



CONSTRUCTION

MARKET TRENDS

While challenging market conditions remain, there are some positive indicators for businesses. In the second half of 2021, the scale of rate increases decelerated. While insurance prices are still above their historical averages, we expect to see a continual softening of the insurance market for many lines.

construction may be more prone to double-digit rate increases and increasingly restrictive underwriting standards, as well as experience significant difficulties securing or maintaining higher coverage limits.

IMPACTS ON TRENDS

The following are additional factors that are currently influencing insurance rates in the construction industry:

SUPPLY CHAIN & INFLATION ISSUES

The availability of numerous building materials—namely, lumber and steel—dwindled throughout 2021 as demand for these items soared. As such, the price of these materials skyrocketed, thus inflating overall property construction costs. In fact, the Insurance Journal reported that property construction expenses increased by 8.1% between 2020 and 2021. Industry experts predict that surging construction costs will eventually subside during 2022.

SURGING SINGLE-FATALITY EXPENSES

Single-fatality losses have become an increasingly prevalent concern within the liability insurance space over the past decade. Such losses can stem from various scenarios (e.g., on-site accidents, product defects, and commercial auto crashes) in which organizations are held liable for the resulting fatalities. Although these losses have occurred across industry lines, the manufacturing and

LINE OF COVERAGE	PRICE PREDICTION FORECAST
COMMERCIAL PROPERTY	Overall: Flat to +10%
GENERAL LIABILITY	Overall: Flat to +10%
COMMERCIAL AUTO	Overall: +5 to +15%
WORKERS' COMPENSATION	Overall: -5 to +5%
CYBER LIABILITY	Overall: +15 to +50%
DIRECTORS AND OFFICERS LIABILITY	Private/nonprofit entities: +5 to +15% Public companies: +5 to +25%
EMPLOYMENT PRACTICES LIABILITY	Overall: +5 to +15%

In 2022, we predict that most policyholders will encounter another year of modest rate increases. Renewal results will likely depend on an organization's exposures, class, and loss history. Policyholders who operate in sectors with elevated general liability exposures, such as

CONTINUED ON THE NEXT PAGE...



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construction sectors collectively contribute to more than one-third (35%) of overall single-fatality losses, primarily due to their high-risk operations.



JUMPING FROM



TO



LABOR SHORTAGES

According to the U.S. Chamber of Commerce's Commercial Construction Index, 55% of contractors have reported a high level of difficulty in securing qualified workers. With nearly half of construction workers over the age of 45, the sector could face continued staff shortages amid growing retirement rates. Due to the nature of the construction industry, labor shortages can pose substantial liability risks by way of elevated (and more severe) job site accidents, project delays and decreased workmanship.

For more information, reach out!



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HOW KAPNICK CAN HELP

Despite challenges to the industry, Kapnick can help. We have a variety of resources, partnerships, and strategies to ensure you have the right program in place for your needs and long-term goals.

SOME OF THESE TOOLS INCLUDE:

- Provide education on key market changes affecting your rates and how to respond using loss control measures.
- Begin the renewal process early. Many insurers are seeing an increased submission volume. Timely, complete, and quality submissions are vital to ensure your application will be reviewed by underwriters.
- Determine whether you will need to adjust your retentions or limits to manage costs.
- Provide risk assessments to recommend safety training and injury-prevention methods.
- Recommend telemedicine options, and workplace wellness initiatives aimed at preventing or treating chronic health conditions and improving the overall well-being of your staff. These initiatives can help reduce the risk of your workforce developing co-morbidities.