

2021

STATE OF THE MARKET

AT A GLANCE: CONSTRUCTION



Price of Premium

Less Expensive 
Very Expensive 

CRC Group's State of the Market at a Glance was developed by surveying our nationwide network of industry specialists.



NORTHEAST

The construction industry in New York City has primarily only E&S market options and remains difficult. Other areas in the Northeast, outside of New York City have access to a variety of market options. The markets participating in the Northeast E&S construction space have remained steady over the past several years. London continues to participate on a more selective basis, with higher premium requirements. Limited capacity is available for trade contractors on primary GL and lead excess. Estimated renewal exposures are down considerably for many NYC trade contractors, but losses continue to develop. Deposit premiums are now based on much higher rates due to the lower exposures. Despite lower exposure, carriers are maintaining high minimum premium requirements for more hazardous classes, including demolition, concrete, and steel. Construction in NYC has slowed down due to the pandemic and the mass exodus of people leaving the city. The first \$5M buffer layer is tough to place with an inconsistent response from markets.



CENTRAL

Market conditions remain largely stable. In the Midwest, rates remain fairly inexpensive and aggressively priced with the exception of Cook County. As E&S markets diversify away from more construction defect prone jurisdictions, they are targeting this region for growth. But, with a steady admitted presence available, the prospect of meaningful surplus lines market share remains unlikely outside of urban, project specific placements. Residential appetite remains pretty limited - especially on Primary lines. In general, capacity reductions and pricing increases on excess placements are common, most notably with larger auto fleets. Louisiana remains a difficult legal environment with carriers actively shying away from specific venues within the state. Texas continues to become more of a consistent E&S state, with defect claims on the uptick, especially in major cities. Underwriting in the Southeast region of Texas is tightening due to action over claims and defect claims related to residential work.



SOUTHEAST

Markets are available for construction risks in most Southeastern states; however, contractor fleets are impacting rates. Florida and South Carolina continue to harden. They remain tough for residential contractors with construction defect litigation and claims driving prices and retentions up. Emerging construction defect trends outside of South Carolina and Florida are also impacting all accounts. The changes in Florida are substantial as markets exit, for both general contractors and residential subcontractors, which creates a capacity crunch for both GL and excess. More restrictive terms and conditions are also developing. Most other states will find standard markets available unless there have been losses. Excess carriers are cutting capacity and raising attachment points. Obtaining more than \$10M in a lead layer is now considered exceptional. Supported excess pricing from standard markets is beginning to reach E&S pricing, which doesn't necessarily mean it's a fit for E&S markets. This sector is worth monitoring as it continues to evolve and become more challenging.



WEST

Carriers continue to adjust rates after years of soft market conditions and underperformance on the West Coast. The markets continue to re-underwrite their construction risks with increased rates and capacity reductions. Distressed placements with meaningful loss experience or vertical loss exposure can be victim to drastic adjustments with wildfire or auto sensitive placements seeing markups over 100%. Capacity for such accounts remains sporadic and increasingly expensive with no cost effective solution anticipated in the short term. Outside of the most volatile placements, carrier account selectivity remains the predominant narrative, leading to more accelerated deterioration in the most challenging classes, including residential exposures in construction defect states, wood frame, and street & road. With these tougher classes, 25%+ increases have continued, especially for larger placements where carrier willingness to discount rate relative to volume has diminished. While the excess marketplace was largely responsible for the turbulence of 2020, primary carriers began pushing for adjustments beginning in Q1 2021. Most notably in the wood-frame CIP marketplace where primary rates are trading 20% higher than in 2020. In addition to the wood-frame market, for-sale residential CIPS continue to attract limited capacity, with lead capacity becoming sparse and rates easily doubling those available in prior years.