MARSH

Australian Construction Insurance Market Update 2026

Introduction

Delivering industry-specific insights and trends

The ***Australian Construction Insurance Market Update 2026*** provides an industry-specific local lens on the latest trends and insights in the Australian insurance market.

This report is an addendum to the ***Australian Insurance Market Update 2026***, 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.

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It is important to note that reported pricing changes are averages observed in the first half of 2026. 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 of our construction clients received pricing changes that deviated from the average, some higher and some lower.

Construction industry

Market overview

The Australian construction insurance market continued to experience favourable market conditions throughout 2026, driven by increased reinsurance capacity, intensified insurer competition, a relatively favourable global loss environment and a downward trend in natural catastrophe losses in Australia.

Some insurers' aggressive growth strategies have driven pricing competition and contributed to the sustained downward rate environment. This competitive market dynamic has created meaningful opportunities for insureds, particularly those who are well-prepared at renewal and have clean claims histories.

> Positive reinsurance treaty renewals in 2026 were driven by strong insurer results and the absence of large natural catastrophe losses.

Global reinsurance backdrop

At the January 1, 2026 treaty renewal, reinsurance capacity for construction and engineering reached its highest level since 2020 at US$367 million, with US$17 million of new capacity entering the global market. This enabled broader coverage options and higher limits in the direct insurance market, particularly for well-performing risks. The positive reinsurance treaty renewals were driven by strong insurer results and the absence of large natural catastrophe (Nat Cat) losses.

Contract works insurance (including delay in start-up)

Increased capacity and insurer appetite have been seen broadly across the construction insurance market, particularly for project-specific placements without significant Nat Cat exposure. As insurers looked to defend market share against new entrants, average premium rate reductions of 5% to 10% on annual placements were observed in the first half of 2026, extending the downward pricing trend that began in late 2024.

Water damage remained the primary area of underwriting concern and focus. Sustained claims frequency has led insurers to impose sub-limited coverage or restricted conditions to higher-risk projects. To demonstrate their commitment to risk mitigation, some insureds have proactively installed internal automatic water detection systems, which has improved their risk profile and strengthened their underwriting position.

While the number of lead insurers remained limited for high-value projects or those with construction periods exceeding 36 months, co-insurance capacity was abundant.

Construction liability insurance

Conditions in the construction liability insurance market remained generally positive, with both local and overseas insurers seeking to grow their portfolios in 2026. The excess of loss market has seen notable increases in insurer capacity and appetite, with primary capacity continuing to be available from a diverse range of insurers. The rise in workers' compensation losses has emerged as a significant challenge for insurers in this insurance class, in particular, psychological injury claims. These claims have been contributing to higher overall loss ratios and increased claims volatility. Despite strong competition in the broader insurance market, this claims trend has prompted insurers to review and adjust their underwriting approaches, and closely monitor the situation for any potential impact on insurers' future assessment of construction liability risks.

In the first half of 2026, construction liability insurance premium rates decreased by approximately 5% to 15% in the Australian market compared to last year.

Design and construction professional indemnity

The professional indemnity insurance market continued to offer favourable conditions for the construction sector, with insurers maintaining competitive pricing and ample capacity.

In the first half of 2026, premium rates in this insurance class declined by approximately 10% to 20% compared to last year, with individual results being dependent on claims history.

Those who demonstrated proactive risk management practices generally achieved better outcomes. Insurers remained cautious on accounts with deteriorating claims experience and Nat Cat-exposed locations. Annual corporate insurance programs have seen greater insurer capacity and competition compared to single project specific programs, where less competition was observed.

Premium rate trends

Overall, the construction sector has seen average rate reductions on annual insurance programs of approximately 10% to 15% across all construction lines in the first half of 2026, an acceleration from the 5% to 15% reductions seen in the same period last year. Although individual results were impacted by claims experience, in many cases where claims have occurred, reductions were still achievable.

10%–15% ▼
decrease in construction insurance premiums

5%–10% ▼
decrease in contract works insurance premiums

10%–15% ▼
decrease in construction liability insurance premiums

10%–20% ▼
decrease in D&C professional indemnity insurance premiums

> The persistent rise in workers' compensation losses, in particular psychological injury claims, is contributing to higher overall loss ratios and claims volatility.

Key coverage and underwriting trends

Contract works

Underwriting conditions have remained generally consistent among insurers, with a focus on individual submission quality rather than blanket rate reductions. Some of the trends observed in 2026 included:

- Increased insurer requests for data-driven responses such as detailed historic claims activity, loss patterns and loss mitigation strategies prior to binding cover. For large or complex risks, additional internal underwriting approvals were required.
- Water damage sub-limits or exclusions have been increasingly applied to higher-risk project types, driven by sustained claims frequency, in particular, in internal damage claims from commercial high-rise properties.

- General consistency in policy clauses amongst insurers, providing insureds with coverage stability and fewer gaps across their insurance program.
- Generally stable deductible structures, however, adjustments have been observed on accounts with adverse loss experience.
- LEG3 defects coverage available in the Australian market for most projects.
- Long-term agreements (LTAs) with built-in discounts have become increasingly available with more favourable terms as an attractive option for insureds seeking pricing certainty.

Construction liability

Primary capacity continued to grow, with several insurers offering up to $50 million primary limits. Key underwriting trends observed in 2026 included:

- Psychological injury claims attracted heightened underwriter scrutiny, with detailed information on workforce mental health programs, employee assistance programs (EAP) and return-to-work procedures being increasingly expected to form part of submissions.
- Workers' compensation loss ratios remained elevated, driving pricing and sub-limit adjustments on accounts with adverse workers' compensation loss experience.
- Similar to contract works, LTAs with built-in discounts have become increasingly available for those seeking pricing certainty.
- Incumbent insurers continued to offer premium discounts in an effort to retain clients and prevent remarketing.

Design and construction professional indemnity

Underwriting approaches have remained consistent among insurers in the competitive professional indemnity market. Lower deductibles have been achievable for those whose expiring levels were high relative to industry benchmarks.

Insurers continued to engage risk engineers on complex or high-value projects, which has extended underwriting timelines but led to more accurately tailored pricing and coverage.

> Insurers are increasingly requiring data-driven responses related to claims trends and loss mitigation strategies prior to binding cover.

Insured purchasing patterns

Based on our Marsh's construction clients and their experiences in 2026, several patterns have emerged during renewal:

- Insureds have leveraged favourable market conditions to seek broader coverage terms and higher limits, particularly in construction liability and professional indemnity.
- LTAs were actively considered by those with significant project pipelines seeking cost certainty, with timing being a careful consideration to balance current benefits against potential for future market improvement.
- Larger insureds explored increased retention as a cost management strategy, particularly in lower-severity, higher-frequency insurance classes.
- Insureds have been increasingly using investment in risk management (e.g. water damage mitigation and site safety technology) to differentiate their risk profiles and maximise competition at renewal.
- Clients with clean claims histories leveraged current market conditions to reduce deductibles, recover previously restricted coverage and achieve premium reductions above the market average.

> Clients with significant project pipelines are increasingly exploring LTAs as an option to lock in cost certainty.

Water damage remains as a key underwriting challenge, with sustained claims frequency driving sub-limits and coverage restrictions for higher-risk projects.

Claims trends

Several notable claims trends are shaping underwriter appetite and pricing in the current market:

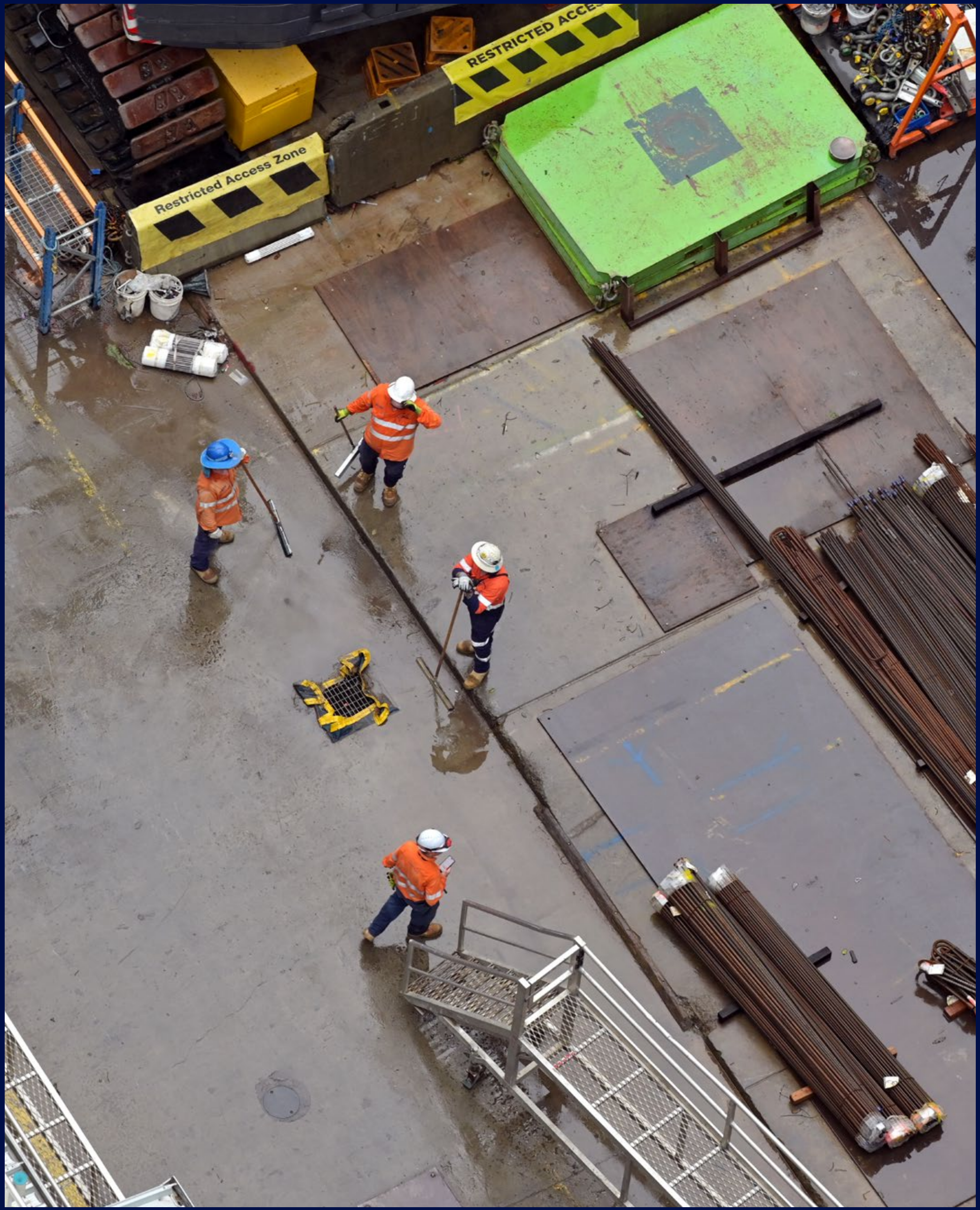
- **Psychological injury claims** are a growing concern for insurers, contributing to elevated workers compensation loss ratios and increased underwriter scrutiny on construction liability accounts.
- In contract works, **cost inflation** from suppliers and contractors continued to complicate reinstatement claims, with insurers increasingly challenging the justification for elevated rebuild costs. This has led to longer resolution timelines and delayed claim settlements.
- **Inflation pressure** on multi-year construction projects are materially increasing the reinstatement cost of some projects, which has been scrutinised by insurers at the time of a claim. Inflation protection cover has become more accessible as market conditions improve, and being more relied upon to ensure adequate level of insurance.
- **Water damage** remains as the primary attritional loss driver for contract works, contributing to coverage restrictions and sub-limits for higher-risk project types.
- On technical and complex claims, the increased involvement of **law firms** on both insured and insurer sides have extended settlement timeframes, with consequential impacts on project cashflows.
- At the time of writing, **no major industry-wide loss events** were recorded in the first half of 2026, which was a key contributor to the broadly positive reinsurance and direct insurance market conditions.
- Insurers are showing greater focus on what a **policy excludes** versus insured damage. (i.e. Material damage claim outcomes can trigger "all risks" exclusions such as latent defect, faulty materials/workmanship, wear and tear, mould/fungi, contamination/pollution.)
- Images captured by **drone technology** from Marsh Australia's claims team are now being widely accepted by insurers as real-time evidence of site conditions and progress, particularly in remote locations.
- Emerging trend of **AI-assisted claims preparation** (e.g. document review, delay analysis, quantum calculation) are gaining adoption in law firms and claims consultancies operating in Australia.

Looking ahead

Backed by strong global reinsurance capacity, insurer growth ambitions and the absence of significant loss events, the competitive momentum in the Australian construction insurance market is expected to continue through the remainder of 2026. Barring unforeseen developments such as a major catastrophic event or significant deterioration in loss experience, these favourable conditions are likely to persist into early 2027.

Despite current buyer-friendly conditions, renewal outcomes will increasingly depend on the quality and depth of risk information provided to insurers, who are becoming more selective and data-driven.

Well-prepared submissions combined with carefully considered strategies has proven to consistently achieve better outcomes than those relying on market momentum alone.



6 tips for maximising your construction insurance outcomes

1 Engage early

Begin renewal discussions well in advance of your policy expiry to allow time for quality market engagement and insurer negotiation.

2 Invest in a quality submission

A comprehensive, data-rich insurance submission is critical in differentiating your risk from your peers. Insurers look for detailed project information, claims history and evidence of risk management initiatives.

3 Address water damage proactively

Demonstrating investment in water damage mitigation (e.g. automatic detection systems, maintenance protocols) can directly improve contract works insurance pricing and coverage terms.

4 Manage psychological injury risks

With workers' compensation and psychological injury claims on the rise, demonstrating robust mental health programs, EAP engagement and return-to-work frameworks will be increasingly important to insurers' assessment of your risk profile.

5 Leverage current market competition

The current environment offers genuine opportunity to reduce deductibles, broaden limits and recover previously restricted coverage, particularly for insureds with clean loss records.

6 Consider long-term agreements

For clients with predictable project pipelines, LTAs can lock in current favourable conditions and price certainty for better long-term planning in an uncertain economic landscape.

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