



Construction Insurance Market Update 2025

Australian industry insights

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Introduction

Delivering industry-specific insights and trends

Marsh's ***Construction Insurance Market Update 2025*** provides an industry-specific, local lens on the latest trends and insights in the Australian insurance market, in the first half of 2025.

This report is an addendum to the ***Australian Mid-Year Insurance Market Update 2025***, which covers broader market-wide trends in key insurance lines including property, liability, financial and professional lines, cyber, environmental impairment liability, private health, accident and health, group life and workers' compensation.

To read the full report, click on the link below.



Construction industry

Market overview

The Australian construction insurance market continued to experience a softening trend across various industry segments in 2025, largely driven by increased capacity and heightened competition among insurers.

Contract works insurance (including delay in start-up)

Renewals in the first half of 2025 have generally seen similar or broadened insurance coverage terms and conditions, rate reductions (averaging 5%), and stable policy deductibles. Insurers used wording enhancements to promote a positive claims culture, which can benefit insureds in the long term. Recent restrictions sought on certain coverage areas typically have been successfully challenged, with co-insurers now agreeing more frequently to follow-form policy clauses, providing greater clarity for insureds and consistency in coverage throughout their insurance program.

Construction liability insurance

Increased capacity and new market entrants from 2024 have intensified competition, which has led to greater limits, placement flexibility, and insurer choice for clients.

It is common for incumbent insurers to offer premium discounts as a way to retain existing clients and avoid remarketing at renewal. Additionally, long-term agreements (LTA) with built-in discounts have become an attractive option for clients seeking stability and predictable premiums, although the timing of effecting LTAs should be carefully considered to balance current placement benefits versus potential further easing of market conditions.

Deductibles in the construction liability space have remained stable, with no significant changes in conditions.

Design and construction professional indemnity




Incumbent insurers generally have sought to retain their existing insureds amid the increased competition, particularly in the small to medium-sized enterprises (SME) space, where broader coverage and average premium reductions of approximately 10% typically have been achievable. Larger tier 1 contractors have also seen rate reductions, albeit to a lesser extent of up to 10%.

**Intensified
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Premium rate trends

Overall, the Australian construction insurance market has seen average rate reductions of 5% to 15% in the first half of 2025. Pricing movements have followed a downward trend compared to the same period last year, where premium increases were still seen.

	5%-15% decrease in construction insurance premiums
	5% average decrease in contract works insurance
	10% average decrease in C&D professional indemnity

01 Pacific commercial insurance pricing change – by major coverage line

Source: Marsh Global Insurance Market Index, Q2, 2025



Key coverage and underwriting trends

Contract works

In the first half of 2025, insurers generally maintained a consistent underwriting approach, with minimal changes to coverage terms. Policy wording enhancements have been introduced to incentivise a positive claims culture among insureds and a return of follow-form terms has provided insureds with greater clarity and fewer coverage gaps.

Construction liability

Many insurers have increased their primary capacity from \$25 million to \$50 million, reflecting a more flexible underwriting approach. Premium discounts at renewal and LTAs with built-in discounts have been frequently offered by insurers and considered by various clients.

Design and construction professional indemnity

Given the competitive market, underwriting approach has remained consistent among insurers in the design and construction professional indemnity space. In some cases, lower deductibles have been achievable if they were considered high when benchmarked against industry standards.

Increased emphasis on risk analysis and underwriting due diligence

Insurers have adopted a more meticulous approach to risk assessment, often engaging risk engineers for detailed evaluations, especially on complex or high-value projects. This thorough analysis can extend underwriting timeline but ultimately leads to more tailored and accurate pricing.

Summary

Overall, the current construction insurance market reflects a softening trend, with insurers offering more favourable terms and increased capacity, particularly in primary liability and professional indemnity lines. Clients who demonstrate a proactive and strong risk management approach tend to benefit the most from these underwriting trends. Notwithstanding, insurers remain cautious on accounts with deteriorating claims experience and on natural catastrophe exposed portfolios.

Claims trends

There has been a recent trend of cost inflation from some suppliers for reinstatement of works, with insurers questioning the justification. In these instances, claims have taken longer to resolve, leading to delays in claim settlement and payout.

The increased involvement of insurers' law firms on technical claims has also prolonged the claims settlement process.



Despite softening market trends, insurers remain cautious around deteriorating claims experience and natural catastrophe exposures.

Looking ahead

We expect the competitive momentum in the Australian construction insurance market to persist into the second half of 2025, barring unforeseen changes, as insurers focus on growth and compete aggressively for market share.

While favourable conditions will present insureds with opportunities to optimise coverage and premiums, renewal outcomes will largely depend on how effectively risks are presented to insurers. To stand out in a market where capacity is growing and pricing is softening, insureds should focus on delivering clear, well-structured submissions supported by relevant data. Demonstrating strong risk management practices — especially on site safety, onsite risk mitigation, project timelines and contractual risk allocation — will continue to be key differentiators. This is particularly important for businesses operating in higher-risk or complex project environments.

Engaging early with your broker and being transparent about upcoming projects or changes to your risk profile can also improve outcomes. With insurers seeking quality over volume, those who invest in a proactive renewal strategy are likely to be well-positioned to secure such enhancements as broader terms, favourable pricing, or reduced deductibles.



Demonstrating strong risk management in site safety, onsite risk mitigation, project timelines and contractual risk allocation are key differentiators for construction organisations.



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It is important to note that reported pricing changes are averages and that the data used to estimate the changes cover a wide range of clients in terms of size, industry, location, claims history and other parameters. Many clients received pricing changes that deviated from the average, some higher and some lower.

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