



## 2026 Property & Casualty Report

# CONSTRUCTION + REAL ESTATE

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The construction and real estate landscape is changing in subtle but meaningful ways. This report takes a forward-looking view of what's on the horizon and where risks are beginning to surface across both industries.

### ON THE HORIZON.

*Key shifts influencing risk, highlighting where pressures are building and expectations are changing.*

#### CONSTRUCTION

##### Projects are moving faster, with less room for mistakes

Construction projects are moving quickly, often with tighter schedules and overlapping responsibilities. Design-build, phased construction, and accelerated timelines are now the norm, not the exception.

That speed helps meet demand, but it also leaves less room to catch issues early. When something goes wrong, responsibility isn't always clear — especially when owners, designers, and contractors are all closely involved. What might have been a manageable issue can turn into a complicated dispute simply because decisions were made quickly and roles weren't fully defined upfront.

##### Weather is influencing projects earlier and more often

Losses tied to wind, water, and seasonal volatility are no longer limited to rare events or specific regions. They're affecting projects mid-stream, before buildings are fully enclosed or stabilized.

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As a result, builders risk coverage is getting more attention. Deductibles, timelines, and insured values are being scrutinized earlier in the process, even for contractors with clean loss histories. Industry data reflects a growing share of construction losses tied to weather-related events, which are quietly reshaping how projects are evaluated and insured.

### The market is rewarding preparation, not perfection

Carriers remain willing to support construction risks, but they are spending more time understanding how projects are run. Contractors who can clearly explain their safety practices, documentation, and subcontractor oversight are standing out, even in tougher segments. This doesn't mean they're perfect — it means they're prepared. That preparation is increasingly influencing underwriting decisions.



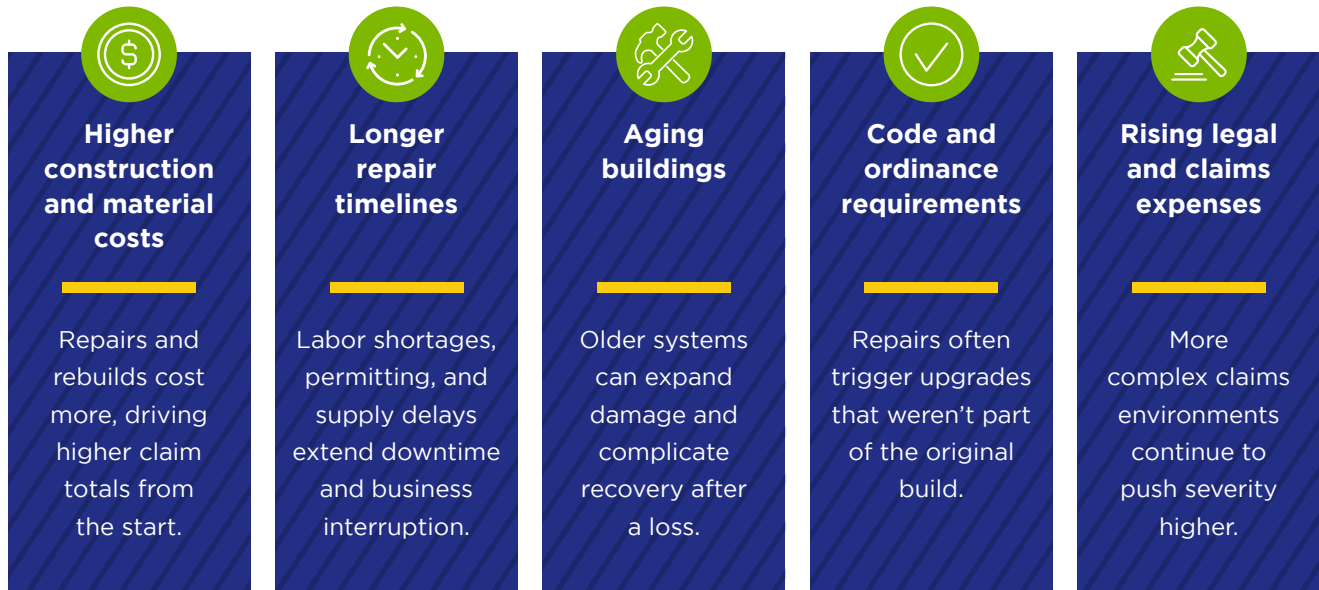
Source: Climate Central

## REAL ESTATE

### The rising cost of a single claim

Claim frequency in real estate has remained relatively stable, but claim severity continues to climb.

For commercial real estate owners and operators, today's losses are less about how often incidents occur and more about how costly they become once they do.



Even as commercial property pricing shows signs of softening, these severity drivers continue to influence underwriting decisions, coverage structure, and renewal outcomes across the real estate sector.

## Owners are under more scrutiny from lenders and investors

For real estate owners, insurance programs are being reviewed more closely by lenders and investors. Coverage structure, valuations, and deductibles are increasingly viewed as indicators of how well risk is being managed and how resilient a property may be after a loss.

Insurance programs are increasingly tied to financing requirements and broader operational oversight. Decisions around coverage structure can influence confidence, especially after a loss.

For owners, this means insurance conversations are happening alongside capital planning, not after the fact.

## Weather volatility is reshaping property risk

Losses tied to wind, hail, flooding, and severe storms are influencing deductibles, pricing, and coverage availability. These impacts extend beyond physical damage to include tenant disruption and income stability.



### COVERAGE TO WATCH

**Builders risk** is drawing more scrutiny in 2026. Longer timelines, phased builds, and weather exposure are influencing deductibles and terms earlier than many clients expect.

#### **Business Income**

Extended repair timelines, supply chain delays, and tenant disruption are putting more pressure on how business income coverage responds after a loss.

## OVERLOOKED RISKS.

*Where those shifts are already affecting outcomes, creating friction across claims, recovery, and financial impact.*

### CONSTRUCTION

#### Contract misalignment is still the biggest silent risk

As projects move faster and teams rely on fewer subcontractors, gaps between contract language and actual insurance coverage continue to surface at claim time. Missing endorsements, inconsistent requirements, or outdated certificates can shift responsibility back to general contractors or owners, even when fault seems clear. As project delivery accelerates, these gaps are harder to catch early, and more likely to surface only after work is complete.



## Coverage gaps are surfacing when projects are most exposed

Wind, water, and storm-related damage are disrupting projects more frequently, often before structures are fully enclosed or stabilized. At the same time, builders risk coverage is tightening, with higher deductibles and increased scrutiny around values and timelines. For many contractors, the challenge isn't the damage itself, it's discovering how deductibles, valuation assumptions, or delay-related costs apply mid-project.

## Experience gaps are changing how claims unfold

Labor shortages mean newer workers are taking on complex tasks sooner, while supervision and training consistency varies across jobsites. When incidents occur, questions around supervision, training, and documentation increasingly influence how claims are evaluated — not just what happened.

### REAL ESTATE

#### Valuations and deductibles are out of sync with reality

Property values and rebuild costs have shifted quickly, but many insurance programs have not been updated at the same pace. Owners are often surprised after a loss by valuation gaps or weather-related deductibles that materially affect recovery. These gaps can extend recovery timelines and create unexpected out-of-pocket costs, even when coverage is in place.

#### Premises liability claims are becoming more severe

Slip-and-fall and third-party incidents remain common, but even routine events are more likely to escalate into litigation. Defense costs and claim duration continue to rise, regardless of fault.

#### Building technology is introducing new gray areas

Access systems, monitoring tools, and smart building platforms improve operations, but they also introduce questions around responsibility when systems fail or data is compromised. These exposures often fall between traditional property and liability considerations, increasing friction when incidents occur.



The most disruptive losses often aren't caused by unexpected events — they happen when expectations don't match reality.

Coverage assumptions, contract language, and day-to-day operations frequently don't fully align until a claim puts them to the test.



### ESOPs in Construction: A different risk profile

Employee ownership can strengthen retention and succession planning, but it also amplifies the impact of losses. In construction, claims can affect valuation and long-term obligations, making consistent risk practices and program stability especially important.

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## ENTERPRISE INFRASTRUCTURE IS RAISING THE STAKES

The growth of data centers and other enterprise-scale infrastructure is changing how risk is evaluated within construction and real estate. These projects concentrate assets, operational dependency, and financial exposure in ways that amplify the impact of disruption.

Risk decisions are happening earlier in the project lifecycle. Site selection, access to power and water, weather resilience, and recovery expectations are now central to underwriting and financing conversations; not just design and materials. Lenders and investors are increasingly focused on how quickly an operation could realistically recover after a loss.



We see organizations underestimate how quickly a cyber event can become an operational and financial crisis. In enterprise-scale infrastructure, the issue isn't just intrusion; it's interruption. Coverage gaps tend to surface when cyber, property, and liability policies aren't aligned around how the business actually operates.

— **Matt Thomson**,  
Director of Cyber Liability,  
M3 Insurance



What's different isn't the existence of risk, but its scale and interdependence. A single fire, power disruption, or construction delay can cascade into prolonged downtime and contractual impact. Owners who take an enterprise-level approach — pressure-testing valuations early and aligning builder's risk, delay-in-startup, and cyber considerations — are navigating carrier scrutiny more effectively.

### Surety as a Signal of Strength

In construction and real estate, surety is more than a project requirement — it's a reflection of financial strength, operational discipline, and long-term credibility. As projects become more complex and scrutiny increases, having the right surety partner can support growth, protect relationships, and reinforce confidence with owners, lenders, and investors.

*"Surety is built on trust. When a contractor's financials, operations, and risk strategy are aligned, it shows — not just to sureties, but to everyone relying on the project's success."*

— Travis Schreiber,  
Director of M3 Surety

## M3 LENS: CLOSING THE GAP BETWEEN RISK AND REALITY.

The biggest risks facing construction and real estate organizations in 2026 aren't coming from unexpected events, they're coming from misalignment. As projects move faster, properties face more scrutiny, and weather volatility increases, gaps between contracts, operations, and insurance programs are showing up more often and with greater impact. Organizations that address risk earlier, align decisions across teams, and plan for real-world conditions will be better positioned to reduce disruption and move forward with confidence.

**Now is the time to step back, review how your projects or properties are protected, and engage your M3 Client Executive or Risk Manager before decisions are finalized.**