

# Construction BENCHMARK REPORT

Key Findings

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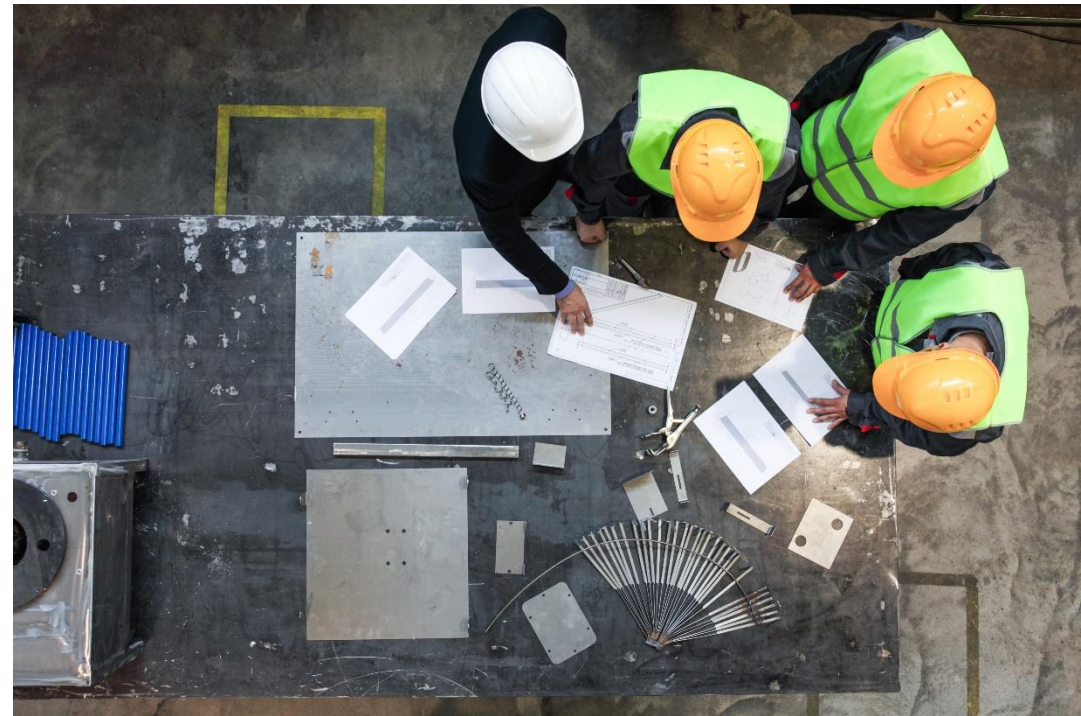
# Key Findings

## Construction Benchmark Report

Several members of the Assurex Global Partnership have extensive construction practices, providing risk management advice and insurance products to construction companies. We have collected information on the purchasing decisions of 1,624 of their individual clients, ranging in size from less than \$1 million to in excess of \$1 billion. This is the third annual construction survey performed by Assurex Global, based on 2022 data.

### Much of the data conformed to our general expectations.

- The revenue reported in this year's survey increased substantially compared to last year, most likely due to more complete data submitted by survey participants.
- Payroll as a percentage of revenue varied widely by industry segment, with highway/heavy contractors having the lowest payroll as a percentage of revenue and the plumbing/HVAC group having the largest.
- Builder's risk/installation floater coverage varied by segment, with general contractors leading the field in the purchase of builder's risk coverage.
- Contractor's equipment coverage also varied by segment, with highway/underground having the highest limits of contractor's equipment.
- Property rates tended to increase for small contractors in each specialty but decreased for larger firms.



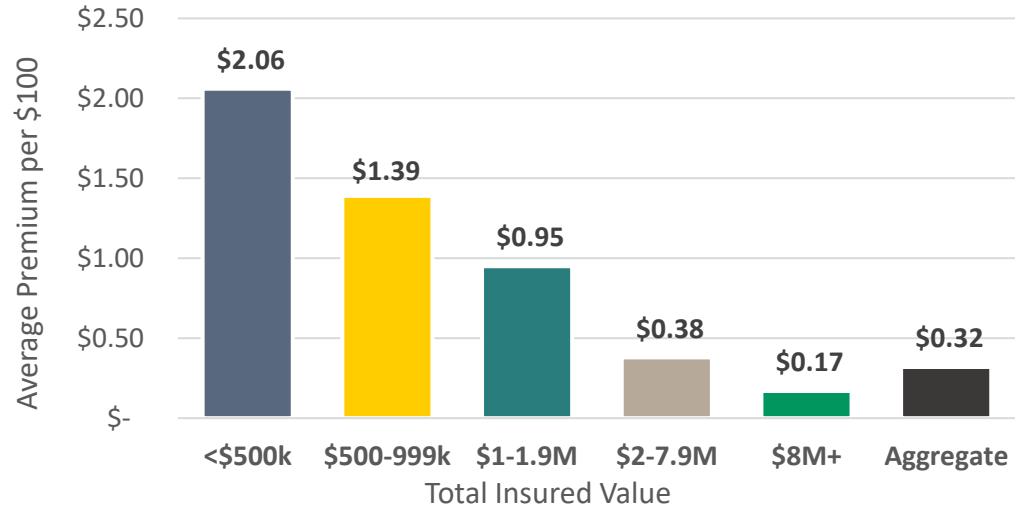
**While much of the data conformed to our expectations, some elements surprised us.**

- There was significant variability in contractor size between specialty areas.
- Excess liability limits increased significantly compared to last year.
- Excess liability rates and premiums increased moderately to dramatically, depending on the class of contractor.
- Contractor's equipment limits were lower than we expected. While the highway/underground category had the greatest values, even those values seemed relatively modest.
- The percentage of firms purchasing contractor's professional liability increased compared to our last survey.
- The percentage of firms purchasing environmental impairment liability coverage was higher than in our last survey.
- There was substantial variability between segments in the purchase of directors and officers liability (D&O) and cyber coverage.
- The incidence of subcontractor default coverage increased compared to last year.
- The incidence of owners and contractors protective policies increased compared to last year.

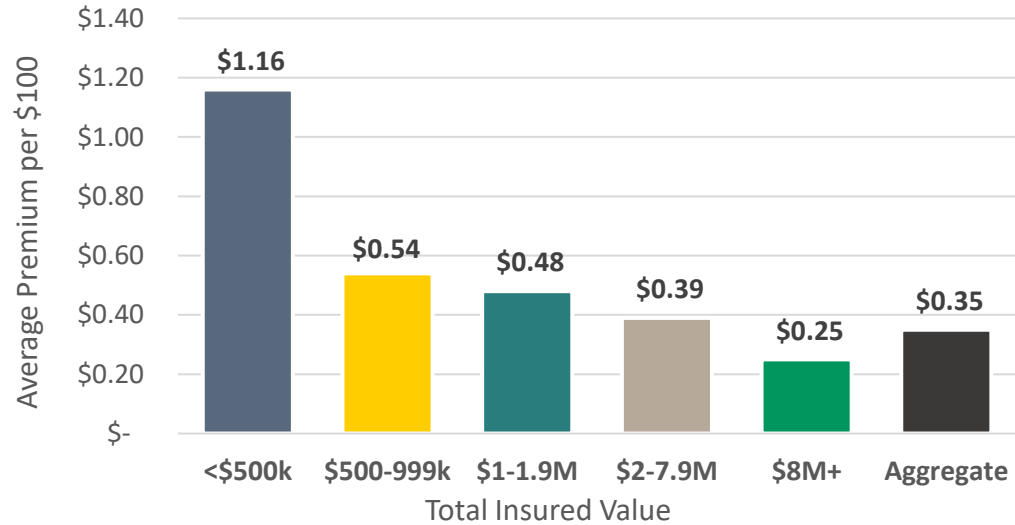
Changes in the economy and purchasing tendencies of the contractors in our survey led to some observations that are particularly noteworthy.

**Property rates increased dramatically for small contractors but decreased as property values increased. The largest firms saw a significant rate decrease. On average, property rates decreased by 8 percent.**

### 2022 Average Rate Per \$100 of Total Insured Value



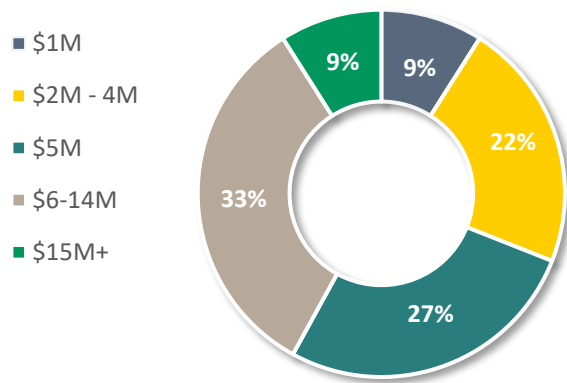
### 2021 Average Rate Per \$100 of Total Insured Value



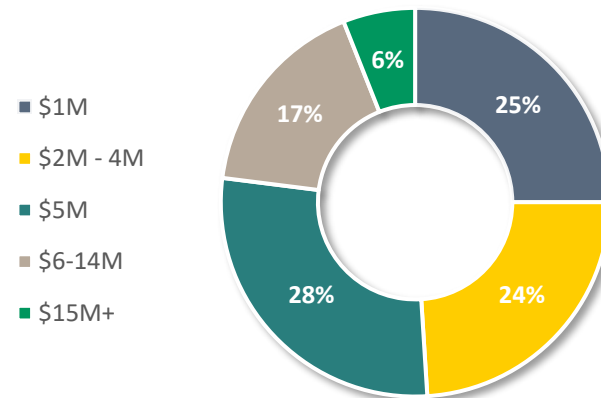
**Excess liability limits increased significantly compared to last year.**

The percentage of firms purchasing excess liability limits \$15 million or more increased by 50 percent over last year. The percentage of firms in the \$6 million to \$14 million range nearly doubled year over year. Likewise, the percentage of firms purchasing minimal excess liability limits decreased from 25 percent to 9 percent.

**2022 Excess Liability Coverage Limits**



**2021 Excess Liability Coverage Limits**



**Excess liability rates and premiums increased moderately to dramatically, depending on the size and class of contractor.**

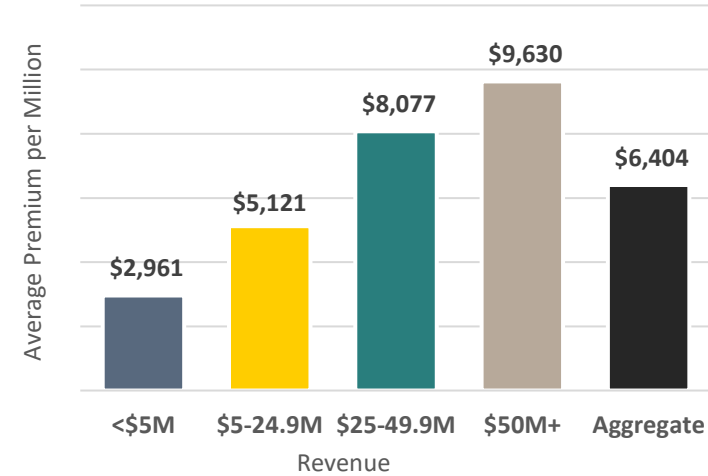
Premiums per million dollars of coverage for the smallest contractors were relatively flat compared to last year. The premiums per million dollars of limit increased as revenue increased. The largest increase was 34 percent for firms generating \$25 million to \$50 million per year in revenue. The average increase was 16 percent.

Since our methodology combines the effects of rate and purchased limit, the increase in premium cannot be isolated to only a rate increase. Nonetheless, it is clear that excess liability premiums have increased in the last twelve months.

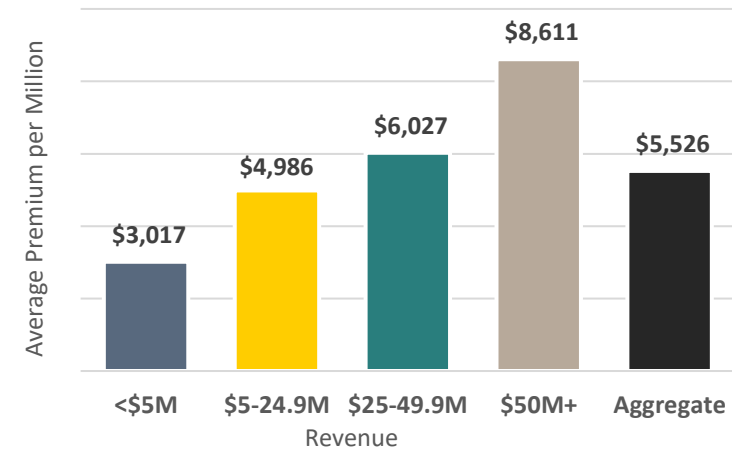
Additional drivers and variations are identified, along with all other results, in the full *2023 Construction Benchmark Report*.

If you are interested in learning more, contact Assurex Global or an Assurex Global Partner – [www.assurexglobal.com](http://www.assurexglobal.com).

**2022 Excess Liability Premium per \$1 Million Limit by Revenue**



**2021 Excess Liability Premium per \$1 Million Limit by Revenue**



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# Trends in the Coming Year

## Construction Industry

There is no shortage of information regarding trends in the construction industry. Here are four trends for 2023 and beyond that we find particularly relevant.



### Economic Challenges

The potential global recession will not affect all segments of the construction industry equally. Deloitte is forecasting differentiated growth rates across construction industry segments.<sup>1</sup>

- Residential construction spending has decreased by 7 percent thus far in 2022.
- Building construction spending is projected to increase just over 9% this year and another 6% in 2023, according to a new report from the American Institute of Architects (AIA).<sup>2</sup>
- Likewise, inflation is causing the prices of materials to increase. CBRE's new Construction Cost Index forecasts a 14.1% year-over-year increase in construction costs by year-end 2022 as labor and material costs continue to rise.<sup>3</sup>



### Federal Infrastructure Funding

The American Society of Civil Engineers releases a report card every four years on the state of America's highways, bridges, and other infrastructure. The 2021 report card gave the United States a C- and identified \$2.7 trillion in needed spending.<sup>6</sup>

- Infrastructure spending in the U.S. will continue to expand in 2023 due in part to the Infrastructure Spending and Jobs Act, which includes long-term investments in transport, energy, utilities, and climate-related initiatives. The bill includes \$550 billion in new federal spending to invest in various U.S. infrastructure sectors over the next five years.
- The CHIPS and Science Act will provide \$52.7 billion of new funding for semiconductor research, development, manufacturing facilities, and workforce development.



### Labor Shortages

The unemployment rate in the U.S. is at historic lows, and construction companies are having great difficulty finding qualified workers. This will constrain the construction industry's growth and will provide a continuing challenge for contractors in 2022 and beyond.

- The aging of the labor force will compound these labor supply issues. Between 2003 and 2020, the percentage of construction workers who were age 55 and older increased from 11.5 percent to 22.7 percent.<sup>5</sup>
- Immigration restrictions also threaten the construction industry. In 2020, 25 percent of construction industry workers were born outside the U.S. Immigration restrictions threaten the flow of these workers.<sup>5</sup>



### Continued Improvement in Technology

The construction industry will continue to benefit from new and improving technology in 2022.<sup>7</sup>

- New materials can be engineered to have specific properties which help reduce construction costs. Examples include self-healing concrete, flexible concrete, and transparent aluminum, allowing architects to design glassy structures much lighter in weight than traditional glass structures.
- Building information modeling and management software revolutionizes how projects are designed, bid, and managed during and after construction.
- Drones have become commonplace in both new and rebuilding construction projects.
- The impact of other emerging technologies, such as 3D printing, artificial intelligence, and the internet of things, is only beginning to be understood.

1. [2023 Engineering and Construction Industry Outlook, Deloitte](#)
2. [AIA Forecasts Construction Spending to Increase in 2022 and 2023, Kermit Baker, American Institute of Architects, August 8, 2022](#)
3. [US Construction Cost Trends, CBRE, July 6, 2022](#)
4. [Non-residential Construction Forecast: Slowing 2023-2024, Bill Conerly, Forbes, October 25, 2022](#)
5. [US Bureau of Labor Statistics](#)
6. [2021 Report Card for America's Infrastructure, American Society of Civil Engineers, ASCE.org](#)
7. [11 Trends in the Construction Industry, American Society of Mechanical Engineers, Mark Crawford, October 19, 2021](#)