will help mitigate future risks. There is also a growing emphasis on sustainable construction practices, and insurers are starting to offer products tailored to green building initiatives (including new technologies such as modular construction) and climate risk.

Construction Property Insurance

Market Overview

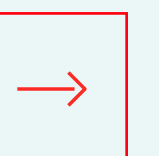
Overall Market Dynamics

- The construction and infrastructure industry is experiencing both headwinds and tailwinds when it comes to property insurance terms. On the one hand, extreme weather-related events are increasing in frequency and severity, presenting great challenges and growing risk. On the other hand, developments in the industry are making projects safer and many elements more predictable.
- The rate of market growth will vary by both region and segment. Public sector infrastructure investment remains a major industry driver, especially in the U.S., parts of APAC and Latin America, as are high-tech manufacturing projects, such as data centers. Asia — particularly India and China — are likely to continue to see strong growth.
- While there is variation by region and segment, capacity is generally sufficient across the market. Rates have generally been fairly flat, though there are pockets of opportunity to negotiate discounts for well-managed risks. The exception — for both capacity and rates — is natural-catastrophe-related risks, which insurers continue to treat cautiously because of recent losses and heightened risks.



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Construction Property Insurance



Increased losses related to natural catastrophes present a significant industry challenge

Economic losses due to weather-related disasters were significantly above average in 2024. Global natural disasters in 2024 resulted in economic losses reaching at least \$368 billion — 14 percent higher than the long-term average — primarily driven by tropical cyclones, severe convective storms and floods. Physical damage affects homes, businesses, lives and livelihoods. The single most devastating event was Hurricane Helene, which is estimated to have caused approximately \$75 billion in direct damage. Convective storms in the U.S. and flooding across Europe also caused major damage.

Natural catastrophes are an issue globally, although risk profiles vary by region. Particularly challenging environments in the U.S. include Florida and the Gulf Coast, and Spain and Southeast Asia are also climate catastrophe hot spots. In certain parts of Australia, insurers will simply be unable to offer full-limit natural catastrophe coverage.

The insurance industry plays a critical role in managing climate-related risks. The industry provides capital to reduce risk and increase resilience in several ways. These include contributing to the understanding and evaluation of climate risk impact, growing the volume of sustainable investment assets to accelerate green initiatives and meet net-zero emissions goals and assessing climate risks for both infrastructure and people to understand the total cost.

However, increased natural catastrophe risks can lead to challenging conditions for insureds. Construction projects in natural-catastrophe-exposed areas are vulnerable

to hurricanes, earthquakes, wildfires and floods, which can lead to property damage, project delays and increased costs.

The insurance industry will need to innovate to better predict and manage risks. Better data, technology and next-generation forecasting models can help protect businesses and vulnerable communities. Parametrics, for example, are increasingly key to attracting new forms of capital and are helping clients mitigate uncertainty and recover faster after an event.

New forms of capital may be needed to respond to increasing and evolving risks. Where insurers are unable to offer full-limit natural catastrophe coverage, for example, tailored excess of loss (XOL) or alternative risk transfer (ART) solutions may be needed.

The disasters of 2024 also provided valuable lessons on how resilient infrastructure and adaptation measures can help reduce material and financial impacts in current and future climates. For example, adherence to building codes in Florida partially mitigated damage from Hurricanes Helene and Milton. Similarly, improved preparedness through better warning systems, weather forecasts or evacuation planning is crucial in reducing the risk to human lives, as flooding in Central Europe and typhoons in the Philippines demonstrated.

For more information on trends related to climate change and natural catastrophes, see our 2025 [Climate and Catastrophe Insight report](#).²

² Ibid.

North America

High-Level Overview

- Market capacity remains plentiful but the percentage share participation from any single insurer is still restrictive. Insurers have limited interest in 100 percent placements, particularly on projects valued over \$100 million, with single insurers generally responsible for 15 to 35 percent of total capacity. As a result, there are now more quota share structures with multiple insurers.
- We generally expect current market conditions to continue, but competition from the London Market and potential new market entrants are expected to lead to nominal rate reductions and a softening of terms and conditions.
- Industry-wide loss events, such as Hurricanes Helene and Milton, did not appear to impact 1/1 reinsurance treaties in the construction property market, although the impact of the wildfires in Southern California is yet to be determined.
- Insurers will continue to focus on price adequacy with particular attention to natural catastrophes and secondary perils such as wildfire and severe convective storms. The limits of individual insurers could be affected in cases where there is significant accumulation across their first-party property portfolios.

Market Detail

United States

Natural catastrophe exposure varies by region. Earthquakes are the most important risk in California and the Pacific Northwest, while severe convective storms are the major concern in the Central U.S. and the Midwest. There is significant storm surge exposure along the Gulf and Atlantic coasts, and possibly Hawaii as well, while wildfires are a major risk in arid areas, particularly in the West. Finally, named windstorms (NWSs) are an issue in Florida, the East Coast and possibly Hawaii; Munich Re has also just designated the west coast of Mexico a high-hazard NWS zone following the hurricane that hit Acapulco last year.

Capacity, pricing and insurer approach vary by type of natural catastrophe. Capacity and pricing remain relatively flat for NWS, flood and earthquake, though Florida NWSs are still a challenge to place. There has been a tightening of limits and/or increased deductibles (including percent VARATOL) for wildfire and convective storm in high-hazard areas. Water damage continues to be the attritional loss driver for standard “four-wall” building construction, which means that insurers have increased their focus on deductibles and are pushing for the use of technology to reduce risk exposure and/or quantum of loss events. LEG3 and/or similar enhanced defects exclusions are still available from most insurers, but we are seeing different approaches. Examples include proprietary company wording, tighter definitions of damage and/or defects, higher deductibles and occasional use of sub-limits.

Market growth is likely to be focused in a few segments:

- Construction related to pharmaceutical manufacturing and research facilities is growing rapidly because of technological advancements driving new classes of drugs and medicine.
- Data center construction activity is booming and is expected to grow further. Project sizes are multiple times larger than they were even a couple of years ago, which significantly increases power requirements. An increasing proportion of projects therefore include dedicated power-generation facilities, with an increased interest in small modular reactors (SMRs).
- High levels of government infrastructure investment represent a significant opportunity. The replacement of aging infrastructure and other improvements remain a priority, for example.

Project cost increases are resulting in a corresponding change in policy terms. There are issues around labor availability and mobility, the availability and cost of financing, the deployment of federal funds, the impact of tariffs, and other continued inflationary pressures. Cost increases on ongoing projects often far exceed the automatic escalation provisions in policies, thus requiring mid-term adjustments. All other peril (AOP) deductibles are being pushed up by the high costs of replacement and repair.

There may be opportunities around alternative risk transfer options. The increased focus on national catastrophes and secondary perils, including wildfire and severe convective storm, has created an opportunity to develop and use alternative risk transfer options, such as parametric insurance.

Canada

Insurers are looking to expand their appetite and grow market share in the Builders Risk and Contractors Equipment segment. This expansion has led to an increasingly competitive environment with more flexibility around terms, conditions and rates. The exception to this would be wood frame construction, which still attracts more scrutiny than other methods. There is a focus on warranty maintenance and adherence to risk control best practices.

There continues to be increased appetite for mass timber risks, despite a lack of claims data. We have seen an increase in marketplace appetite to meet the demand posed by the embodied-carbon policies of regional and local governments. Rates are currently still not consistent from market to market. Options can have notable deviations as there is still some skepticism regarding both the performance and viability of mass timber due to a lack of claim data for analysis. Despite this lack of data, most insurers are generally willing to support mass timber and can provide more capacity than they are prepared to put forward for wood frame exposures.

Severe weather risks and other perils will affect project insurance terms. Water damage deductibles for towers and large mixed-use developments, for example, continue to be higher than the standard deductible despite increased insurer focus and the deployment of technology solutions. In addition, insurer modeling has provided improved data that has caused underwriters to deploy less capacity for flood and earthquake as they seek to manage their overall exposure to catastrophic loss.

Environmental issues, regulation, technology and market volatility will shape the future of the market. The market will continue to be driven by an emphasis on eco-friendly and sustainable building materials, regulatory and building code changes, technological advancements, and climate change. Insurers will also have to grapple with rising inflation, supply chain volatility and an ever-evolving skilled-labor force.

EMEA

High-Level Overview

- Within the EU, rates are generally stable or trending downward with sufficient capacity to meet growing demand. Natural catastrophe losses continue to be a significant concern for the industry, and insurers are placing increasing weight on loss prevention measures and transparent risk management.
- In the Middle East, the market is growing quickly and softening, despite growing complexity. Natural catastrophe risks are also an industry preoccupation here, particularly following heavy rains in Dubai, across the UAE and in some parts of the Sultanate of Oman in 2024.

Market Detail

In Germany, insurers offer sufficient capacity and rates have stabilized.

- The price base is expected to remain stable in 2025, but premium discounts are likely to increase in 2025 for policies with a good track record and to continue to fall for contracts with a high claims ratio. Competition has increased as a result of new market entrants as well as the ambition of some insurers to transition from participating to leading.
- Building construction, infrastructure and industrial projects can continue to rely on high-quality insurance cover in the form of combined project insurance. This combined insurance includes construction, liability and professional indemnity risks. There is a wide range of insurers, and the right access is crucial for comprehensive risk transfer, especially for large and particularly complex projects. Rates differ by level and type of risk but have generally stabilized. Insurers are placing increasing weight on loss prevention measures and transparent risk management.

In the Netherlands, insurers have seen more sustainable pricing. There is increased emphasis on timber construction, especially related to risks around water damage and fire, where deductibles and premiums are rising. Higher profitability means that the market continues to see new entrants and re-entrants, but virtually all risks can now be placed with insurers in the market, which indicates that premiums may start to reduce. The Dutch market can also offer solid capacity for offshore wind farms and accessories.

In Italy, capacity is sufficient to meet growing demand, which is driven by heavy government investment in infrastructure and the energy transition. The market remains strong and dominated by local insurers, and capacity is sufficient to meet the growing demand of construction insurance. Key market drivers include the following:

- The government has been investing heavily in infrastructure, including transportation networks (e.g., roads, railways, airports and bridges) and utilities, as part of a broader effort to modernize the country. Italy is a key beneficiary of the NextGenerationEU recovery plan, which allocates funds for improving sustainability and resilience.

- Losses related to natural catastrophe risks have been high, especially in relation to flooding. In 2024, insurers suffered losses of 4 billion euros across property and construction. As a result, terms and conditions related to this risk class are hardening, especially for projects in areas prone to heavy rainfall or located near rivers and lakes. The Italian government has announced that it will provide financial support to the insurance market.
- Reinsurance is driving most of the inherent defects insurance (IDI) industry. The Italian civil code requires builders, contractors and developers to have this insurance for most types of construction projects.
- The energy transition is boosting demand for construction and for construction insurance. Italy has stringent regulations aimed at improving energy efficiency, which has led to significant refurbishment in the real estate sector, boosting demand for IDI insurance. In addition, investments in renewable energy (especially wind, PV and biofuel) are growing, which is leading insurers to take a more holistic approach to construction risk — including, for example, advanced loss of profits (ALOP) insurance, operational all-risk policies and business interruption insurance.

In Spain, the market is growing and competitive, with premiums for straightforward business trending downward. The market for erection all-risk (EAR) and construction all-risk (CAR) insurance has seen moderate growth in response to increased activity in construction and infrastructure projects, as well as an increase in international projects as Spanish contractors increasingly take on work in other countries. Premium rates for standard business are on a downward trend because of a competitive market infused with new capital. For big and complex projects, rates are stable or slightly decreasing, depending on the quality of the underwriting information, exposure to natural catastrophe risks and location of the project. Insurers are increasingly focused on risk management and loss prevention strategies to mitigate potential claims, given the high-risk nature of these policies.

In the Middle East, the market is growing quickly and softening — despite growing project complexity. The EAR and CAR insurance markets are growing quickly, driven by significant investments in giga projects and infrastructure, energy transition and construction projects, particularly in countries such as the UAE, Saudi Arabia and Qatar. The construction insurance market continues to soften, despite the complexity of some of the projects coming to market. Insurers are increasingly focused on natural catastrophe risk — particularly following heavy rains in Dubai, across the UAE and in some parts of the Sultanate of Oman in 2024 — and projects with an estimated contract value of more than \$1 billion face more challenging conditions, especially for wet perils and defects.



APAC

High-Level Overview

Across Asia, the construction insurance landscape exhibits diverse trends in rates, insurer appetite and capacity, influenced by regional economic activities, infrastructure developments and market dynamics.

- The market in 2024 remained growth oriented, although insurers' strategies are focused on underwriting and pricing for longer-term profitability and program stability. Many insurers reported profitable growth in 2024 along with notable improvements in reinsurance treaties. Insurer growth ambitions continued to translate into a competitive, well-capitalized market environment characterized by continued price moderation, underwriting flexibility and availability of coverage options, especially for preferred risk types.
- Overall, the Asian market is experiencing a softening cycle, fueled by abundant capacity, insurer growth aspirations and improvements in the performance of reinsurance treaties. Market conditions are generally becoming more favorable in Asia, except in Japan.

- Insurers are treating risks related to natural catastrophes cautiously out of concern that adverse claims developments could quickly have a negative impact on an otherwise positive market sentiment.
- While a capacity-rich market focused on sustainable growth and program stability is good for clients, insurers may have the opportunity to take advantage of current market conditions by restoring coverages and limits that have been reduced in recent years. However, larger and more challenging risk profiles may still demand innovative alternative risk transfer solutions.

Market Detail

Asia

Market performance has varied by — and within — regions. The market has generally been favorable in China, Hong Kong and India; moderate in Singapore, Thailand and Malaysia; and challenging in Japan, where prices have increased and capacity has been constrained. Details of market performance in some countries are included below; see table 1 for performance by region and for an expanded set of countries.

- **China continues to enjoy favorable market conditions, as most major insurers experienced sustainable growth through 2024.** Modest decreases are available for targeted risks, while those in high-hazard occupancies or with poor loss records have experienced moderate rate increases. Reinsurers are showing increased appetite for property catastrophe risks.
- **The Indian market has seen favorable rate trends, reflecting a competitive market.** Both domestic and international insurers in India have demonstrated a strong appetite for construction risks, leading to ample capacity and enabling insurers to support the country’s ambitious construction initiatives.
- **The Japanese market is experiencing a modest hardening cycle following actions taken by the Japanese competition regulator.** As a result, prices have increased because of limited capacity and an underwriting-for-profit focus. Domestic insurers have been conservative in their underwriting and pricing strategies, which has made very large risks more challenging to place.

Performance has also varied by industry segments. Real estate projects, large-scale infrastructure projects and technology-related projects are major growth drivers.

- **Real estate is one of the most competitive segments across Asia.** There are high levels of local competition at both the broker and market level, and local markets can usually absorb most projects in this segment into their net and treaty capacities. Claims for internal water damage drive market appetite and insurer performance, with natural catastrophe being a lesser concern in this segment.
- **Large, complex civil projects are both a growth area and the most demanding segment in the industry.** The risks applying to this area are both broad and complex, though natural catastrophe remains the primary driver for insurer appetite, capacity and terms offered. Many countries across the region have very high exposure to windstorms and earthquakes. Rainfall and flooding are also serious concerns for all locations. Complex engineering risks involving wet works, underground operations and large span structures constrain market capacity the most due to high-severity single loss potential. International market support and local market participation will be required to cover these projects.
- **High-tech industry manufacturing is a major growth area.** In particular, the number of data centers, battery plants and semiconductor factories is increasing quickly.

Table 1: Rates, Insurer Appetite and Capacity by Region and for Selected Countries

Region/Country	Rates	Insurer Appetite	Capacity
Southeast Asia	Rates have settled, with some regions observing slight decreases due to heightened competition among insurers.	Renewed interest from insurers in underwriting construction projects, driven by the resurgence of infrastructure developments and foreign investments in the region.	Increased capacity, reaching levels comparable to those in 2019, which can be attributed to new entrants and existing insurers expanding their portfolios.
Singapore	Slight rate decreases due to competitive environment.	Strong appetite for construction risks, particularly in high-value commercial and infrastructure projects.	The market boasts substantial capacity, with numerous international insurers operating regional hubs in Singapore.
Thailand	Rates have remained relatively unchanged with minor increases in flood-prone areas.	Insurers are cautiously optimistic, showing interest in projects with comprehensive risk mitigation strategies.	Capacity is adequate, supported by both local and international insurers, though closely monitored in high-risk regions.
Indonesia	Rates remained relatively unchanged, with slight increases observed in regions prone to natural disasters.	Cautious yet growing interest from insurers, particularly in projects that incorporate robust risk management practices.	Adequate capacity, supported by both domestic and international insurers, though it is carefully managed in high-risk areas.
Malaysia	Moderate rate decreases, driven by heightened competition and a favorable claims environment.	Insurers are actively seeking construction risks, especially in large-scale infrastructure and residential projects.	Ample capacity, with both local and international insurers participating actively in the market.

Table 1: Rates, Insurer Appetite and Capacity by Region and for Selected Countries (Continued)

Region/Country	Rates	Insurer Appetite	Capacity
Philippines	Rates have remained relatively unchanged with slight increases in areas susceptible to natural catastrophes.	Insurers maintain a cautious approach, particularly for projects in disaster-prone regions, but show interest in well-managed risks.	Capacity is sufficient, though it is allocated judiciously, especially in high-risk zones.
Vietnam	Slight rate decreases, reflecting a competitive environment.	Growing interest from insurers, particularly in industrial and infrastructure projects.	Capacity is increasing, with more insurers entering the market to capitalize on the country’s rapid development.
South Asia	Non-catastrophe-exposed construction projects have benefited from rate decreases, reflecting a competitive market environment.	Insurers have shown a strong appetite for construction risks, encouraged by significant infrastructure initiatives and economic growth in the region.	The market offers ample capacity, bolstered by both domestic and international insurers eager to support large-scale projects.
India	Generally favorable rate trends, with non-catastrophe-exposed portfolios experiencing rate decreases of up to 40 percent, reflecting a competitive market environment.	Strong appetite for construction risks, driven by rapid urbanization and significant infrastructure development, which has led to increased competition among insurers.	Ample capacity, supported by both domestic and international insurers, contributing to the competitive rate environment and enabling insurers to support the country’s ambitious construction initiatives.
East Asia	Construction insurance rates have increased because of the elevated risk of natural catastrophes, particularly in countries prone to natural disasters.	Insurers remain cautious, especially concerning projects with high exposure to natural disasters, leading to more selective underwriting practices.	While there is a general increase in global construction insurance capacity, capacity is carefully managed in catastrophe-prone areas to mitigate potential losses.

Table 1: Rates, Insurer Appetite and Capacity by Region and for Selected Countries (Continued)

Region/Country	Rates	Insurer Appetite	Capacity
Japan	Many projects, particularly those exposed to natural catastrophes, have experienced double-digit rate increases related to factors such as high interest rates, persistent inflation, and uncertainties in claims and litigation costs.	Insurers in Japan have maintained a cautious approach, driven by the country’s susceptibility to natural disasters, leading to a more selective underwriting process.	Japan’s market remains constrained. The reinsurance market has shown considerable discipline, with stable demand and a focus on maintaining adequate capacity to cover potential risks.
China	Rates have settled, with some sectors observing slight decreases due to increased competition among insurers.	Insurers have shown a strong interest in underwriting construction projects, driven by ongoing urbanization and significant infrastructure investments.	Increased capacity, approaching levels similar to those in 2019, attributed to new entrants and existing insurers expanding their portfolios.
Hong Kong	Favorable pricing for well-performing risks, but multinational programs experienced a more moderate environment, with natural catastrophe risks driving technical pricing considerations.	The market remains competitive.	Capacity is ample.
Central Asia	The region’s developing infrastructure may lead to varied rate trends based on specific country risks and insurer presence.	Insurer interest is gradually growing as countries in Central Asia invest in infrastructure projects, though appetite varies depending on political stability and economic prospects.	Capacity is emerging; international insurers are beginning to explore opportunities in the region, often in partnership with local entities.

Australia

Real estate and property development are seeing increased construction activity in the aftermath of the pandemic.

- A significant focus for the market is residential construction, including build-to-sell and build-to-rent models being implemented by property developers. Principal arranged insurance programs are more prevalent in the market due to the higher risk of contractor insolvency and principals electing to insure their own consequential loss exposures via advance loss of profit/delay in start-up insurance policies.
- The surge in residential construction activity has also increased demand for a latent defects insurance (LDI) offering to be enforced locally and provide greater security to future owners.
- Internal water damage claims continue to rise in Australia and are the biggest focal point in any market presentation. Projects that implement a detailed water management plan (including leak detection technology and systems) will stand to benefit in terms of pricing and deductibles.

Large infrastructure and complex civil work continue to be the most challenging segments of the industry, given the complex risk exposure.

- Managing natural catastrophe risk exposures is paramount to ensuring more favorable outcomes with insurers. In certain parts of Australia, insurers will simply be unable to offer full-limit natural catastrophe coverage. In these cases, tailored XOL or ART solutions may be needed.
- Project Alliance Agreements are becoming a more prominent contracting structure on large infrastructure projects, providing benefits such as enhanced collaboration, shared risk and reward, and improved communication. These contracting structures can lead to higher-quality outcomes, cost savings and faster project completions than traditional contracting methods.

Insurers are taking a favorable view of technology- and defense-related projects, which are growing quickly in number.

- High-tech industry manufacturing projects, such as the construction of data centers, are proliferating quickly as demand for computing power grows. Projections suggest that an additional 1,500 megawatts of power will be required by 2030.
- The Australian government's spending on defense projects increased quickly in 2024 as the country looked to improve its defense capabilities and modernize its fleet of aircraft and vehicles. Defense budget spending on new projects (such as naval shipbuilding facilities) is expected to continue to rise through 2029.
- Insurers generally take a favorable view of technology and defense projects as preferred and in-scope risks, especially when delivered by contractors with a proven track record in these areas.

Latin America

High-Level Overview

- After a pandemic-related period of relative slowdown for construction, Latin America has seen a surge in projects related to renewable energy and infrastructure (e.g., road networks, ports and airports), driven by both government initiatives and private-sector investments. This growth is boosting demand for construction insurance, including specialized and bespoke products, as projects become larger and more complex. CAR demand is more volatile in sectors such as mining and oil and gas.
- Climate-related risks influenced underwriting strategies across all segments. Latin America is prone to earthquakes, hurricanes, floods and other natural disasters. Insurers must account for these risks, which can be challenging because of their unpredictable frequency and severity. Sophisticated risk models are required to adjust for these climate risks, which often lead to higher premiums and more conservative underwriting practices.
- Reinsurers play a key role in supporting insurers on large-scale, high-value infrastructure projects. Both major international reinsurers and local players offer reinsurance capacity in the region, but both huge demand for coverage related to natural catastrophes and ALOP, as well as project complexity, could impact availability.
- Prices are generally relatively unchanged, though they have increased significantly for projects that have suffered significant losses (e.g., hydropower plants). Reinsurers also adjust their prices to reflect the macroeconomic context, taking into account factors such as inflation, currency fluctuations and — in countries such as Venezuela and parts of Central America — political instability.
- In general, Latin America has a high degree of exposure to the global insurance market; if the market hardens — for example, because of large claims elsewhere — the impact will be seen in Latin American.

Market Detail

Infrastructure projects are a major growth driver across the region, and the number of projects related to telecommunications/data centers and residential and commercial real estate is also growing.

Infrastructure projects — including roads, bridges, railways, ports and logistics hubs — saw strong growth because increased government investments in transportation infrastructure created opportunities for insurers across the region. The demand for CAR policies is expected to increase proportionately to address risks of delay and equipment damage during construction. Telecommunications and data centers have also expanded rapidly, with significant further investment expected during 2025. There was also moderate growth in construction projects in a number of other sectors, including residential and commercial real estate.

There are regional pockets of growth for a number of other sectors:

- Renewable-energy projects — including those related to solar, wind and hydropower — saw robust expansion, particularly in Brazil, Chile (which leads the region on battery energy storage system [BESS] projects) and Colombia.
- Oil and gas projects, both onshore and offshore, recovered in a number of regions, including Brazil and Mexico. This sector remains volatile due to global energy price fluctuations, which increases both the need for insurance and the complexity of the risks involved.
- Mining and heavy industry — which tend to involve large, complex projects — could be a growth area in Peru, Chile and Brazil.

Foreign investment increases demand for insurance. Expanded foreign investment in the region, especially in large infrastructure projects, often brings with it greater demand for reinsurance solutions to mitigate cross-border risks, including currency fluctuations, political risks and legal disputes.

Latin American countries often face political and economic instability, increasing insurer risk. Political uncertainty or instability in certain Latin American countries can affect construction activity and, by extension, demand for construction reinsurance. Construction projects in some countries are also vulnerable to fraud and corruption, which can lead to financial losses and increased claims. Investors and insurers may approach high-risk regions — or regions where they have lost money previously — with caution, influencing the cost and availability of coverage. In some Latin American countries, risk assessment models may also be less sophisticated than those in more developed markets. This can result in inefficiencies or gaps in coverage, making it harder for reinsurers to price products accurately or to identify emerging risks.

The Latin American market continues to mature, leading to new opportunities. As the insurance markets in Latin America continue to mature, reinsurers have a growing opportunity to enter previously underserved markets, especially in countries such as Mexico, Brazil and Colombia. As governments and corporations invest in more complex construction projects, demand grows for specialized construction reinsurance products.



London Market

Most insurers have reported positive outcomes from their January 1, 2025, treaty renewals, including increased levels of capacity and greater flexibility. There are also early signs that the general increase in appetite seen at the end of 2024 will continue. Many larger insurers have ambitious growth plans around top-line premiums, and this has historically been one of the key drivers behind a softening market. The other factor that can drive a softening market is new capacity, and we are seeing new entrants in the London market with lead capacity, such as Arch. There are signals that at least three other markets will be offering capacity in the CAR/EAR market in 2025.

The London market is a good option to explore for large and complex risks no matter where the project is located. With project periods lengthening, it is important to provide an insurance program for the project duration plus any defects liability period without any breaks. The London market is able to offer this for periods in excess of 10 years on large infrastructure projects. Early engagement and detailed underwriting information is essential to the placement of insurance for longer policy periods.

Mass timber projects with the right risk management continue to be placed under facilities in the London market, and this is a way that the London market can compete with local insurer pricing.

There is a caveat to all of the above, which is the condition that claims activity remains subdued. Therefore, clear and concise underwriting information will be paramount to ensure the right response is obtained from the insurance markets.

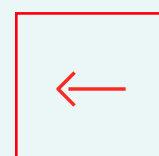
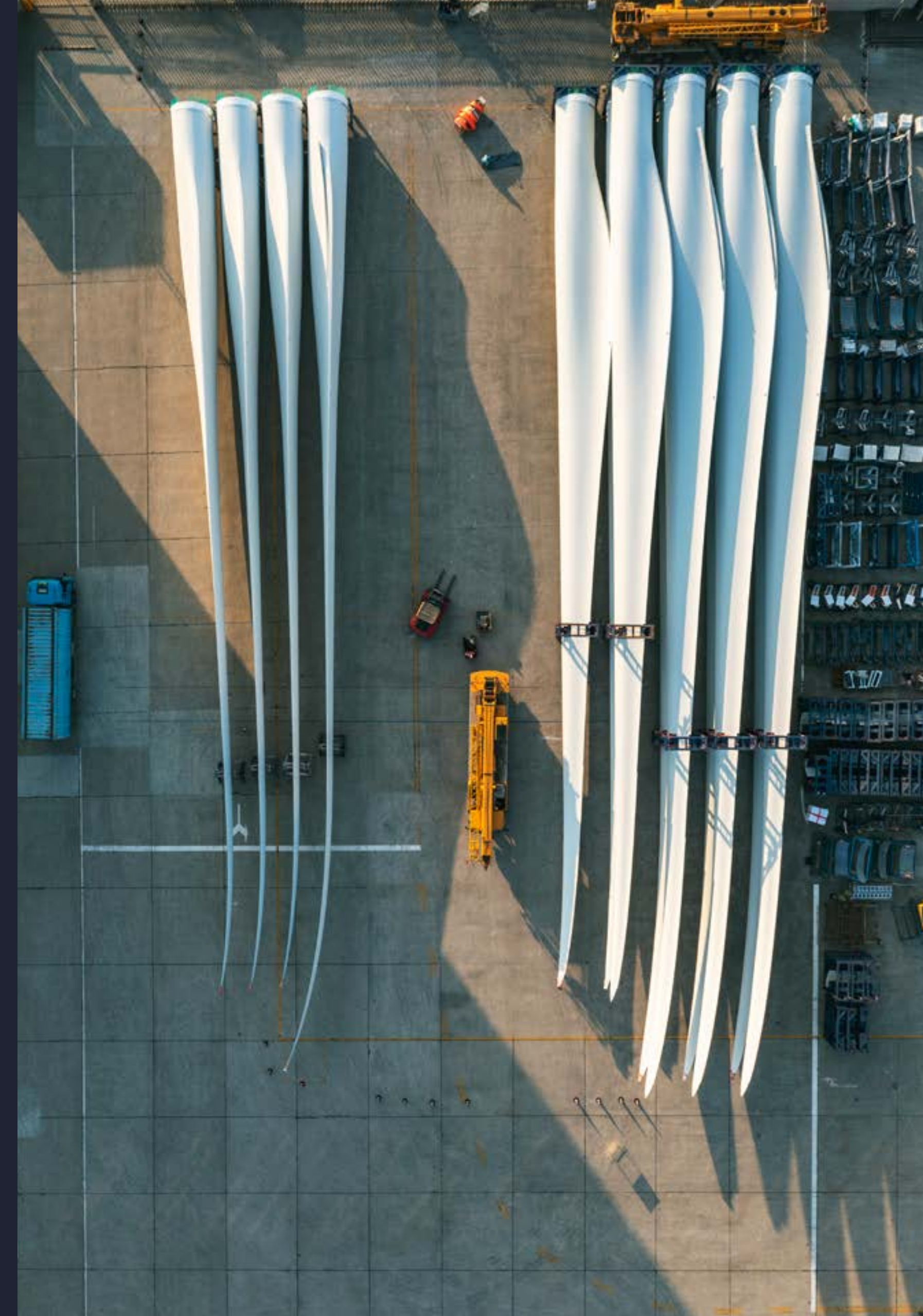
Professional Liability Insurance

Market Overview

The size and growth of the market for professional liability insurance — also known as professional indemnity insurance (PI), are highly region specific. Markets in North America, Australia and parts of EMEA are mature and broadly stable; the larger Asian markets are maturing quickly; and the Latin American market remains nascent.

But some commonalities exist across markets:

- **Claim inflation is an issue across many markets.** The size of claims has increased frequently in recent years, and social inflation is an issue across mature markets.
- **A growing number of high-risk projects can be hard to place.** Capacity is generally ample for low-risk projects and well-managed risks, but higher-risk projects — including growing numbers of mega projects and renewables projects — can be harder to place.
- **Limits remain fairly steady across markets.** However, insurers in some markets are becoming hypervigilant about limit aggregation.
- **Several markets are seeing upward pressure on retentions.** With little headroom to raise premiums, except where there have been losses, insurers across North America, EMEA and the London Market have tried to push retentions upward to offset rising costs.



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North America

High-Level Overview

- In the U.S., architects and engineers (A&E) face a relatively stable market with little change in either capacity or rates, despite rising claims costs. The market is also relatively stable for contractors, though we expect the hypervigilance around limit aggregation to continue, which may affect coverage in more challenged construction sectors.
- The market is also relatively stable in Canada, with healthy premiums and price increases likely to be limited to policies that have had losses. New entrants are continuing to provide more capacity, and we do not expect significant changes to limits or coverage.
- Cost inflation is an issue across the professional liability market, together with growing unease about runaway social inflation. In the professional liability space, social inflation has been seen through several large auto verdicts/settlements against designers and constructors, which allege a blend of inadequate workmanship and design negligence related to road construction.
- Insurers have continued to seek higher retentions across the board in response to rising costs, though upward pressure may be lower in Canada than in the U.S.



Market Detail

United States

U.S. Architects and Engineers

- **Individual insurer appetites are expected to remain broadly stable.** After three-plus years of continually refining insurer appetites in response to loss emergence and profitability concerns, individual insurer appetites now seem to be mostly set for the foreseeable future.
- **We do not expect insurers to withdraw coverage.**
- **Insurers are responding to a desire for coverage of technology risk.** Technology exposures will remain a coverage differentiator and will become a more significant determinant of insurer choice.

Insurers are offering project policies in certain instances.

- **As nearly all major insurers have now limited per-risk capacity to \$5 million, available capacity is expected to remain stable.** The trend toward “tracker” capacity in the London market (blind following capacity) continues, as smaller or start-up insurers seek to participate in the market with limited overhead investment.

Market rates are expected to remain relatively unchanged.

- **Claims costs have continued to rise.** Monetary inflation, social inflation, defense cost inflation and jumbo verdicts are here for the foreseeable future. The best strategy for designers is to maintain extreme vigilance on risk management.
- **Insurers have been putting pressure on retentions.** Insurers will monitor retentions because of concerns over inflation and the reality that the benchmarks for underwriting deductibles have remained unchanged for a decade. Such increases improve actuarial predictions without direct impact to premiums, making this a potentially more frequent lever for underwriters as their clients grow weary of sequential years of premium increases.

U.S. Contractors

- **The professional market for contractors is expected to remain stable.** Insurers will continue to examine risks carefully, with some insurers declining risks with multiple claims and those with high “design” risk content, particularly in the road/highway/bridge sector.
- **We expect hypervigilance around limit aggregation to continue.** Contractors in more-challenged construction sectors that wish to purchase higher limits on their annual corporate programs may need to place capacity through insurers outside of the U.S.
- **Some owners are shifting requirements on project policies.** Insurers are expected to take a more conservative rating approach with limits on maximum policy duration (most insurers are limited to a total of 15 years) and capacity. Owners have some willingness to accept annual practice policies for Phase 1 of progressive design-build contracts, not requiring a project policy until the start of Phase 2. This helps with cash flow and increases the likelihood that the term can be kept at five years or less, which would allow an extended reporting period of up to 10 years (the statute of response in most states).
- **Claims activity in the construction sector is relatively constant, but the severity of claims is increasing.** The continued uptick of claims activity related to design means these issues are now hitting contractors’ policies, primarily in the form of rectification claims.
- **Insurers have sought higher retentions upward across the board.** However, the premium credits offered often do not warrant the higher retained exposure, which has led most clients to maintain their retention levels where possible. Accounts with claims issues are seeing mandated increased retentions with little to no flexibility.
- **Coverage for PFAS and rectification may change in the coming years.** Insurers continue to monitor for polyfluoroalkyl substances (PFAS), issues closely. Insurers are also looking closely at rectification claims, in some cases making changes to reporting requirements and/or setting sub-limits for rectification.

Canada

Premium levels remain healthy. There is opportunistic interest from insurers on both annual and project-specific programs.

Pricing are relatively unchanged, except where there have been losses. On annual policies, renewals will continue to be mostly flat on clean accounts, with new rates ranging five percent above or below expiring rates. Where there are losses — especially significant losses — insureds should expect increases. On project-specific placements, while there is optimism about progressive design build projects, there is not enough experience to warrant large rate reductions. Otherwise, pricing in the industry is expected to be relatively unchanged.

Additional entrants are continuing to provide more capacity, while existing insurers are deploying more across various layers. Environmental, social and governance (ESG) issues continue to be a focus for insurers, leaving less available capacity for carbon-intensive exposures.

Limits are expected to be steady in most markets. The majority of insurers have continued to offer a maximum limit of CA \$5 million. There are, however, insurers looking to deploy additional capacity, particularly where their participation is split among multiple layers, on both corporate programs and project specific towers.

Claims costs continue to rise. Legal fees, expert fees and inflation are the main drivers of cost increases. Fixed-price contracts will continue to lead the space in terms of claims; several claims in this area are taking years to settle because of their size and complexity.

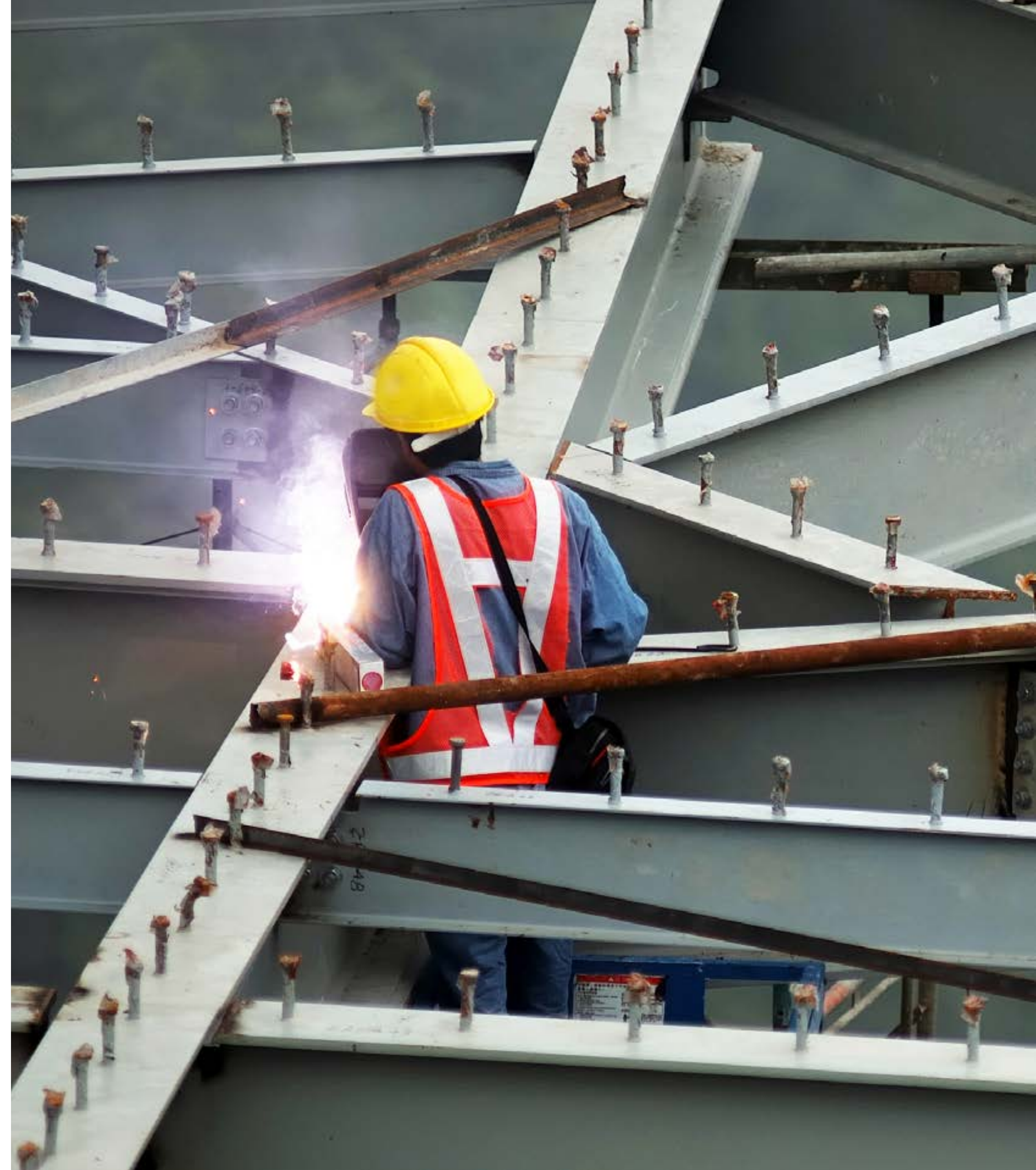
Increases in overall retentions are likely, but they will vary by project and insurer. From a project-specific perspective, retentions will continue to vary widely by insurer and by project type and size. Due to the increasing value of projects, however, insureds should expect to assume any increase in overall retentions. For corporate programs, retentions will remain relatively stable unless there is significant revenue growth or an increase in claims frequency and/or severity.

We do not expect significant coverage changes. Terms and conditions remain stable for annual programs, but there is increasing interest in technology errors and omissions (E&O) policies, as more firms sell their own software or provide stand-alone technology services. This exposure is not automatically covered under standard professional-liability policies. For project policies, interest in contractor solutions is expected to continue to supplement capacity on project-specific professional liability (PSPL) policies for architects and engineers, or to meet contractual requirements.

EMEA

High-Level Overview

- Within the EU, capacity is generally sufficient to meet rising demands, though rate evolution varies by country and risk class. Rates vary by risk class in all countries but are generally falling (for straightforward projects) in Italy, have stabilized in Germany, and may be flat or even rising in the Netherlands. Across the bloc, insurers are placing greater emphasis on the implementation of robust quality control measures.
- In the Middle East, booming economies are fueling rapid growth in demand for professional liability insurance. Premium rates for single project professional indemnity (SPPI) insurance continue to be relatively competitive in the local market. Local coverage is sufficient for all but the largest and most complex projects, which still require reinsurance support.



Market Detail

In Germany, the market offers sufficient capacity and rates have settled. Building construction, infrastructure and industrial projects can continue to rely on high-quality insurance cover in the form of combined project insurance — which includes construction, liability and professional-indemnity risks. There is a wide range of insurers, and the right access is crucial for comprehensive risk transfer, especially for large and particularly complex projects. Rates differ by level and type of risk but have generally stabilized. Insurers are placing increasing weight on loss prevention measures and transparent risk management.

In the Netherlands, insurers’ appetite has fallen because of a rising number of claims. Insurers have a more critical attitude regarding coverage and a decreased appetite for insuring projects, since they do not have the opportunity to earn back any losses. The impact of changing regulations will begin to be felt over the coming years, with the recent introduction of the new version of the Uniform Administrative Conditions for Integrated Contracts (UAV-GC 2025). There have been adjustments related to the regulation of risk distribution, liability and cooperation. While it is not yet clear how insurers will react to this, our initial assessment is that it will not bring major changes in the short term as adjusted contract conditions will only apply to new contracts. Overall, trends in the professional liability market are the same as in the general liability market.

In Italy, demand for PI corporate programs and the capacity to cover those risks have increased quickly. There has been an expansion into new market segments and increased offerings around long-term insurance programs. Capacity will be ample for straightforward projects and is likely to be sufficient for complex projects. The market is becoming more competitive, and we expect projects to see a rate change of 0 to –20 percent, with complex projects likely to see flat rates. Deductibles and retentions are likely to be broadly unchanged, though there may be a deflation in deductibles for PI state projects — particularly for projects with value between 50 million and 200 million euros. Coverage will also remain broadly unchanged, though there are signs that terms may be broadening compared to the recent past; insurers are generally able to provide optional extensions such as pure economic loss extensions, pollution extensions and mitigation cost extensions where additional premiums are adequate.

In Spain, demand for PI insurance is rising, with rate changes depending on project complexity. Overall, the insurance market for construction-related risks in Spain is softening but is also characterized by a cautious approach from insurers. Within PI specifically, demand has been particularly strong from contractors involved in engineering, procurement and construction (EPC) projects and engineering and architectural firms involved in large-scale projects. Insurers' approach to PI depends on the type of policy; the market is softening — and capacity is ample — for annually renewable business, and rates are stable for most project-specific policies, although they are rising for complex projects in demanding jurisdictions. Insurers are placing greater emphasis on the professional qualifications and experience of insured parties, as well as the implementation of robust quality control measures.

In the Middle East, booming economies are fueling rapid growth in demand for PI insurance. Demand has been growing for single project professional indemnity insurance in the Middle East, driven by fast-growing construction spend across much of the region. Premium rates for SPPI insurance continue to be relatively competitive in the local market, with coverage still available even for long-duration projects. However, the market still relies on significant reinsurance support to cover large and complex risks, many of which are seeking increased limits over recent years.



APAC

High-Level Overview

The Asian market is stable for low-risk projects, but rates have been rising and capacity is an issue for the growing number of high-risk projects.

- There has been an increase in project PI insurance inquiries over the past three years. Contractors and owners are more cognizant of their exposure and are looking at PI to mitigate their overall exposure.
- Growth in the PI market in individual countries is generally correlated with level of economic development and the sophistication of the individual contractor. There may be an increase in specialized or bespoke projects in certain markets as insurers increase their understanding of this growing region.
- Rates are likely to remain flat — or to fall slightly — for straightforward projects but will continue to increase for complex projects. Deductibles and retentions are likely to remain unchanged.

- There will be sufficient capacity for straightforward projects, but insurers will be more cautious for higher-risk projects, which may make capacity a challenge.
- Coverage will remain broadly unchanged. Generally, insurers are currently able to provide optional extensions — such as pure economic loss extensions and pollution extensions — where the additional premium is adequate. These extensions may, however, be more challenging for high-risk placements.

In Australia, the market is showing signs of softening, with adequate capacity and flat to falling rates.

- Primary and excess capacity is rising for target and non-challenged risks, and stable to increasing for challenged risks. The exception to this is Project PI, for which there are still capacity constraints.
- The construction PI market is finally showing signs of softening with modest reductions at the primary level and aggressive discounting on excess layers. Premiums are expected to lessen for non-challenged risks and to be flat for challenged risks. For larger clients, presentations to insurers are key in achieving a favorable outcome. The exception to favorable pricing trends is project PI pricing, which is still high because of limited capacity and high loss ratios, with insurers requiring rate adequacy across the 10-year policy period.
- Insurers remain focused on limit management but might deploy maximum capacity where previously they exhibited more conservative behavior. With more excess capacity available, programs can be restructured to achieve better outcomes for insureds.
- Retentions are stable across all risk types. Minimum deductibles continue to be applied to certain professions' activities, and any upward pressure on deductible levels is likely to be driven by individual risk factors, especially claims performance.
- Overall coverage remains stable. Insurers have started providing coverage enhancements such as greater sub-limits or full limit coverage for loss mitigation and removal of restrictive cyber exclusions — with some insurers now offering affirmative cyber coverage. This expansion of activities may have offset pricing discounts, which otherwise might have been higher.
- Some signs indicate that the entry of new insurers and an expanding appetite from some incumbent insurers might be creating increased competition within a market that has been unchallenged for a significant period of time, at both primary and excess levels.
- Claims inflation, while an ongoing concern for insurers, has not dampened the burgeoning competition and softening market cycle.

Market Detail

Asia

Pricing and capacity vary by type of project. The market is relatively soft for domestic projects that are considered benign, including residential projects and those involving mainly onshore risks. However, insurers are more cautious about — and capacity is more limited for — projects related to renewable energy (e.g., offshore and onshore wind farms, solar, storage systems and nuclear), gas pipelines, subsea cables, coal-fired power plants, mega projects and heavy civil infrastructure (including bridges and tunnels).

Demand for PI insurance on challenging projects has increased. A&E and contractors are showing an increased interest in minimizing their professional indemnity exposure on potentially challenging projects. Capacity is limited, however, especially where the risk profile is considered complex and where ESG issues are present. Placing risk can be challenging in these cases: Only a few insurers will be open to leading such risks, with others providing follow-on capacity. As a result, pricing for such risks can be high.

Underwriting complex projects can be a long process. Underwriting requirements are detailed and substantial, especially for more complex projects, which means that the timeline to secure PI insurance can be long. Clients looking for solutions for these projects will need to start discussing their options early with insurers.

Insurers in most markets will not be able to provide policy periods beyond 10 years. While other insurers might provide periods of 10 to 12 years, overall capacity will drop off. It can also be challenging to extend the policy period after a policy has been incepted.



Australia

Insurers are exercising greater scrutiny over some professions and activities. Affected professionals include developers, those involved in design and manufacturing, mining consultants, certifiers/valuers and surveyors. Projects attracting greater scrutiny include those related to water (including desalination), tunnels, high-rise buildings, renewables, rail and processing plants. In particular, renewable energy “connection to grid” risk is still out of scope for all insurers.

Insurers continue to refine their positions on silent cyber. Many insurers have applied silent cyber exclusions (whereby a non-cyber policy, such as PI insurance, could respond to losses caused by cyber-related events) on PI policies. Insurers apply exclusionary language of varying severity, ranging from “absolute” or “blanket” cyber exclusions for all perceived cyber-related losses to less restrictive versions excluding only certain first-party components of cyber losses. Insureds with exposure to cyber-related losses should review the coverage position under both their professional indemnity insurance and cyber insurance programs to determine how their exposure is being addressed. Insurers may sometimes agree to schedule the insured’s cyber policy as “other insurance” rather than impose a silent cyber exclusion on the insured’s PI policy.

Quality of submission from would-be insureds remains an important determinant of the extent of underwriting scrutiny. While underwriting generally remains prudent, insurers are open to considering a more diverse range of risks (including non-preferred risks or those affected by claims), with quality of submission key in determining outcomes. Insurers are particularly keen to gain a full understanding of risk management practices and lessons learned from previous claims. Exclusions might apply where risk management controls are not deemed adequate.

There has been an increase in the willingness to provide loss mitigation extensions. In the past, continued claims activity with respect to this extension decreased insurers’ willingness to provide such cover, but this is slowly changing. Many insurers are now open for coverage negotiations. They might consider providing higher sub-limits or full limits depending on individual risk. Insureds should monitor the level of cover offered by their insurer(s).

There are signs of an increased willingness to provide consequential loss exclusions. Insurers are applying consequential loss exclusions to manage the extent to which they are capturing coverage for remote losses, rather than causally direct losses. Under such exclusions, no cover is provided for losses that are not a direct result of an act or error by an insured but rather arise as a consequence of the initial direct loss. Provision of consequential loss cover is contingent on insureds having such requirements in their contracts, and insurers might consider providing this cover based on an assessment of individual risk. Insureds should monitor the level of cover being offered by their insurer(s).

Latin America

High-Level Overview

- The Latin American personal liability market for architects and engineers (A&E) remains very limited. The industry has not adopted a risk management strategy, and policies are mostly contractual requirements related to personal liability on specific infrastructure projects and imposed by lenders or government bodies. Despite important failures in the design or construction of important infrastructure projects (or both), a broad lack of legal obligations and mandatory coverages hinders market expansion.
- In line with broader insurance market trends, the nascent market in Latin America is broadly stable, though with important signs of softening. Insurers are willing to reduce rates while maintaining strong underwriting discipline. They are requesting detailed information on each project and the experience of each firm involved, including all subcontractors.

Market Detail

- **Professional liability coverage is generally limited to important infrastructure projects.** In general, only international lenders, not local lenders, are including PI coverage under their lending conditions.
- **The existing PI market centers on a few countries.** In Colombia, “decenal” insurance — created as a result of a law requiring construction companies to buy A&E insurance to protect homeowners against the risk of building collapse due to structural damages, for a period of 10 years — has picked up. This coverage provides limited coverage to the final buyer but excludes coverage to any lender or third party. Decenal is currently underwritten under property programs. Insurers are also working on projects in Mexico, Brazil, Chile and Peru.
- **Where policies do exist, limits are usually under \$5 million but can reach \$10 million.** Major international insurers provide these policies, though insurers sometimes need to reach out to the reinsurance market to secure capacity. SPPI policies are more common than annual policies.

London Market

- **Overall, the London market appears to have been much closer in pricing to the U.S. and Canadian markets in 2024 than to other markets.**
- **Rates have generally been falling.** Subject to claims experience, UK- and EMEA-domiciled exposures are realizing rate reductions of 5 to 10 percent, and this softening is expected to continue into 2025. For U.S.-domiciled business, typical rates are flat to –5 percent, though some larger reductions are achievable. Canada’s rate trend is similar to that of the U.S., though Canadian rates tend to be more aligned with international (non-U.S.) exposures.
- **Insurers and brokers have concerns regarding the sustainability of these rate reductions.** These concerns result from the historic claims on this longtail class of business, which continue to deteriorate. As is typical of a softening market, some insurers are undertaking “dual underwriting” strategies whereby they are treating new business more favorably than renewals. Movement of personnel among underwriters in the London market in 2024 is likely to translate into a change of underwriter appetites into 2025.
- **Design firms professional indemnity (DFPI) capacity is increasing.** A growing proportion of insurers writing DFPI looked to increase their books of business during 2024, resulting in rate reductions in this area, especially for core and desirable risks. There have also been new entrants into the DFPI market in the form of managing general agents (MGAs), with more expected to start writing DFPI in 2025. The second half of 2025 is likely to see continued capacity increases, especially in the UK/EMEA market.
- **Coverage will likely continue to broaden, at least for lower-risk projects, as insurers look to differentiate their offerings in a competitive market.** We have recently seen affirmative language around cyber and technology E&O coverages being added to contracts, along with other broker-led improvements to coverage.
- **There is a continuing trend of increasing quantum on newly notified claims, with no indication that this will change in early 2025.** Insurers are also reporting the emergence of funded litigation against insureds, which was previously uncommon outside of the U.S.
- **For annually renewable business, insurers are likely to continue to push for increased deductibles.** This pressure is driven by claims inflation, which is eroding protections that have historically been provided. However, there is still insurer appetite for infills on global PI placements with large general self-insured retentions (SIRs).
- **For project-specific placements, insurers may be more open to SPPI placements in 2025 than in previous years.** Risk appetite across the UK, EMEA and the U.S. has remained low to date, although the London market has a limited pipeline of risks and the U.S. has a more substantial pipeline, which may help to reinvigorate the market. Significant investment in Canadian infrastructure will likely aid market growth for SPPI risks, although policy terms will be carefully scrutinized following previous losses in that territory.

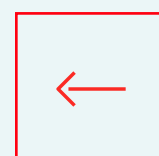
Construction Casualty Insurance

Market Overview

As with other products, the state of the construction casualty insurance market varies by region, country and sector.

However, a number of commonalities are shared across markets:

- **Markets are generally competitive and in some cases becoming more so.** Insurer profitability, ambitious growth targets and new market entrants continue to drive a competitive environment for most products and across most markets. The market is generally more competitive for project risk than for annual renewals, and for commercial construction than for residential construction.
- **There is a two-tiered market based on risk classes.** Challenged risk classes (particularly heavy civil contracting), those with adverse loss experience and/or programs with lower primary policy attachment points have experienced greater-than-average rate increases. Some regions or jurisdictions (e.g., New York) have also seen a lower risk appetite.
- **Capacity remains adequate across most markets.** Most risks can be placed given appropriate risk management strategies. The market tends to be more competitive for lower risk limits.

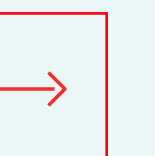


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North America

High-Level Overview

- The state of the U.S. annual corporate renewals market varies by primary line.
 - Auto liability and auto physical damage rates are expected to continue to increase in 2025 as insurers struggle for profitability. Auto and auto-related losses continue to be a concern affecting all casualty lines of coverage.
 - The general liability market remains relatively stable with a few exceptions in terms of both type of construction project (e.g., residential and heavy civil contracting) and jurisdiction (e.g., New York, Texas, Florida, California and Louisiana).
 - Workers compensation continues to be the bright spot in the market with average rate changes between single-digit decreases and low-single-digit increases.
 - For all primary lines of coverage, both inflation and exposure growth could have a negative impact on collateral requirements.
 - The excess liability market has somewhat stabilized after the significant rate increases experienced from 2020 to 2023. However, greater frequency of large claims has reduced net deployed capacity, and a two-tiered market based on risk classes has emerged.
- Both the primary market and the excess market for project risk remain highly competitive in the U.S. — outside of New York and some residential projects — although future capacity levels are uncertain. Insurers are also maintaining a strong focus on potential aggregation issues with corporate programs.
- The casualty insurance marketplace in Canada is stable, with positive returns leading to increased appetite from growth-focused domestic insurers and a competitive market. There has been more ability to deviate on terms, including rates, than in the past, and more willingness to offer higher limits. But contractors with poor risk management records and those whose projects are exposed to high hazard risks will face a more challenging market.

Market Detail

United States

The state of the U.S. annual corporate renewals market varies by primary line.

- **Auto liability and auto physical damage rates will continue to increase in 2025 as insurers struggle for profitability.** Auto and auto-related losses continue to be a concern affecting all casualty lines of coverage. Automobile liability single-plaintiff verdicts continue to increase, putting pressure on structure, attachment points and pricing. Contingent transportation-related losses have led to requirements for additional underwriting data, while technology-supported physical controls and complementary software have become standard. To offset increases in rate, contractors with larger fleets are frequently looking for alternative risk solutions including corridor and multiyear loss adjustable structures.

- **General liability remains relatively stable, although there are a few exceptions.** Clients are likely to experience low- to mid-single-digit increases, and coverage terms should be largely unchanged with exceptions for restrictions on cyber liability, electronic data, biometric data and PFAS. However, rates have been increasing for residential construction, contractors with heavy wildfire exposure, contractors with work in certain jurisdictions (New York, Texas, Florida, California and Louisiana) and heavy civil contracting (particularly street and road). Inflation continues to be a concern with respect to legacy reserves.
 - **Biometrics and PFAS are in focus for all insurers across all industries.** The challenge on biometrics is related to privacy concerns surrounding identifiable data created by advances in scanning technology. Insurers are advancing PFAS (“forever chemicals”) exclusions on a broad basis, as uncertainties persist over who could be a responsible party. While there is still room for negotiation with contractors’ exposures, language is tightening.

- **Workers’ compensation continues to be the bright spot in the market, with average rate changes ranging from single-digit decreases to low-single-digit increases.** This is because workers’ compensation losses tend to be more affected by medical inflation and claim frequency than by social inflation and claim severity, which are more difficult to contain.
- **The excess liability market has somewhat stabilized following the significant rate increases experienced from 2020 to 2023.** Overall coverage terms remain stable, although there are creeping restrictions on contingent excess of wrap coverage and restricting/ excluding cyber liability. Coverage remains sufficient, in part because of recent market entrants.

- **However, a greater frequency of large claims has decreased net deployed capacity.** Still, insurers continue to experience an increased frequency of single claimant/plaintiff settlements/verdicts greater than both \$10 million and \$100 million. These claim sizes are commonly referred to as nuclear and thermonuclear verdicts, respectively. As a result, overall net deployed capacity is down year over year as insurers continue to make changes to their portfolios, including increasing minimum premiums, introducing corridor deductible/retention requirements, managing capacity deployment and requesting to be moved up to a higher attachment point within a tower. Insurers that were regularly deploying \$25 million tranches of capacity in the intermediate to high excess layers are continuing to cut back where possible. Fortunately, there remains sufficient capacity to plug any potential gaps.

- **There is a two-tiered market based on risk classes. Challenged risk classes (particularly heavy civil contracting),** those with adverse loss experience and/or programs with lower primary policy attachment points have experienced greater-than-average rate increases.
- **Inflation remains a challenge, putting continued pressure on rates and premiums.** Insurers continue to anticipate 8 to 10 percent growth in excess loss reserves and future loss costs due to medical and wage inflation, increased legal and investigative costs, increased size of settlements and — especially in auto liability — verdicts outpacing expectations (auto liability is more of a driver than general liability). This will cause continued pressure on excess rates and premiums.

Both the primary market and the excess market for project risk remain highly competitive, although future capacity remains uncertain.

- **Competition remains extremely strong in both the two-line (general liability and workers competition) and general-liability-only spaces.** Rates remain low in all areas except New York and residential-for-sale. This competitive market has been driven by a number of recent entrants, particularly within the high-deductible (\$100,000 to \$250,000-plus) general-liability-only space, which is now dominated by standard/admitted insurers that previously shied away from this business. Insureds with both stand-alone and rolling owner-controlled insurance programs/contractor-controlled insurance programs (OCIP/CCIP) should market their programs broadly not only to capitalize on premium rates and terms/conditions but also to negotiate every facet of the program, including size of enrolled projects, duration of enrolled projects, types of projects and maximum construction value.

- **The excess market for commercial non-residential projects outside New York continues to be very favorable.** Most projects with excess-limit requirements of \$250 million or less will be oversubscribed, creating significant competition. However, brokers will continue to focus on insurers with strong track records on policy extensions, as increasing policy durations and project complexity will continue to require more flexibility from the excess marketplace.
 - **But insurers are looking to trim limits.** As is the case with annual practice policies, insurers that 12 months ago would have provided \$20 million to \$25 million on a single project or rolling program are now looking to trim that down to \$10 million to \$15 million. Including more insurers on a program typically increases premium spend. This trimming of limits is most pertinent in difficult project classes, such as heavy civil (tunnels/bridges) projects, those with a policy term exceeding seven years and those with New York exposure.
- **The average limit deployed for lead excess on heavy civil projects has continued to decrease over the past 12 months.** Most large civil projects will receive a maximum lead excess limit of \$5 million, compared to an average of \$8 million to \$10 million a year ago. As a result, a \$5m xs \$5M layer is now commonly required to complete an excess tower, and the rate has crept up slightly as a result. Insurers are also maintaining a strong focus on potential aggregation issues with corporate programs.



Canada

The market remains competitive, driven by domestic insurers reentering the market.

With regard to wrap-up placements, London continues to be the most competitive market for this line of business. However, domestic insurers have reentered this market over the past 12 months, leading to increased competition.

There has been more ability to deviate on terms, including rates, than there was in the past.

For both annual policy renewals and project-specific wrap-up placements, the availability of higher limits and increased sub-limit amounts allow for creativity on program structure.

High hazard risks and cross-border exposures are attracting increased scrutiny. High hazard risks, such as hot roofing, continue to be a challenge and attract increased underwriting scrutiny. Clients are required to provide more detailed information, including on enhanced risk mitigation strategies. Cross-border exposures, especially those that include significant auto exposure, are also subject to reduced appetite and stringent underwriting.

Contractors that have poor loss experience will face a more challenging market. They will have less access to insurer capacity and face increased rates and potentially reduced coverage. For these contractors, it is important to articulate a proactive risk mitigation and management plan to secure a favorable outcome.



EMEA

High-Level Overview

- Within the EU, rates are generally unchanged and capacity at least adequate. Most insureds have access to a broad range of options in a competitive market. Insurers are, however, placing increasing weight on loss prevention measures and transparent risk management.
- In the Middle East, the market remains competitive, though it is on a general rate softening. There is an increased focus on ensuring adequate coverage limits due to the potential for significant third-party claims.

Market Detail

In Germany, insurers offer sufficient capacity and rates have settled. Building construction, infrastructure and industrial projects can continue to rely on high-quality insurance cover in the form of combined project insurance — which includes construction, liability and professional indemnity risks. There is a wide range of insurers, and the right access is crucial for comprehensive risk transfer, especially for large and particularly complex projects. Rates differ by level and type of risk but have generally settled. Insurers are placing increasing weight on loss prevention measures and transparent risk management.

In the Netherlands, the market is currently stable, with ample capacity and no recent new entrants. Capacity is generally ample, though underwriters are reducing capacity per client. There is currently sufficient placement opportunity for all industry segments, including for new construction methods such as timber or industrial construction. However, underwriters are reducing their capacity per client — both primary and excess — and are being cautious about underwriting primary international programs. Pricing is flat for the majority of risks, though this varies by risk type. There is a willingness to reduce premiums where there is a good loss ratio; this willingness is driven by strong competition and the desire by insurers to grow market share. On the other hand, underwriters are requesting higher deductibles where there are unfavorable claims ratios.

In Italy, the casualty insurance market is evolving quickly, but rates remain relatively unchanged and capacity is adequate. Two principal trends are driving this evolution. First, third-party liability policies are evolving to address new risks related to environmental concerns, energy efficiency and green building, in particular for the real estate sector. Second, the number of complex projects is increasing because the execution of the post-pandemic resiliency plan is presenting new opportunities for the specialized third-party liability market. Rates and conditions remain unchanged, and total nominal capacity is growing at a rate sufficient to cover the increasing number of long, complex construction and tunneling projects. These trends are likely to continue throughout the rest of 2025 and 2026. The existence of several infrastructure projects that have high exposure in terms of liability has also led to a growing focus on long-term warranties and post-construction claims, especially in terms of structural defects or issues that arise after project completion.

In Spain, the third-party liability insurance market remains competitive. New insurers are opening offices in Spain every year, leading to a market that is currently soft and competitive. Several insurers are offering tailored products to meet the specific needs of construction companies and are also increasingly offering additional services, such as legal support and risk management advice, to help construction firms manage their liabilities effectively. Premiums have remained flat, but there is a heightened focus on ensuring adequate coverage limits due to the potential for significant third-party claims.

In the Middle East, the market remains competitive, with a variety of products available to construction firms. The market is on a general rate softening, but there is an increased focus on ensuring adequate coverage limits due to the potential for significant third-party claims. Up to \$5 million in primary cover is always bundled in with CAR cover, and any excess limits attract additional premiums, with capacity sourced from the liability reinsurance market.

APAC

High-Level Overview

In Asia, the market is generally performing well, although there is some variation in capacity and rate change by country, sector and risk class.

- For risk with U.S. exposures, reinsurers will require more clarifications, and some are looking to reduce exposure via reduced limits. For risk with non-U.S. exposures, capacity is expected to remain adequate, and most placements should be able to achieve slight reductions in risk-adjusted rates — ranging from –10 percent to flat.
- While the region as a whole is performing strongly, there is some variation by country. Premium reductions may be higher in Korea and China, for example, since these markets are expected to remain soft. In contrast, the market in Japan is hardening.
- Major projects such as those related to infrastructure (e.g., hospitals), manufacturing plants and data centers are getting bigger. As a result, they require higher limits of liability.
- Many projects are taking longer to complete because of their increased complexity, with extensions sometimes adding several years to project length. Reinsurers sometimes have issues covering projects that last more than 10 years. Similarly, there are issues covering projects with defects liability periods extending more than two years.

In Australia, the public and products liability insurance market continues the 2024 trend of moderation in this class of risk, generally leading to improved outcomes for clients’ programs.

- Insurer profitability, ambitious growth targets and new market entrants — from both those located locally and internationally — continue to drive a competitive environment.
- Insureds with robust and well-managed risk management plans that did not operate in high-risk categories achieved positive outcomes on both annual renewal programs and single project placements. Insureds operating in more challenging and high-risk categories continue to face a greater level of scrutiny around their risk management practices.
- Worker-to-worker personal injury deductible levels remain on the radar because the average cost of such claims exceeds \$300,000 in Australia.
- Growth in excess layer capacity has settled pricing levels at various attachment points above the primary layer and eliminated opportunistic pricing behavior.
- Notwithstanding ambitious growth targets, insurers remain disciplined in their underwriting philosophy, with a strong focus on a growing risk profile associated with silica and PFAS substance exposures.

Market Detail

Asia

Workers’ compensation (WC) and auto liability (AL) covers are often managed locally, based on local laws. For countries such as Vietnam and Thailand, where lower limits are required, capacity is sufficient locally, leading to fewer international markets competing. There are also instances, however, where limits requested are higher due to statutory limits, and these cases are more difficult to place on the local market.

There has been an increase in international entrants into the Indian market. The Indian market has the potential to grow quickly — especially for solar farm projects — because of a change in local-market regulation. As a result, more and more international insurers are setting up local offices to compete for a share of the market.

Reinsurers are looking to grow their books of renewable energy projects. Solar, wind and geothermal are the focus, with more caution around BESS. This is especially so if the BESS is manufactured from third parties and/or has U.S. exposure. With more tenders expected in 2025, energy-related construction projects could provide opportunities for both intermediaries and the reinsurance market. Most reinsurers are also gearing up to meet net-zero targets.

The industry is adapting to new types of projects. These include projects related to renewable energy and those using mass timber and modular construction methods. While insurers have to date been mostly reactive in relation to these developments, there are signs this could now be changing.

For construction and operational liability, markets have limited appetite for coal and underground mining and dams. Markets are only interested in putting down capacity if their construction teams are writing the risk.

Australia

Insurers’ appetite has decreased in the residential construction space. This reduction in appetite is partly due to increased visibility around the number of property damage claims arising from mass-produced prefabricated products. Risk mitigation measures will be more heavily scrutinized by insurers and are key to ensuring more favorable outcomes.

There appears to be a general lack of understanding of the legal responsibilities of a manufacturer under Australian law. In particular, contractors appear to have a poor understanding of “deemed manufacturer” party status. Insureds should discuss this issue, and how it affects their product liability risk profile, with their insurance advisors.

Bushfire risk and capacity remain challenging in Australia, driven by historic large losses.

Latin America

High-Level Overview

- The construction insurance and reinsurance market in Latin America is seeing some consolidation, with larger international players acquiring or partnering with local insurers to expand their reach and expertise in the region. The local market is generally more competitive for lower risk limits.
- The market has softened and become more competitive, despite the increase in risk due to trends such as inflation and the increased demand for construction.
- Capacity is generally sufficient, although there may be an increase in exclusions and higher premiums for most risk classes, including environmental liability.
- The market is likely to experience even greater claims activity in 2025, and insurers are putting additional emphasis on safety and site controls, requiring construction companies to invest more in safety and quality assurance.
- Insurers are displaying a greater appetite for industrial works than for civil works, as the latter attract more-frequent claims.
- In Latin America, project-based liability policies tend to follow evolutions in the economic and legal situation of each country, which means that terms can be volatile.

Market Detail

The market has softened and become more competitive. Until around 2023, not all projects would expect to receive multiple insurer proposals. This situation has changed as the market has softened, with most projects receiving a considerable number of proposals for insurance from insurers — from both local and international markets. Underwriters are being less selective, with less focus on profitability, as they face greater pressure in a more competitive market.

The local market is generally more competitive for lower risk limits. For limits of up to \$25 million, the local market is significantly more competitive than the reinsurance market except for offshore works, which remains a niche of the facultative market.

Insurers are responding to increased risk by increasing their emphasis on risk mitigation. Insurers are putting additional emphasis on safety and site controls, requiring construction companies to invest more in the areas of safety and quality assurance.

Construction casualty coverage can be purchased as an addendum to a CAR policy, although the scope of the risks covered is more limited than in a stand-alone policy. Stand-alone construction casualty policies tend to provide better protection for the risks to which a construction project is exposed, which are generally considerable, and are therefore more likely to meet stakeholder needs. Projects can also consider purchasing a stand-alone construction casualty policy to cover risks in excess of the limit in the CAR policy to ensure that they are fully covered.

The state of the market varies considerably by country:

- **Some countries are seeing fewer projects with high required limits.** In Mexico, projects that required an insurance limit under \$50 million were absorbed by local insurers. The few projects that required a higher limit required facultative capacity. Projects with a requested limit of \$100 million — and even up to \$200 million — were requested in the period leading up to 2023 when there was a strong demand for liability coverage, but this is now less common. A similar phenomenon has been observed in Chile and Colombia.

- **Most projects in Latin America do not require high construction casualty limits.** Most projects in Central America and the Caribbean (except for beachfront hotels) do not require high construction casualty limits. The same is true in Brazil, although some complex projects do require a high insured limit and thus require facultative capacity.
- **The market in Argentina is expected to grow.** Argentina’s Incentive Regime for Large Investments (RIGI) is designed to attract substantial investments to specific business sectors. Investments made under RIGI are likely to require liability limits due to the ongoing economic volatility of the country — though inflation in Argentine pesos has been slowing down.

London Market

High-Level Overview

- Among London International Casualty Insurers, which typically provide coverage in all territories except the U.S., appetite continues for construction-related risks. Overall, this sector continues to grow and to be competitive, boasting new entrants, the ability to secure coverage for large projects and more than adequate available capacity. Both the number of complex projects and project length have increased.
- The London market also continues to have a healthy appetite for the North American casualty construction market. New capacity came online in 2024, with more expected this year, and overall capacity is ample. However, insurers were looking to manage their lines more carefully in 2024, and the market is more competitive for commercial construction and project business than it is for residential construction and annual practice programs. Rates on renewable business are generally increasing.

Market Detail

International Casualty

Project limits are high and rising in this competitive market. Projects placed with London insurers in 2024 had significant limits (upwards of 300 million in local currency) and program periods, particularly those that involved government entities or infrastructure or high third-party exposure. That limit is likely to continue expanding into 2025 with increased competition, market growth, underwriter movement and new entrants in the casualty market.

Markets have increased average and maximum line sizes. There is healthy competition for established projects with insurers leveraging competitive pricing, terms and conditions as well as their claim management records. Average line sizes in the sector are more than 20 million to 25 million in local currencies. Available capacity can be significantly higher where it can be structured across multiple layers.

Both complex project types and projects of long duration are growing in number.

Complex project types include infrastructure, including tunneling and bridges, residential, and upgrades to energy assets. Projects are taking longer, and the market is generally able to support this; capacity is available for projects lasting at least 10 years, plus completed operations or defects liability periods, as long as adequate information and placement time are available.

There are some regional concerns, but these can generally be overcome. Markets have regional concerns such as water damage to high-rise, multi-tenanted buildings at projects in Canada and worker-to-worker liability claims among contractors in Australia. Coverage is generally still available for these risks; however, insurers need to be given adequate information and the opportunity to propose the right program structure.

Insurers are watching extended coverage closely. We see continued support for broad wording, but extended coverage — including any Professional Indemnity or Financial-Loss extensions — is under close surveillance. Project and policy period extensions can be difficult, which makes it important to incorporate language around an extension buffer or automatic allowances at inception where possible.

North American Casualty Insurers

The London market continues to have a healthy appetite for the construction business.

There is currently around \$200 million of accessible capacity, and new capacity continues to enter the market — \$10 million in capacity came online in the second half of 2024. Another new entrant is expected to begin underwriting U.S. casualty construction business in the first half of 2025, although the details of their capabilities are yet to be confirmed.

Clients have a high degree of flexibility. Options are available to clients for OCIPs, CCIPs, individual projects, rolling coverage, owner’s interest and annual practice programs at varying attachments ranging from primary to high excess, depending on the exposure profile.

Insurers looked to manage their lines more carefully in 2024. Lines of \$5 million to \$7.5 million are becoming more commonplace, where \$10 million to \$15 million lines had been more prevalent in previous years. This is not a construction-specific trend but is applicable to casualty lines in general.

The market is more competitive for commercial construction than for residential construction. Competitive options are readily available for commercial construction projects, including, but not limited to, roads, bridges, tunnels, rail infrastructure and commercial/office space projects. Residential exposures continue to be challenging, but an increase in appetite for commercial-grade, apartment, condo and mixed-use projects has become apparent in the past year, with insurers offering more managed lines.

While many favor project business, annual practice programs are increasingly a focus for insurers. Lead capacity is available, providing both excess of wrap and per project/per location aggregates. However, the latter can be challenging for some, with aggregate caps favored for programs covering a significant number of projects.

Rates on renewable business are generally increasing. While insurers are still advocating that each risk is underwritten on its own merit, we expect rates to increase on renewals.

Caution is still exercised in certain jurisdictions. Minimum attachments of around \$15 million to \$25 million are generally applied in New York, for example.

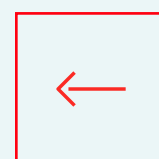


Surety

Market Overview

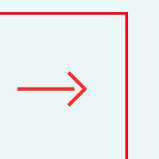
Overall Market Dynamics

- The global surety market is expected to continue on its current annual growth rate of around 5 percent in 2025 and over the next five years. Based on this trajectory, the size of the market could reach \$30 billion by 2030.
- The rate of growth will vary both by region and market segment. The U.S., parts of APAC and Latin America will likely continue to be major growth drivers. Segments such as transportation, energy, power and renewables, water, and wastewater may provide the highest growth potential.
- Surety capacity and rates are expected to remain unchanged, with specific underwriting focus on performance, risk mitigation and credit quality.
- Regulatory changes have increased the attractiveness of surety. Regulators continue to impose significant capital requirements for financial institutions, and surety can be a cost-effective alternative to bank guarantee facilities. Surety has an advantage because it does not use the line of credit, it is an off-balance-sheet obligation and is often less expensive.
- Another important development in the surety industry is that Environmental, Social and Governance (ESG) factors are being incorporated in the underwriting process. Surety markets may need to evaluate how companies are addressing these factors to execute their contracts.



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North America

The largest and most mature surety market in the world continues to perform strongly.

Based on strong premium growth, low loss ratios over an extended period of time and a robust outlook for overall construction and infrastructure spending, we foresee continued growth across both the contract and commercial surety segments of the business — both in 2024 and beyond.

Growth drivers for North America are similar to overall global drivers. Surety market growth will be driven by large public infrastructure projects, increased private spending, larger projects fueled by inflationary pricing, regulatory requirements and expectations that commercial surety activity will continue to expand given improved key economic indicators. In terms of industry segments, we expect significant spending to continue across North America on infrastructure assets including traditional and renewable energy, digital infrastructure, rail, highway, airports, broadband, healthcare, affordable housing and water.

Surety capacity remains plentiful, and we do not foresee a restriction in capacity.

Capacity is adequate to meet the expected aggregate limits required in 2025 and beyond. We expect that some of the largest global contractors with expansive backlogs across multiple global markets will continue to be affected by exponential growth in the size and scope of projects. This will further drive the need for well-constructed co-surety program arrangements as some of the largest primary surety markets continue to focus on the analysis of their global aggregated exposure. While we do not foresee a restriction in capacity, operational results from supply chain disruption, labor shortages, input price escalation and cash flow challenges could affect the overall market and deployment of capacity in future years.

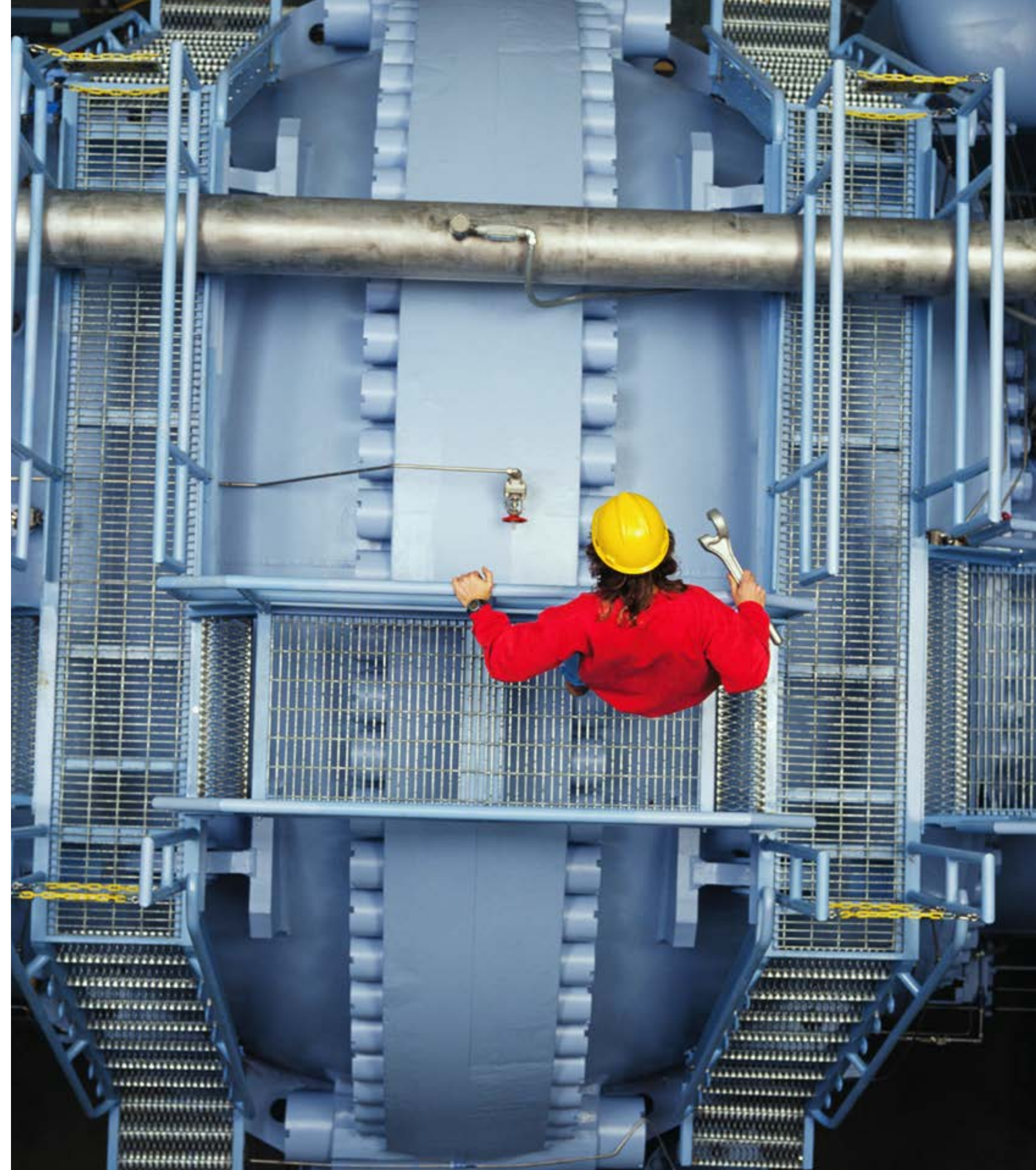
Rates remain very competitive across the industry and are likely to remain unchanged.

We do not foresee any changes in 2025 or the following few years. Obviously, pricing and capacity are significantly linked to a company’s financial and operational credit quality.

EMEA

We expect to see the continued emergence of surety across the EMEA region, with increased capacity deployed. New entrants are starting to establish themselves, with some domestic sureties expanding and several of the international sureties entering new countries. Appetite from sureties is therefore also likely to increase, particularly with increased capital adequacy requirements for banks given the rollout of Basel IV.

The UK market is likely to see increased capacity, although underwriters will exercise caution within the construction sector. With a more stable macroeconomy and more resilient business balance sheets after a challenging 2024, most sureties are expected to show increased appetite in 2025. Several insurers have expressed an interest in entering the UK surety market, and some existing players are looking to expand their teams and the capacity that they can provide. Underwriters are, however, likely to remain cautious within the construction sector to ensure that their claims exposure does not continue; we expect continued focus on indemnity structure and business performance.



APAC

The surety market is maturing quickly, and growth is likely to continue. Countries such as Australia and Korea have established surety markets, and significant growth in the use of surety as a guarantee solution is expected in other parts of Asia — including China and India — driven by economic growth and rapid infrastructure development. The infrastructure investment need in the region is expected to be \$1.7 trillion annually up until 2030.

The energy and banking sectors exhibit a strong growth outlook, but growth may be slower in the residential sector. There are positive trends for export-related guarantees in the energy sector, as well as increased interest from banks looking at surety as an alternative to traditional guarantee types. After a difficult claims period in the residential sector in some parts of APAC, the risk outlook for 2025 overall is cautious, particularly for construction-related guarantees in Australia, Hong Kong and Singapore.

Surety capacity is expected to remain stable in Australia and to increase in Asia.

In 2025, we expect surety to be increasingly used as a guarantee solution for both construction and commercial bond requirements. In the short term, the Indian market is likely to see particularly strong growth, due in part to regulatory changes. Where there are capacity challenges, these tend to be deal or geography specific and are driven by risk, regulatory restriction or concentration risk reasons.

Pricing has been flat in Asia, but rates increased in Australia. For 2025, supply and demand dynamics will continue to influence pricing on a case-by-case basis, with investment-grade entities particularly likely to benefit.

Latin America

Capacity varies by country but appears to be generally adequate. Information about capacity in the market comes from reinsurance contracts, which are not publicly available. This makes it difficult to judge overall capacity, but aggregate capacity appears to be adequate.

Rates vary across the market but have remained relatively unchanged in recent years. Rates range across the region, depending on the country, the type of surety and the financial performance of the principal. Rates have generally been flat over the past five years but — because of political uncertainties, recent claims and the withdrawal of some reinsurance capacity in some countries — may trend slightly upward in the coming years.

The surety bond insurance market in Latin America is experiencing notable growth, particularly within the construction and infrastructure sectors. The Latin American construction market has an anticipated growth rate of around 3 percent from 2024 to 2028, and an increase in infrastructure projects will boost demand for surety bonds. An exception is Colombia, where growth in the surety market has been affected by corruption scandals and a degree of stagnation in the construction sector. Rates for surety were also the lowest in Latin America.

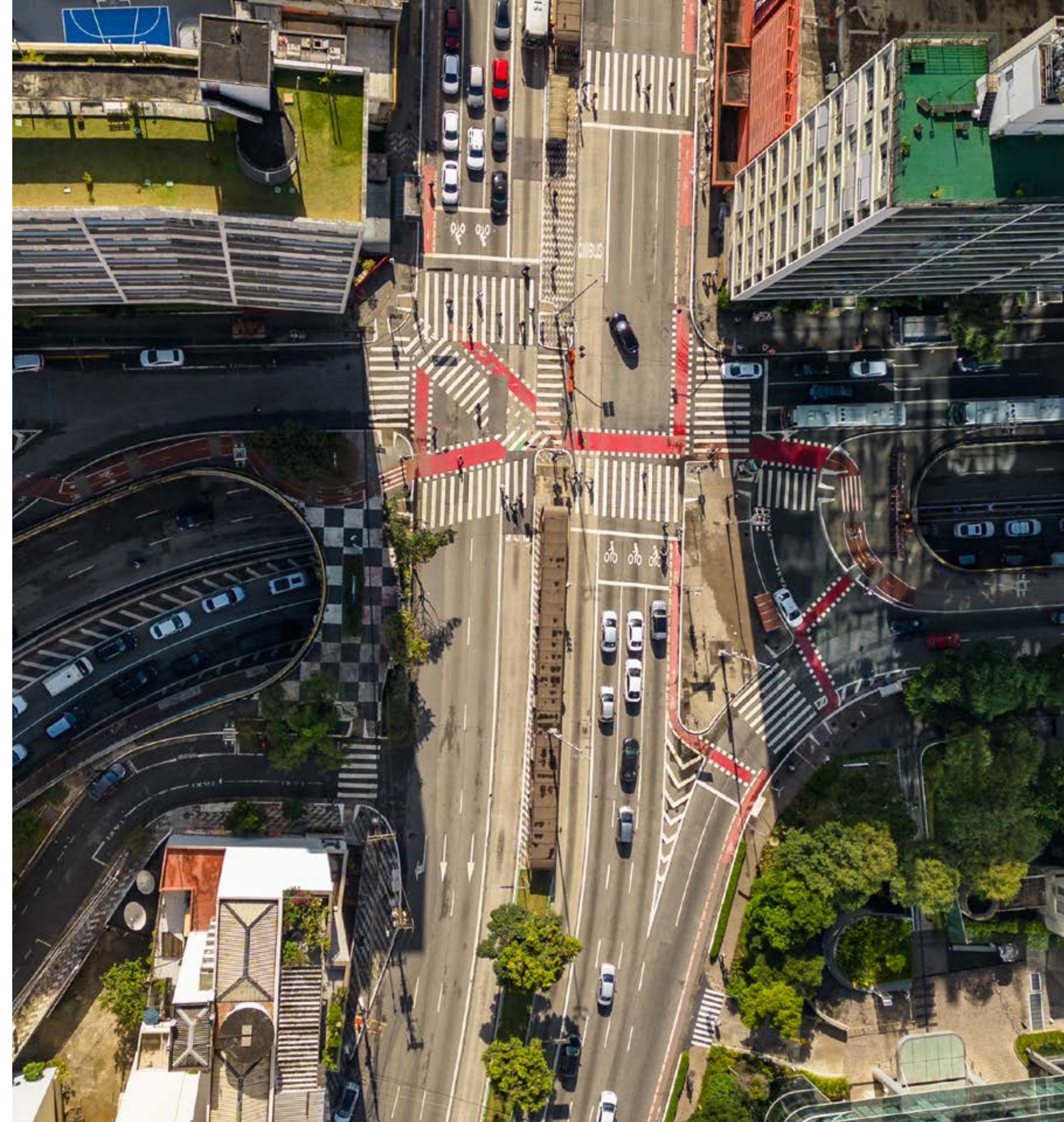
Construction and infrastructure projects are the primary growth driver, but there is growth in other industries too. Extensive public and private investments in infrastructure development across the region has been the major engine of market growth (including investments in transport, ports and urban development in Chile), but there has also been growth in surety bonds related to real estate development, the energy sector (and renewables in particular, especially in Chile, Mexico and Brazil), and the mining and natural resources sector.

Major market drivers are similar to those evident at the global level. Government infrastructure investments, inflation and rising project costs, and technical advancements all played an important role in enabling market growth. The expansion of public-private partnership (PPPs) has also played a role, since the complex nature of these partnerships necessitates surety bonds as a means of guaranteeing contract fulfillment and mitigating disputes.

Businesses looking to enter or expand their presence within Latin America face a number of challenges. Businesses continue to navigate infrastructure limitations (including around transportation and communication), macroeconomic volatility, issues with talent retention and a complex, opaque legal environment. Such issues can increase demand for surety bonds. In Argentina, for example, surety bonds for infrastructure projects have been necessary to secure contract performance amid financial uncertainty.

Recent regulatory developments are opening new paths for market growth. Increasing regulatory demands across the region, particularly for environmental compliance in infrastructure and mining projects, fueled the adoption of surety bonds. Country-specific developments have been important too. Brazil's new Bidding Law No. 14,133 increased guarantee requirements for large projects from 10 percent to 30 percent, for example, and is expected to significantly boost premium volumes in the coming years. A significant change to existing Mexican legislation also means that now only insurers licensed for surety — and no other classes — can write bonds and credit business.

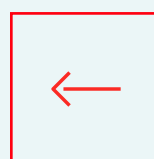
The surety market is maturing and diversifying. The surety market has maintained its loss ratio around 30 percent every year since 2021, which could indicate a degree of market maturity. The market is also diversifying, with reinsurers expanding their presence.



Navigating the Current Environment

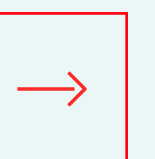
As we have seen throughout this report, the construction insurance market is evolving — and while it has real strengths, stakeholders also need to navigate a variety of challenges.

From the perspective of construction companies, cost control and protecting project profitability are critical. Maintaining profitability requires all the usual best practices in terms of managing expenses and optimizing resource allocation. Crucially, however, construction stakeholders will also need to have a full understanding of construction and project-related risks, and to secure the right insurance contracts to manage those risks.



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Strategies for Managing Evolving Risks

- 1. **Start the process of securing insurance early, especially for complex projects.** As we have seen in this report, insurance capacity is adequate for most classes of risk in most markets. However, disciplined underwriting practices and increased awareness of some classes of risk — especially natural catastrophe risks — can lengthen the process of finding the right coverage, especially for complex or high-risk projects.
- 2. **Evaluate contract structure with a focus on required insurance and risk assumptions.** If a contractor does not set up the contract so that costs stemming from delay and disruption, supply chain issues, labor shortage, and design difficulty are covered, no insurance policy can respond. Key contract issues to watch out for include scope creep, delay and disruption, payment disputes, design and specification issues, and health and safety risks.

- 3. **Implement risk control and mitigation measures, and document these measures clearly.** Risk control measures are vital to ensure job site safety. As we have seen, insurers are also putting increased pressure on would-be insureds to implement risk mitigation measures as a way to manage risks in the face of rising claims. For all projects, clear documentation of appropriate risk control measures is likely to help secure more favorable construction insurance terms. For complex or high-risk projects, such measures may be vital to securing coverage.
- 4. **Consider the use of alternative risk transfer tools to address risk exposure.** Once a contractor has determined the liquidated damages or other delay costs that they may be responsible for, they should consider alternative risk transfer solutions as a way to manage this exposure. Parametric insurance, for example, has emerged as a compelling solution for construction projects in locations threatened by extreme weather events. Alternatively, captives can help businesses to fund non-insurable risks, retain more risk through a formal mechanism, stabilize risk financing costs over time, gain direct access to the reinsurance markets, and navigate insurance market volatility.

5. Adopt a holistic pre-loss preparation and post-loss management framework.

Experiencing any type of claim, whether from a natural disaster, an unplanned outage or a significant liability event, can be overwhelming, even for the most experienced risk managers. Embedding pre-loss preparation workshop activities early from project kick off improves the overall level of preparedness of the project team. This includes selecting the appropriate loss adjusting and forensic accounting expertise, designing effective claims protocols, designing probable loss scenarios for stress testing, and implementing business continuity procedures.

6. Find the right broker. The right broker is someone who understands construction risk and can leverage deep knowledge of the current state of global insurance markets to create a program that best fits the client's risk retention and risk/reward strategies. As we have demonstrated, the global construction insurance market has regional specifics that are dynamic and evolving. Thus, it is vitally important that brokers have their fingers on the pulse of the market to design, structure, and place insurance and surety programs that meet client needs.

2025 looks set to be a year of growth for the construction industry, especially for large and complex projects. By working with best-in-class brokers to negotiate responsive insurance and surety instruments, construction stakeholders can capitalize on this industry growth while also maintaining profitability and financial stability in the face of rapidly evolving risks.





About Aon

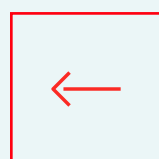
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