Technical Brief: Construction Industry Risk Analysis

Insurance market volatility, contractual risk transfer, workforce pressure, and mitigation strategy

Executive summary

The construction industry is navigating a rapidly changing risk environment shaped by evolving insurance markets, workforce shortages, increasing project complexity, and challenges in contractual risk allocation. This brief outlines the key risk factors and provides mitigation strategies for construction firms.

1. Insurance market volatility

Market variability: The insurance market for construction varies widely based on factors such as work type, region, and past performance.

Capacity and pricing: While some general contractors experience expanding insurer capacity and competitive pricing, higher-risk, large-loss, or fleet-heavy accounts face pricing pressure and limited capacity. Furthermore, smaller trade contractors continue to face greater challenges specifically due to rising claims severity, social inflation, and high auto liability rates.

Trade-specific challenges: High-risk trades (e.g., roofers, steel erectors, masons) encounter steeper premiums, stricter policy terms, and fewer insurance options. Insurers have a heightened focus on a company's safety performance, claims history, and work complexity.

2. Contractual liability and risk transfer

Risk transfer dilemma: Transferring risk between stakeholders is a complicated challenge, especially as claim costs and project complexities increase.

Contractual risk transfer: Firms utilize this to reduce liability exposure and potentially lower insurance costs, though it requires critical negotiation to prevent unknowingly assuming long-term financial risks from partners.

Downstream pressure: General contractors are increasingly imposing demanding insurance requirements and broader waivers of subrogation downstream to trades, leaving them with limited negotiation room.

Completed operations claims: Companies face lawsuits or insurance claims for bodily injury or property damage stemming from faulty work post-project completion. These claims are generally covered under the "Products-Completed Operations" section of a Commercial General Liability (CGL) policy, subject to policy terms, conditions, and exclusions.

3. Workforce shortages and safety risks

>50%	41%	~70%	~45%
industry turnover rate	of current workforce set to retire by 2031	of companies report difficulty hiring qualified workers	of injuries involve workers with under 1 year of experience

Shrinking workforce: The industry faces high turnover rates (over 50%), and an estimated 41% of the current workforce is set to retire by 2031. Approximately 70% of companies report difficulty hiring qualified workers.

Inexperienced worker risks: Workers with less than one year of experience account for roughly 45% of construction-related injuries, driven by unfamiliarity with hazards, lack of training, and supervision challenges.

Safety education burden: The burden of safety education and training is shifting to employers, necessitating extra attention on new hires.

4. Mitigation strategies

Strategic risk transfer: Implement thoughtful risk transfer practices to support effective project management and offset long-term liability.

Identifying gaps in complex projects: When working on complex projects, it is increasingly important to review project specifications, contractual obligations, and insurance coverages to help identify any gaps and avoid unknowingly assuming risk.

Certificate management: Utilize a streamlined certificate management process to track and verify insurance certificates. This ensures subcontractors and vendors maintain adequate coverage, mitigating risk, maintaining contractual compliance, and preventing project delays.

New hire focus: Allocate additional resources to training and supervising new hires to reduce claims and errors associated with an inexperienced workforce.

Additional resources

2026 Employee Benefits Benchmark Report: access industry-specific insights through the latest benchmark report to aid in workforce retention and benefits planning.

HOW DUCERE LINES UP AGAINST THESE RISKS TODAY

Certificate management: vendor COIs, Workers Comp, W-9, and Additional Insured status are tracked on the global vendor record in BuildPass, with a payment gate of no payment without active coverage. Contractual risk transfer: subcontractor obligations are executed into the Master Work Order Agreement rather than relying on manual notice alone. New hire focus: safety education and supervision expectations extend to new subcontractor crews, and all field documentation runs through OpenSpace. Continuous review of these controls is the standing mechanism for closing the four gaps described in this brief.