



CONSTRUCTION & REAL ESTATE



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There's plenty to be optimistic about in the construction and real estate industries. Building and running a successful company in these fields takes sacrifice, patience, and a clear long-term vision. As a specialized service provider, we're here to anticipate challenges and work on solutions that keep your business moving forward. While we can't predict the future, we stay ready by watching, listening, and learning – gathering the insights we need to offer advice that's relevant and valuable as we head further into 2025 together.



CONSTRUCTION

- Lines with minimal changes: Cyber, EPLI, D&O, Fiduciary, Crime, Employed Lawyers, General Liability, Property, Inland Marine
- Lines with the most dramatic rate change: Auto, Workers' Compensation, Umbrella

REAL ESTATE

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NOTABLE TRENDS

Construction

The umbrella market has become more challenging for insurers, with loss ratios rising year over year since 2012, except for a brief dip during the COVID-19 pandemic. As a result, many carriers are reclassifying apartments and senior living/nursing homes as residential properties.





For those using group captive insurance, the options for lead umbrella coverage are shrinking, as carriers are less comfortable covering programs they don't control. This can be particularly tough for new group captive entrants, as they no longer benefit from leveraging profitable liability lines for higher umbrella limits. When considering captive options, weighing the short-term vs. long-term impact of return premium dollars is key.

Real Estate

The habitational and hospitality sectors continue to face challenges in the hardened property market, with rising rates, higher deductibles, and tighter terms. Insurers are especially focused on secondary risks, like water damage and severe weather events. Expect to see more percentage-based wind/hail deductibles, cosmetic damage exclusions, and increased water damage deductibles. During renewal discussions, insurance companies are likely to ask about roof replacement plans, the age and condition of existing roofs, and water mitigation strategies or emergency response plans.

EMERGING RISKS

The construction and real estate industries have long focused on managing physical risks — equipment damage, job site accidents, natural disasters — but with increasing reliance on digital tools, **cybercrime** is becoming a major threat. Whether it's project management software in construction, or property management platforms in real estate, digital systems streamline operations but also open the door for cyber criminals to exploit vulnerabilities in industries that haven't always made cybersecurity a priority.

From ransomware attacks shutting down essential systems to phishing scams targeting wire transfers, hackers are finding ways to infiltrate third-party vendors, cloud-based platforms, and mobile technologies. The consequences? Stolen intellectual property, project delays, financial fraud, tenant data exposure, and even legal liabilities. As both industries continue to embrace digital solutions, protecting against cyber threats needs to be a key part of the risk management strategy.

**CYBER
CRIME**

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Extreme weather events — hurricanes, wildfires, floods, and heat waves — are becoming more frequent and intense, creating significant challenges for both the construction and real estate industries. In construction, severe weather can cause project delays, supply chain disruptions, and damage to unfinished structures, while shifting weather patterns add stress to building materials. This makes resilience strategies and updated building codes more critical than ever.

For real estate, risks like flooding, wildfires, and coastal erosion are impacting property values and insurability. Developers and property owners are now focusing more on location, structural durability, and insurance options to ensure long-term protection. With insurers adjusting coverage or pulling back from high-risk areas, having solid risk management strategies in place is crucial for both industries.

The real estate industry is seeing a wave of **new regulations**, from updated building codes to evolving environmental and tenant protection laws. These changes are reshaping risk management and coverage requirements for property owners, developers, and investors. One of the biggest changes? Stricter building codes and resilience measures. With extreme weather becoming more common, local governments are requiring tougher materials, better drainage systems, and more energy-efficient designs. While these upgrades help in the long run, they also come with higher construction costs and new insurance considerations.

Climate-related rules are also shaking things up. Stricter flood zone mapping and wildfire risk assessments mean insurers are rethinking coverage in high-risk areas — sometimes even limiting availability.

On the tenant and liability side, new fair housing laws, rent control policies, and habitability standards are adding more complexity for property owners. Legal claims around tenant safety, discrimination, and building maintenance are on the rise, driving up liability insurance costs. And with more digital lease agreements and online transactions, cybersecurity regulations are making data protection a bigger priority.

HOW M3 CAN HELP

Whether you're running a business or protecting its future, M3 is here to make an impact. Quarterly industry newsletters? Sure. Verifying accurate experience modification factors for workers' compensation? Absolutely. Visiting jobsites and properties to provide thoughtful feedback on ways to improve efficiencies and safety? Of course.

With M3 in your corner, you're not just another client — you're a partner in building a secure, thriving future. Let's make it happen together.

