

2023

Construction BENCHMARK REPORT

**THE
MAHONEY
GROUP®**

In Partnership with: Assurex Global

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Introduction

The Assurex Global Partnership is comprised of 45 premier insurance brokers in North America, plus an additional 55 on other continents. The scope of the North American Assurex Global Partner client base provides us with the ability to gain insight into the purchasing decisions of thousands of client companies.

This benchmark study represents our third annual survey of the purchasing habits of contractors that are insured through our Partner firms. It includes data from 1,624 construction companies of various sizes and specialties. The survey reflects over \$25 billion of annual construction revenue. Reported payrolls exceed \$4 billion.

This year's survey, based on 2022 data, reflects changes in the cost of insurance for contractors, which, generally speaking, has experienced significant changes since our last survey. Specific detail can be found in the report.

Fact

According to the Associated General Contractors of America (AGC), American construction companies generate **\$1.3 trillion** of economic activity annually, producing almost **8 million jobs**.

The construction industry constitutes approximately 8 percent of the U.S. economy. Industry employment varies by information source, due in part to the seasonal nature of the work. According to the National Institute of Occupational Safety and Health, the construction industry employs over 11 million workers. According to the National Association of Insurance Commissioners, the 1.5 million construction firms in the U.S. generate over 10 percent of the commercial property/casualty insurance premiums generated annually in the United States.

From an economic standpoint the future is somewhat murky. 2021 saw an increase of 7 percent in overall construction spending. Residential construction spending has decreased thus far in 2022. Infrastructure spending has increased, particularly due to the federal government passing the \$1.2 trillion *Infrastructure Investment and Jobs Act*, which will provide an additional \$550 billion in funding for construction over the next five years.

Insurance and risk management costs constitute a significant percentage of a contractor's cost structure and thus play a role in the ability of a construction company to compete for contracts and generate revenue. Owners routinely incorporate demands in their contracts that include specific types of property and liability insurance, high excess liability limits, and often environmental impairment (pollution) and contractor's professional liability coverages.

Contractors need good information to allow them to make optimal risk management decisions. This survey provides contractors the ability to compare their decisions with their peers. While comparisons to peer companies do not necessarily lead to optimal decisions, they at least provide a framework for comparing purchasing decisions.

Benchmark Scope, Structure, and Limitations

Several members of the Assurex Global Partnership have extensive construction practices, providing risk management advice and insurance products to construction companies. We have collected information on the purchasing decisions of 1,624 of their individual clients. While individual clients are not identified, this report summarizes the decisions made by clients at a high level.

Fact

The survey incorporates data from a total of **1,624 firms**, generating revenues from less than \$1 million to more than \$1 billion.

The sample size of this year's survey is 20 percent smaller than last year's but is still statistically significant. 8 percent of the respondents this year reported revenues in excess of \$50 million. The total revenue generated by the 1,624 firms included in the survey exceeds \$25 billion, compared to \$15 billion last year. The revenue increase over last year is due to more revenue data being made available rather than actual economic growth.

The data used in this survey has been contributed by a select group of Assurex Global Partners on their own client base. Data was collected on individual clients and includes basic exposure data (specialty, revenue, payroll), along with high-level detail on individual coverages, including limits, deductibles, premiums, carriers, etc.

Coverages include property, contractor's equipment, builders' risk, general liability, excess liability, contractor's professional liability, and environmental impairment. Additional data was collected with less detail regarding management liability, workers' compensation, subcontractor default insurance, cyber liability, and the use of alternative risk financing techniques.

We did not seek information on commercial auto coverage or bonding for this survey. In addition, we did not seek detailed information on program structure. For example, general liability insurance for contractors typically responds to contractual requirements set by owners, such as owner as additional insured, coverage to be primary and noncontributory, and waiver of subrogation. Given the detailed level of data included in this survey, additional information would have been difficult to analyze and include in this report. We hope to do an additional survey in the future that addresses these issues.

As you review the various graphic displays in this document, we caution you to notice the numerical summary at the top of the graph. Not every company's data had the same degree of detail, so most of the graphs simply reflect the data that was supplied. The numerical summary will keep you informed about the breadth and depth of the data you are reviewing.

We hope that the reader finds the information included in this report useful in their own business.

Summary and Insights

The construction industry encompasses a wide variety of specialties, each with unique risk management needs. A general contractor must deal with substantially different issues than a highway contractor. While the initial data in this report is aggregated across all contractor specialties, we have included a breakdown of information by specialty. The coverages and buying habits of each specialty can be quite distinct.

The survey breaks participant organizations into specialties using standard industry NAICS codes. We combined some categories based on similarities in risk and insurance exposures. For example, we combined highway and underground since both utilize heavy equipment extensively and have similar risk exposures. Many HVAC contractors also do plumbing and electrical work. Given the similarity of their operations, we elected to combine these specialties.

The “other specialties” category includes a variety of construction specializations, ranging from site preparation to pollution abatement. While we recognize that the risk management issues of these firms are quite dissimilar, the lack of firms in each specialty made it impossible to draw meaningful conclusions about each individual smaller category of contractor.

We have included a separate section for each specialty category. The specialties that we include in this report are:

- General construction (NAICS 2361XX and 2362XX) constituted 34 percent of the respondents.
- Heating, ventilating, air conditioning, electrical, and plumbing (NAICS 2382XX) constituted 16 percent.
- Highway/underground (NAICS 2371XX and 2373XX) constituted 4 percent.
- Trade contractors (NAICS 2381XX and 2383XX), including specialties such as foundations, exterior finishes, framing, masonry, and finishing, constituted 27 percent.
- Other specialties (NAICS 2389XX) is an “all other category” and includes specialties like site preparation. It constituted 18 percent of the sample.

While the survey generated meaningful results on several insurance coverages, we felt the data was most useful around property, contractor’s equipment, builder’s risk, excess liability, environmental impairment, and contractor’s professional.

Summary and Insights - *continued*

This is the third annual construction survey performed by Assurex Global. We have made several observations that compare the prior year's data to the current data to identify meaningful changes or trends.

Much of the data conformed to our general expectations.

- The revenue reported in this year's survey increased substantially compared to last year, most likely due to more complete data being submitted by survey participants.
- Payroll as a percentage of revenue varied widely by industry segment, with highway/heavy contractors having the lowest payroll as a percentage of revenue and the plumbing/HVAC group having the largest.
- Builder's risk/installation floater coverage varied by segment, with general contractors leading the field purchasing builder's risk coverage.
- Contractor's equipment coverage also varied by segment, with highway/underground having the highest limits of contractor's equipment.
- Property rates tended to increase for small contractors in each specialty but decreased for larger firms.

While much of the data conformed to our expectations, here are some items of note.

- There was significant variability in contractor size between specialty areas.
- Excess liability limits increased significantly compared to last year.
- Excess liability rates and premiums increased moderately to dramatically, depending on the class of contractor.
- The percentage of firms purchasing contractor's professional liability increased compared to our last survey.
- The percentage of firms purchasing environmental impairment liability coverage was higher than in our last survey.
- There was substantial variability between segments in the purchase of directors and officers liability (D&O) and cyber coverage.
- The incidence of subcontractor default coverage increased substantially compared to last year.

We hope those who access this report use it as another tool in their decision-making process by comparing their decisions to those of their peers. We readily acknowledge the importance of a risk review and a decision-making process specifically related to your own firm.

The number of responses for each question posed in our survey varies, so while we collected data from 1,624 organizations in total, the data for each question does not equal the total sample size. Therefore, we disclose the number of organizations providing information with each display. The percentages represent the percentage of the actual responses to the question rather than the total number of organizations surveyed.

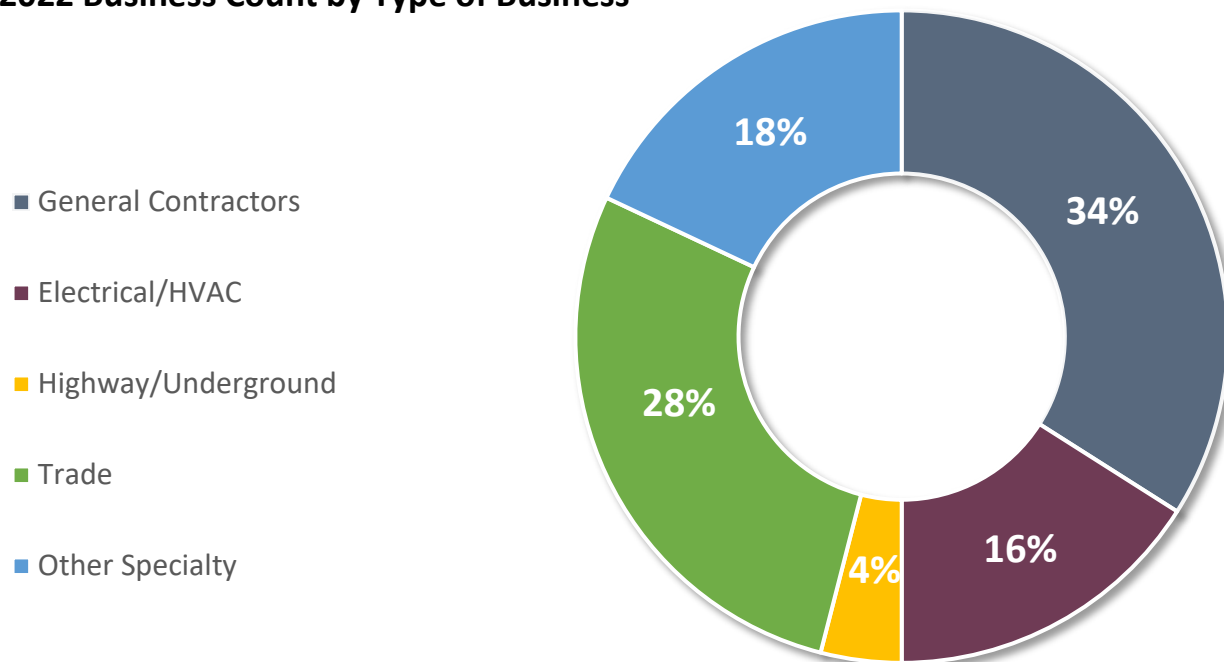
RESULTS

Aggregate Data

Business Count by Type of Business

Data sets were collected from 1,624 organizations. 558 General Contractors, 254 Electrical/HVAC, 69 Highway/Underground, 446 Trade, and 297 Other Specialties.

2022 Business Count by Type of Business



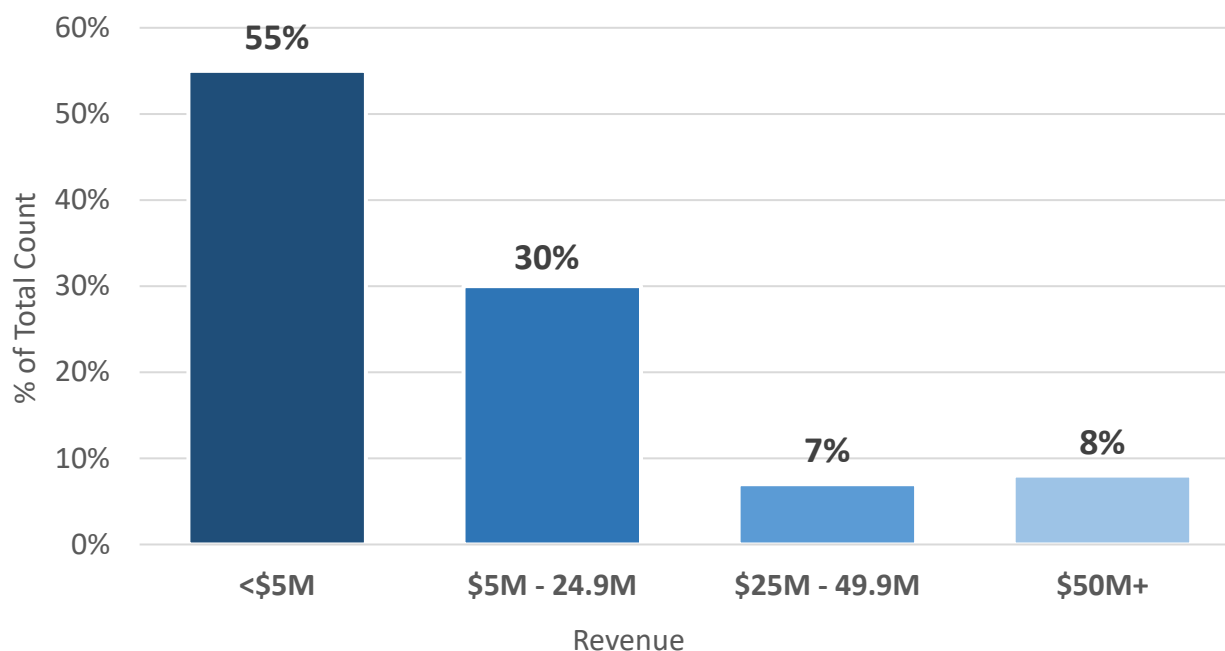
The breakdown of the construction data by specialty in our survey is not surprising. General contractors constitute the largest single data set, followed by trade contractors. For the purposes of this report, we have defined trade contractors as the traditional subtrades on a job site (NACIS 2381XX and 2383XX): foundations, steel fabrication and erection, masonry, framing, finishing, etc., and excepting plumbing and HVAC work. The range of businesses in the other specialty category includes everything that would not be found on a traditional construction site once the site work is complete.

Despite having the ability to break down data into smaller industry segments, we kept the specialties reported in our survey large enough to maintain statistical credibility in our data. For example, we combined highway/heavy with underground contractors since both have substantial contractor's equipment exposures. We combined electrical construction with heating, ventilating and air conditioning, and plumbing since their operations have enough similarities to allow reasonable conclusions from their data.

Business Count by Revenue

Data sets were collected from 1,624 organizations. The organizations represent \$25.5 billion of revenue.

2022 Business Count by Revenue



The survey data included a wide variety of different-sized contractors. The reported revenues range from less than \$1 million to over \$1 billion. 55 percent of the firms in the survey generated annual revenues less than \$5 million. 8 percent of firms generated annual revenues in excess of \$50 million. 7 percent of the firms in the survey were in the \$25 million to \$49.9 million range. The average size contractor in our survey had annual revenue of \$15 million.

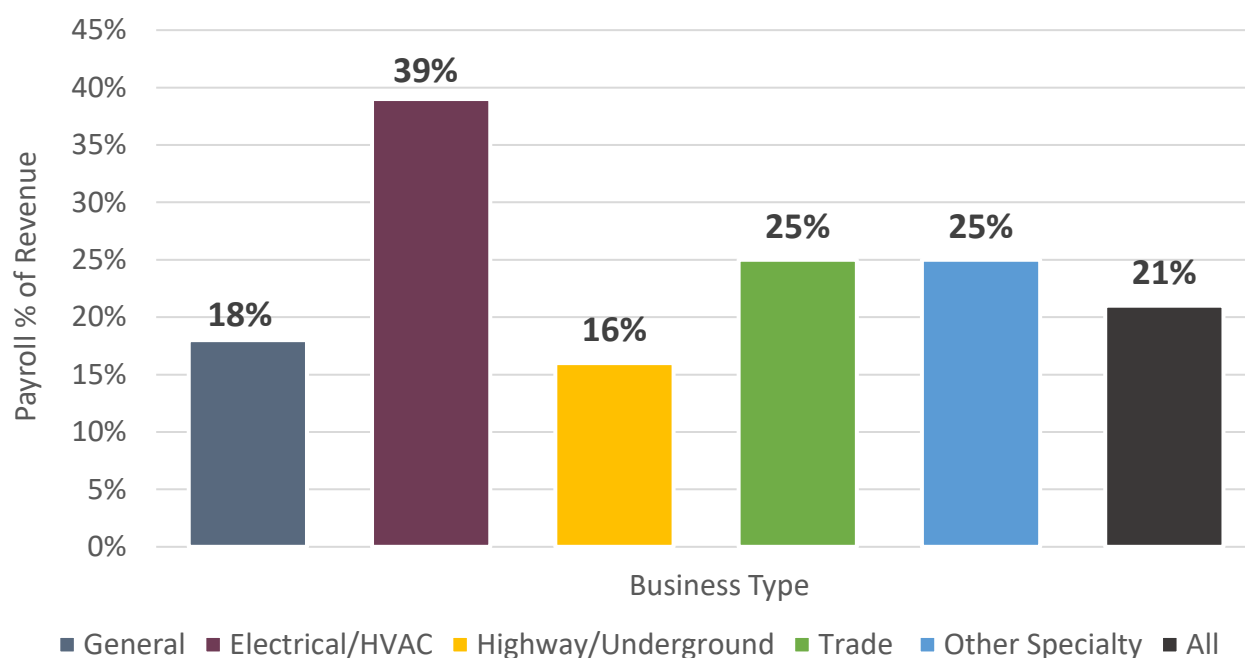
Total revenue of respondents exceeds \$25 billion, which is a substantial increase compared to last year, most likely due to more complete data being submitted by survey participants. While this year's data includes fewer contractors than last year's, the size breakdown is relatively consistent.

Comparing revenue of contractors among differing specialties can create misperceptions. A general contractor may subcontract most of the work on their projects to others, passing a significant portion of the project revenue through their books to other firms. A highway/heavy contractor will generally sublet a smaller portion of their projects than a general contractor with the same revenue volume. Simply comparing the two specialties may lead one to inaccurate conclusions.

Payroll as a % of Revenue

Data sets were collected from 888 organizations. The organizations represent \$18.6 billion of revenue and \$4 billion of payroll.

2022 Payroll % of Revenue



Slightly more than half of survey respondents included payroll data. It is interesting to compare how much payroll each specialty generates as a percentage of revenue.

Highway/underground contractors have the lowest percentage of payroll to revenue at 16 percent. They are less dependent on labor than other specialties, largely because of the amount of work performed by heavy machinery. This percentage has decreased significantly from last year's survey, which may be an anomaly rather than representative of an actual trend.

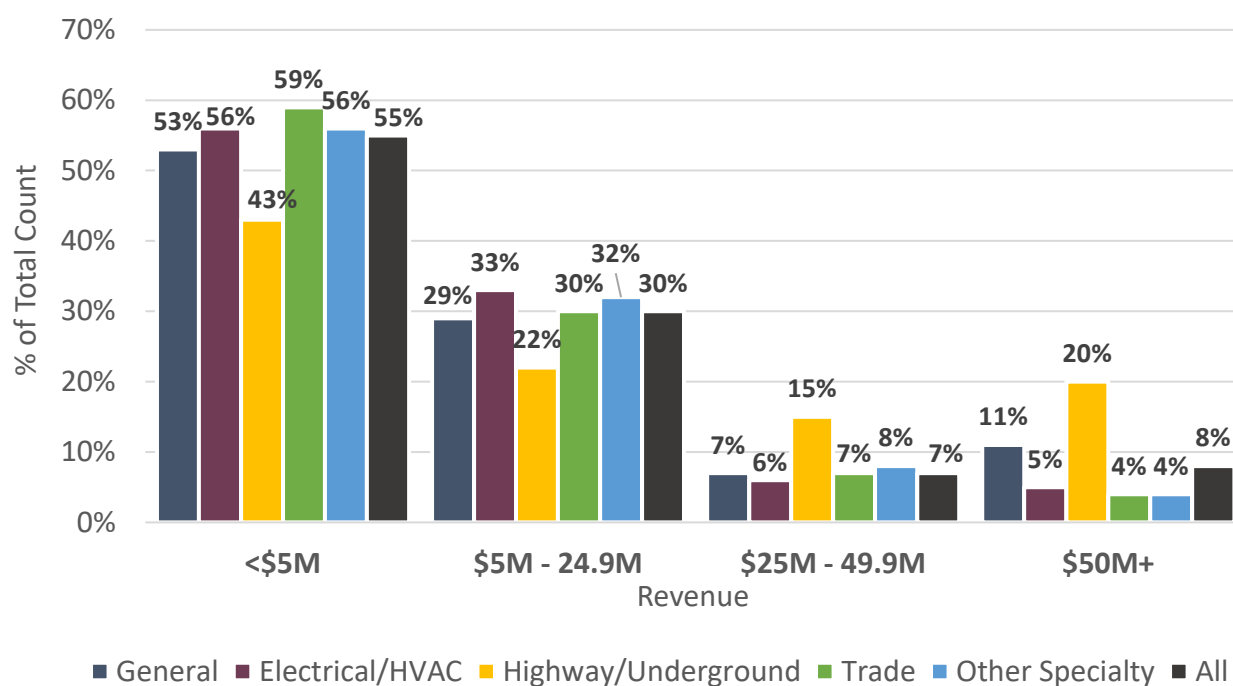
As expected, general contractors generate less payroll per dollar of revenue than most other specialties. This is because much of their revenue is passed to other specialty companies working as subcontractors on their projects. Despite this, many general contractors perform some types of labor, typically masonry and carpentry, with their own workers. On average, general contractors pay 18 percent of their revenue to their own employees, a 5 percentage point increase from last year's survey.

Trade and other specialty contractors spend 25 percent due to the high cost of construction materials that their workforce is responsible for. Electrical and HVAC contractors have the highest labor costs at 39 percent of revenue.

Business Count by Revenue by Type

Data sets were collected from 1,624 organizations. 558 General Contractors, 254 Electrical/HVAC, 69 Highway/Underground, 446 Trade, and 297 Other Specialties.

2022 Business Count by Revenue by Type of Business



As observed earlier, we obtained revenue data on 1,624 firms. While half of these firms have annual revenues of less than \$5 million, it is useful to note how the distribution changes by the type of construction performed. For example, the general and highway/underground specialties skew somewhat larger.

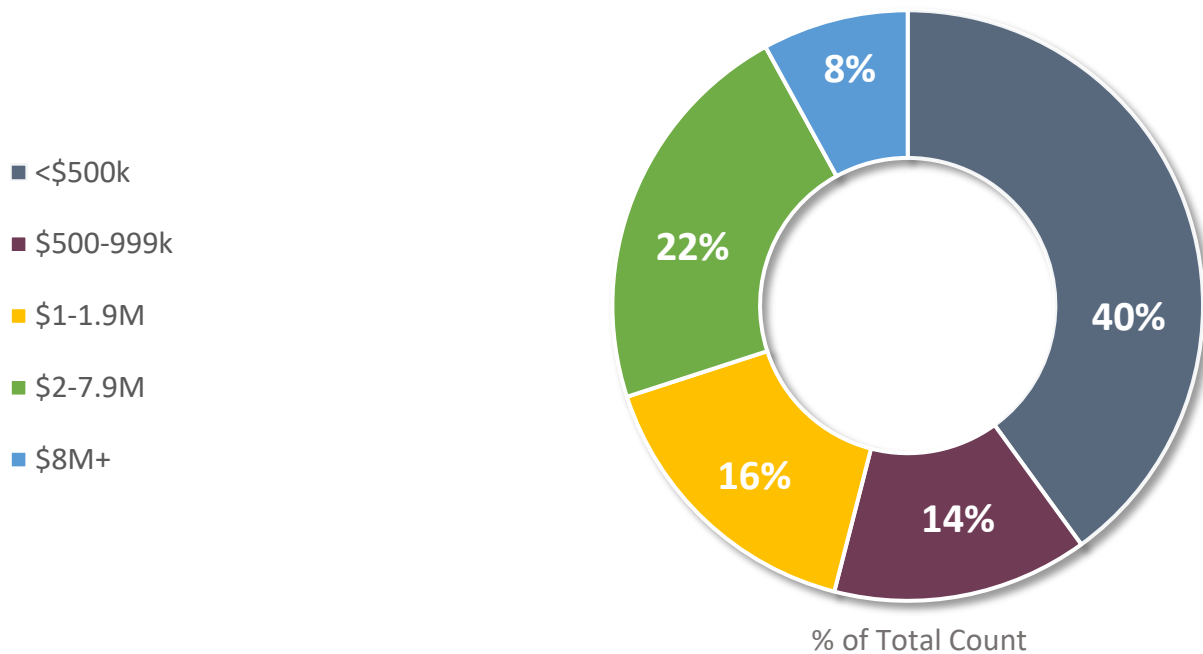
53 percent of general contractors in our survey generated revenues less than \$5 million, while 18 percent report revenues greater than \$25 million. In contrast, other specialty contractors tend to generate smaller revenue streams; 56 percent generate less than \$5 million annually, while only 12 percent generate more than \$25 million.

Highway/underground contractors generally invest more in leased or capitalized equipment than other specialties and need a larger revenue stream to justify the investment. As a result, only 43 percent of highway/underground firms generate revenues of less than \$5 million, while 22 percent fall into the \$5 million to \$25 million size bracket, and 35 percent generate more than \$25 million in revenue annually.

Property Total Insured Value (TIV)

Data sets were collected from 1,138 organizations. 379 General Contractors, 196 Electrical/HVAC, 52 Highway/Underground, 323 Trade, and 188 Other Specialties. The organizations represent over \$4.2 billion of TIV.

2022 Total Insured Value Breakdown by Business Count



We collected data on property limits from 1,138 construction firms. The construction industry is less dependent on real property (as opposed to mobile equipment) than other industries we have surveyed. It is worth noting that property insurance limits increased nominally when compared to last year's survey.

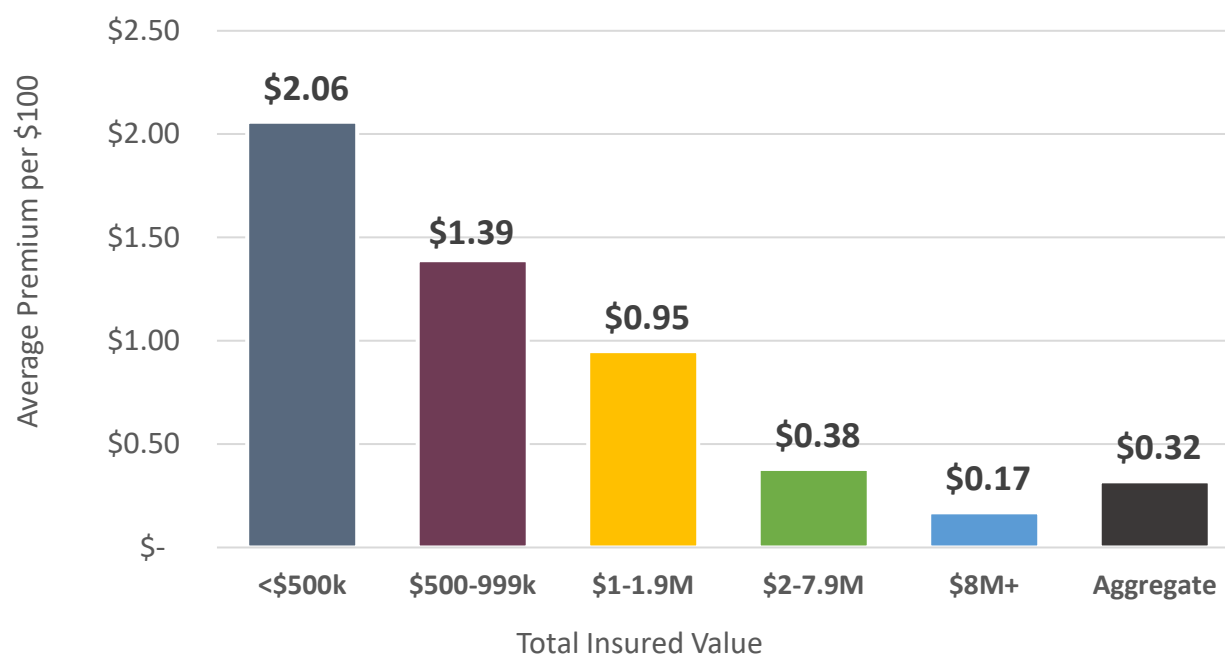
We expected general contractors to have more modest property exposures than other specialties. Still, we anticipated that other types of contractors would possess greater ownership of equipment yards, warehouses for inventory storage, and fabrication/repair shops, thereby requiring more property insurance than we saw in the data.

54 percent of contractors in our survey purchased property limits of less than \$1 million. Only 8 percent purchased limits greater than \$8 million. While a handful of contractors had more significant property exposure, they were few and far between.

Property Total Insured Value (TIV) Rate per \$100

Data sets were collected from 894 organizations. 287 General Contractors, 151 Electrical/HVAC, 47 Highway/Underground, 255 Trade, and 154 Other Specialties.

2022 Average Rate Per \$100 of Total Insured Value



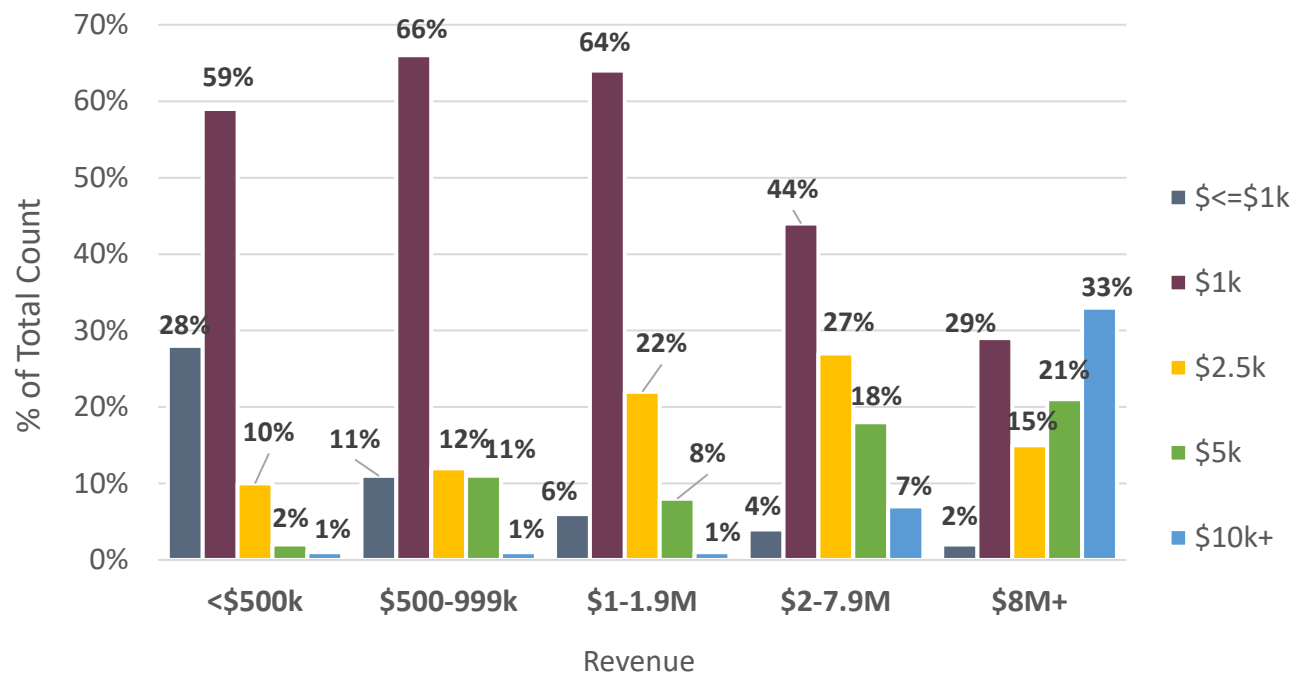
We received data on property pricing from 894 construction companies. As one would expect, the average rate per \$100 of total insured value decreases as the size of the property portfolio increases. This phenomenon is usually a reflection of increased fire resistiveness in building construction and increased protections against loss built into the buildings.

In the last year, average property rates increased substantially for small firms, although large property schedules in our survey saw modest rate decreases. Construction companies with schedules less than \$500,000 had rate increases of 77 percent from \$1.16 to \$2.06 per hundred dollars of value. As expected, the rate decreased as the size of the property schedule increased until firms with over \$8 million in values paid only \$0.17 per hundred dollars in value, a decrease of \$0.08.

Property Deductibles by Revenue

Data sets were collected from 1,138 organizations.

2022 Property Deductibles by Revenue



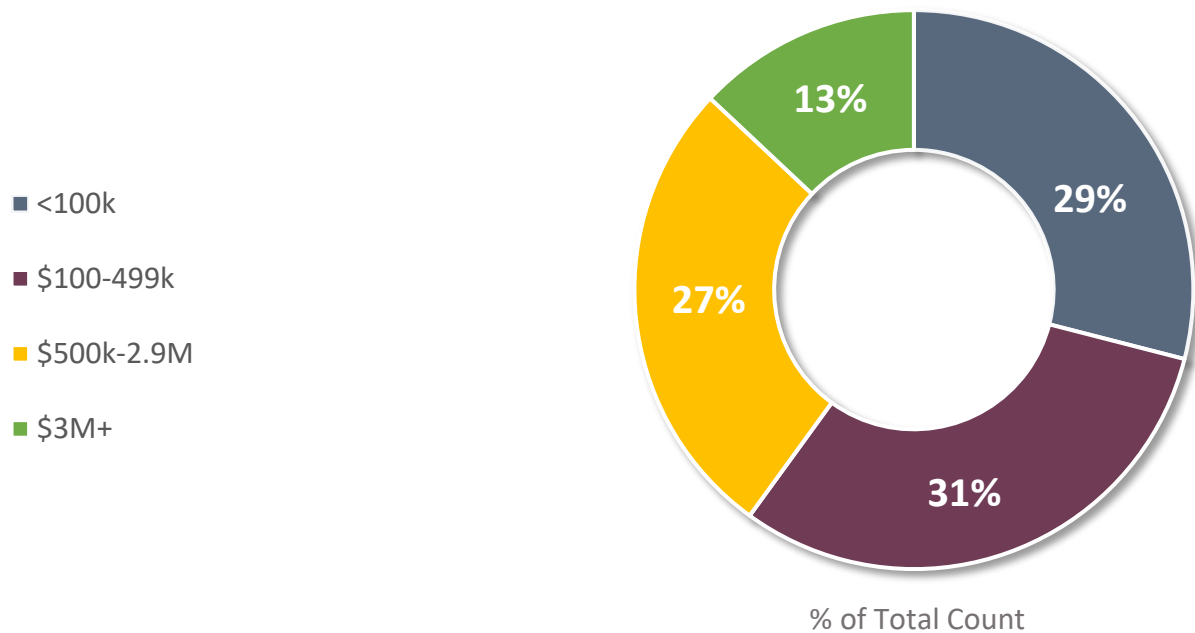
The use of deductibles to reduce insurance premiums appears to be less common than expected. The selection of the property deductible is driven more by what the underwriter will allow rather than by potential savings obtained by assuming greater levels of risk.

Most firms represented in our survey purchase property deductibles less than or equal to \$1,000. Greater deductibles tend to be purchased when property values increase, particularly when they exceed \$8 million. 87 percent of property schedules under \$500,000 purchase deductibles of \$1,000 or less. 33 percent of large property owners (over \$8 million in values) purchase deductibles of \$10,000 or greater.

Contractor's Equipment Limits

Data sets were collected from 959 organizations. 305 General Contractors, 149 Electrical/HVAC, 44 Highway/Underground, 283 Trade, and 178 Other Specialties.

2022 Contractor's Equipment Coverage Limits



We received contractor's equipment insurance limits from 959 organizations. The need for contractor's equipment coverage depends on the type of contractor. Highway/ underground contractors utilize large and expensive items of equipment, so the coverage for them is important. General contractors often subcontract their heaviest construction work, creating less need for large pieces of equipment and associated contractor's equipment insurance.

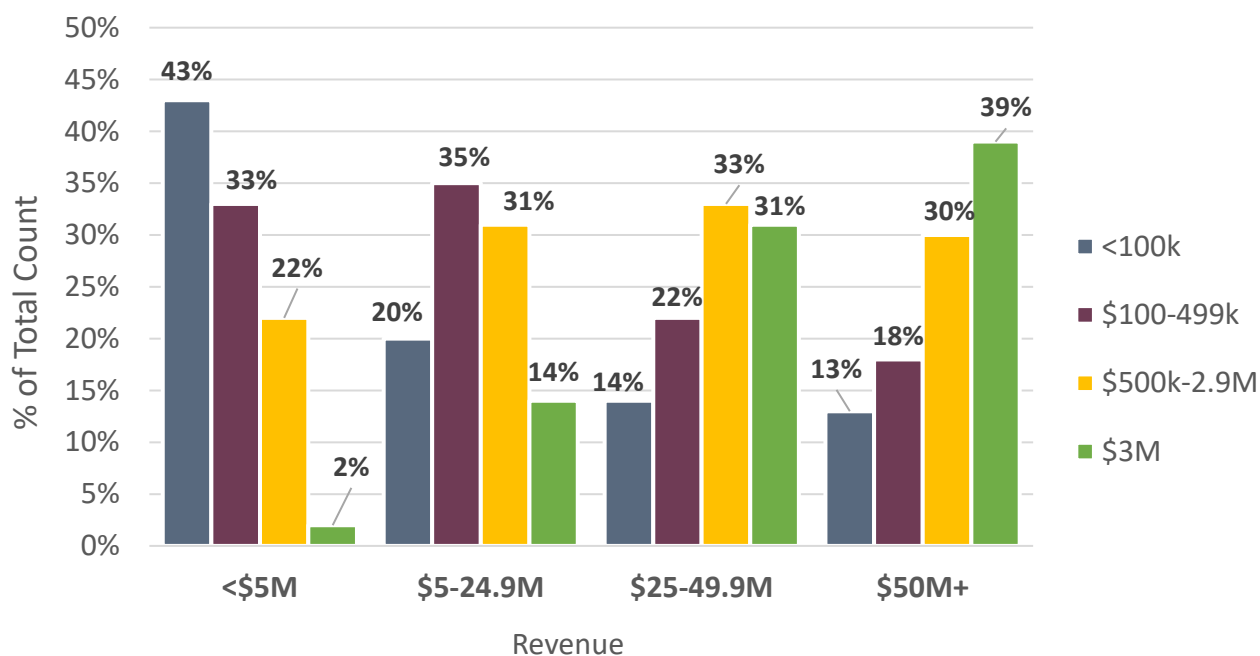
The size of contractor's equipment limits in our survey increased somewhat from last year, which may simply reflect inflation. 60 percent of the contractors in our survey purchased contractor's equipment insurance with limits under \$500,000. 13 percent of the contractors in our survey purchased limits in excess of \$3 million, compared to 8 percent last year.

Additional information and analysis found in subsequent sections of this document will add context regarding how the needs of different specialties affect the purchase of contractor's equipment coverage.

Contractor's Equipment Limits by Revenue

Data sets were collected from 959 organizations. 305 General Contractors, 149 Electrical/HVAC, 44 Highway/Underground, 283 Trade, and 178 Other Specialties.

2022 Contractor's Equipment Coverage Limits by Revenue



The data in this display is interesting from three perspectives.

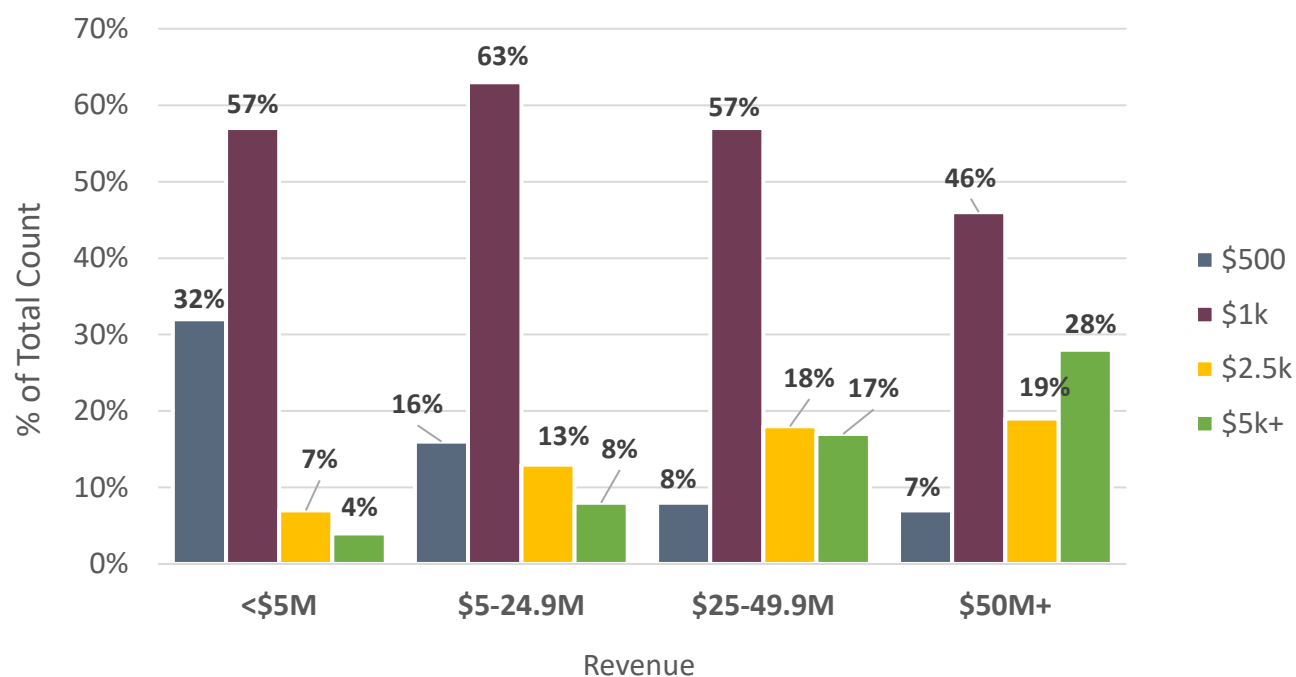
1. Contractor's equipment coverage limits have increased during the past year. 39 percent of contractors that generate over \$50 million in revenue have at least \$3 million in contractor's equipment, compared to 25 percent last year.
2. While it is generally true that equipment limits increase as revenue increases, the relationship does not seem to be as direct for mid-sized contractors, i.e., \$5 million to \$50 million in revenue.
3. What is most interesting is the high percentages of contractors with minimal equipment (under \$500,000) that are able to generate high revenue volumes; 31 percent of contractors that generate over \$50 million of revenue have less than \$500,000 of equipment. These are obviously general contractors that subcontract most of the work on a project or work in a construction manager capacity.

We break this information down further in the specialty section of this report, which allows for more specific conclusions.

Contractor's Equipment Deductibles by Revenue

Data sets were collected from 959 organizations.

2022 Contractor's Equipment Deductibles by Revenue



As we saw with property coverage, the deductibles and self-insured retentions purchased by construction organizations are often driven by underwriting requirements rather than risk management decision-making.

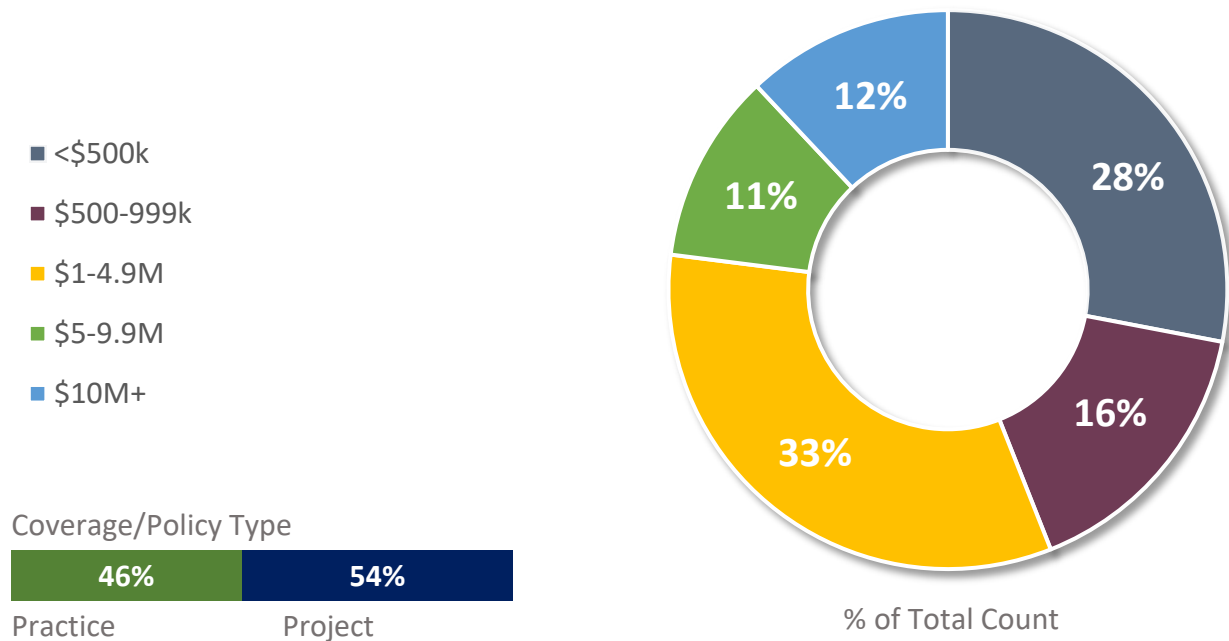
Most firms in our survey purchase contractor's equipment deductibles less than or equal to \$1,000. Greater deductibles tend to be purchased when the contractor's size (and presumably their financial capacity to absorb losses) increases. While only 28 percent of large contractors purchase deductibles of \$5,000 or greater in this year's survey, this percentage was only 19 percent last year.

While the data demonstrates that as construction organizations increase in size, the deductible or self-insured retention of their equipment coverage increases, the deductibles carried are still relatively modest.

Builder's Risk Limits

Data sets were collected from 307 organizations. 142 General Contractors, 59 Electrical/HVAC, 10 Highway/Underground, 52 Trade, and 44 Other Specialties.

2022 Builder's Risk Coverage Limits



Builder's risk coverage is typically purchased by owners and covers the work of all contractors working on a project. When the owner fails to purchase the coverage, it tends to be the province of general contractors, which is supported by our data. Installation floaters are a builder's risk type coverage which tends to be the province of the HVAC/Electrical specialty.

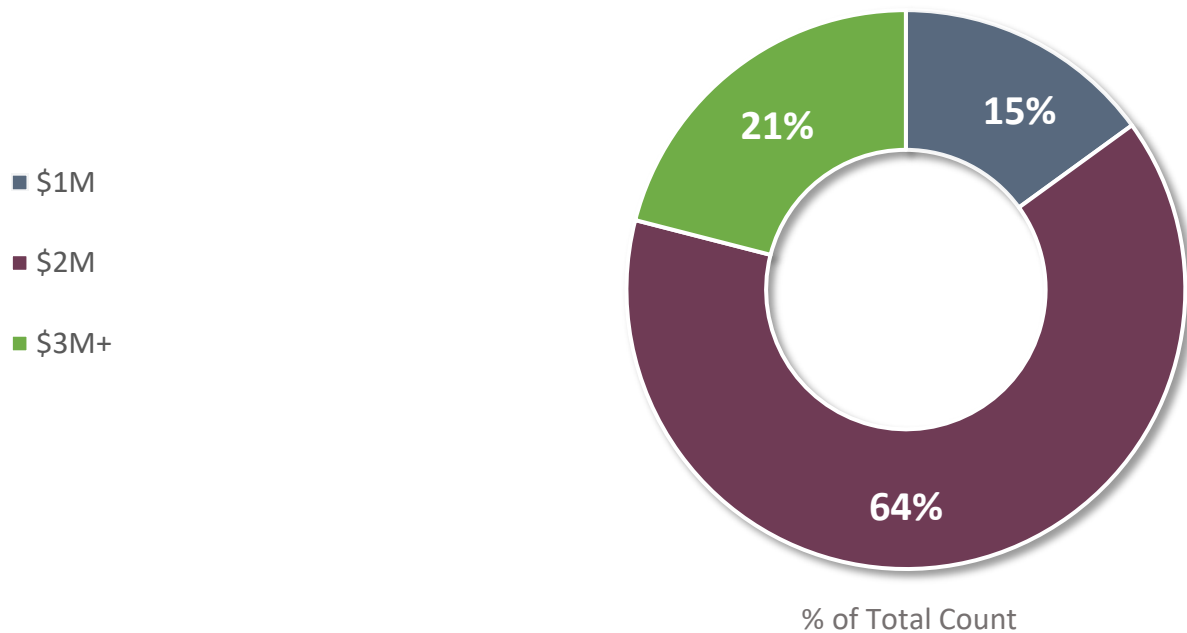
Builder's risk coverage is usually written on an individual project basis for the entire cost of the project, plus the economic impact of delays in the project completion date and associated "soft costs." Only 307 of the contractors in our survey report purchasing builder's risk type coverage. Average limits were nominally less than a year ago. 28 percent of the contractors in our survey purchased minimal limits, i.e., under \$500,000. 23 percent of contractors purchased builder's risk limits in excess of \$5 million.

There has been a five percentage point shift toward the purchase of practice versus project type coverage compared to last year's survey. 54 percent of the contractors in our survey who purchased builder's risk coverage placed it on a specific project. 46 percent of the contractors in our survey reported purchasing builder's risk coverage on their entire work program.

General Liability

Data sets were collected from 1,562 organizations. 533 General Contractors, 245 Electrical/HVAC, 68 Highway/Underground, 435 Trade, and 281 Other Specialties.

2022 General Liability Coverage Limits



General liability insurance is issued to provide protection from bodily injury and property damage arising from injury to third parties caused by the insured's negligence. It typically is purchased using a \$1 million per occurrence/\$2 million annual aggregate limit, although the shift toward purchasing higher limits, driven by the demands of excess liability insurers, appears to be accelerating somewhat.

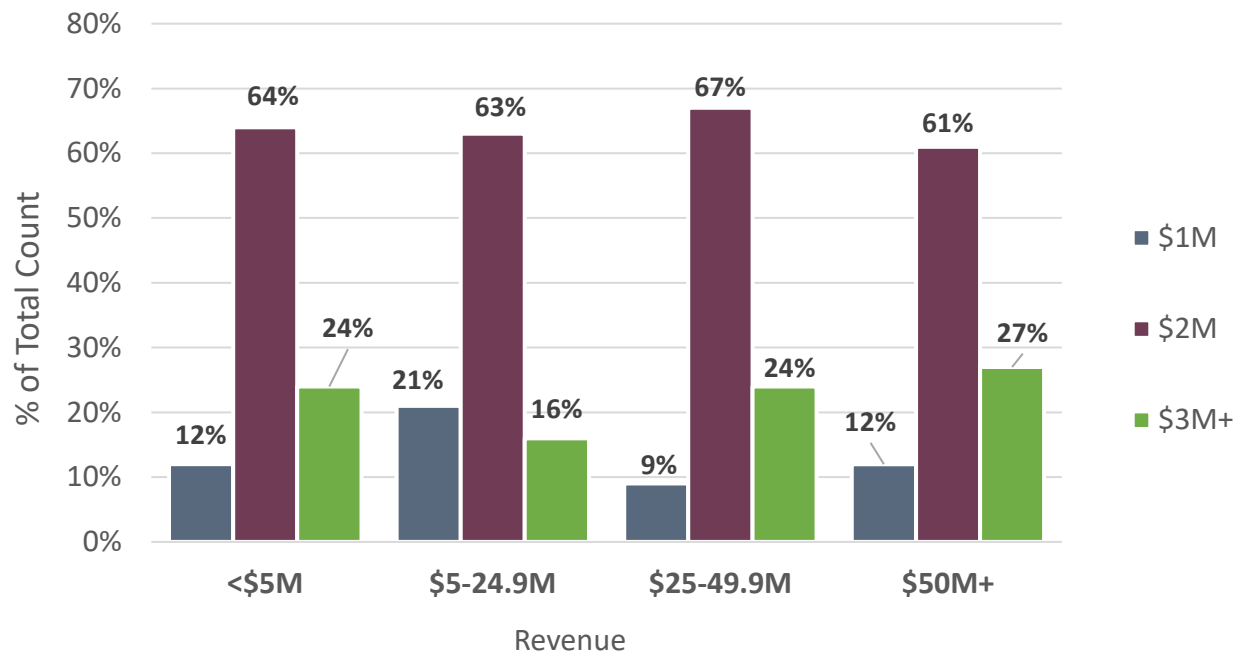
Data was collected from 1,562 organizations in our survey. This coverage is difficult to analyze since some firms report their occurrence limit and others report their aggregate limit. The data reflects that 15 percent of construction organizations purchase a standard \$1 million occurrence general liability limit. 64 percent of respondents to the survey indicate a \$2 million general liability limit. In reality, we believe that most are purchasing a \$1 million occurrence/\$2 million annual aggregate limit.

Organizations can purchase higher liability limits, and our survey shows that 21 percent are purchasing general liability limits greater than the standard, most reporting a \$4 million limit. This compares to 10 percent last year.

General Liability by Revenue

Data sets were collected from 1,562 organizations. 533 General Contractors, 245 Electrical/HVAC, 68 Highway/Underground, 435 Trade, and 281 Other Specialties.

2022 General Liability Coverage Limits by Revenue



In the prior section, we noted that some organizations report the general liability policy's occurrence limit, and others report the aggregate limit. In other words, we believe that most of the \$2 million limits reported are actually the aggregate limit of the general liability policy.

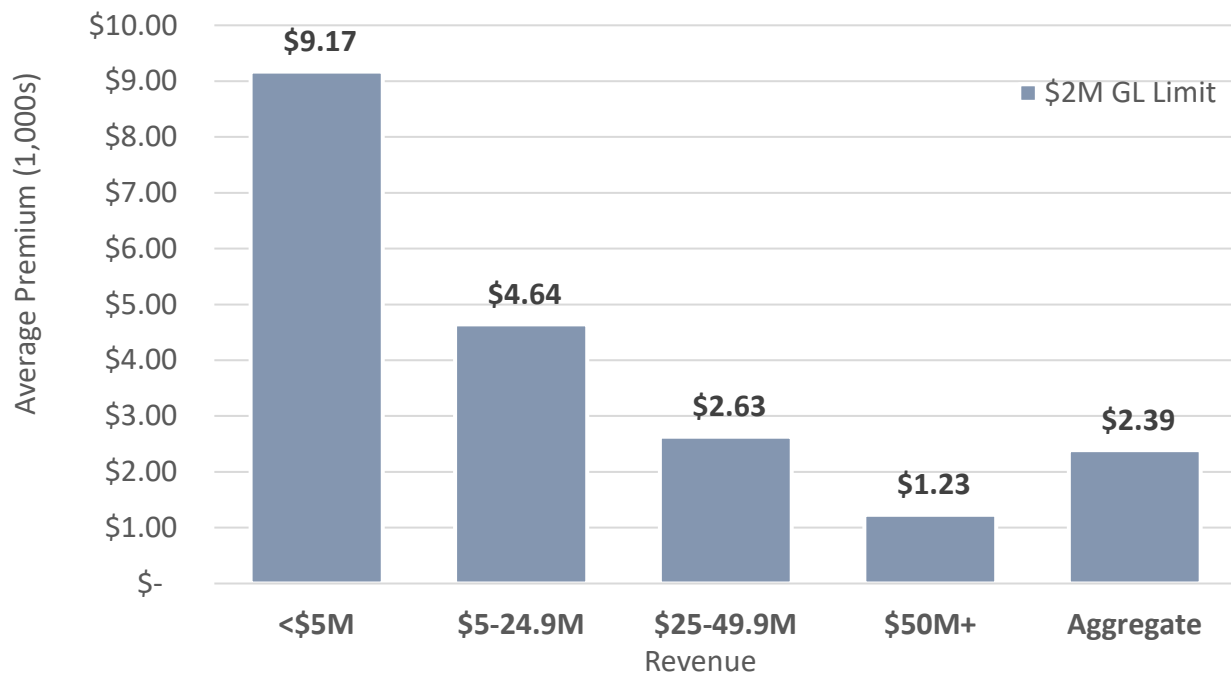
If this is true, then the vast majority of construction organizations in our survey purchase a standard \$1 million per occurrence/\$2 million aggregate limit of liability for their general liability policies, irrespective of their size. 76 percent of small organizations report either a \$1 million or \$2 million general liability limit. 73 percent of large organizations report the same limit.

We observed in the previous section that excess liability underwriters frequently require higher underlying limits in the general liability policy to support their coverage offer. Roughly one out of four contractors report purchasing larger limits, usually a \$2 million per occurrence/\$4 million annual aggregate general liability limit, irrespective of their revenue size.

General Liability Average Premium by Revenue

Data sets were collected from 744 organizations.

2022 Average Premium in Thousands by Revenue on \$2 Million Aggregate GL Limit



Data allowing us to compute general liability rates was collected from 744 organizations in our survey. It is unsurprising that as the size of the contractor increases, the rate per thousand dollars of revenue decreases.

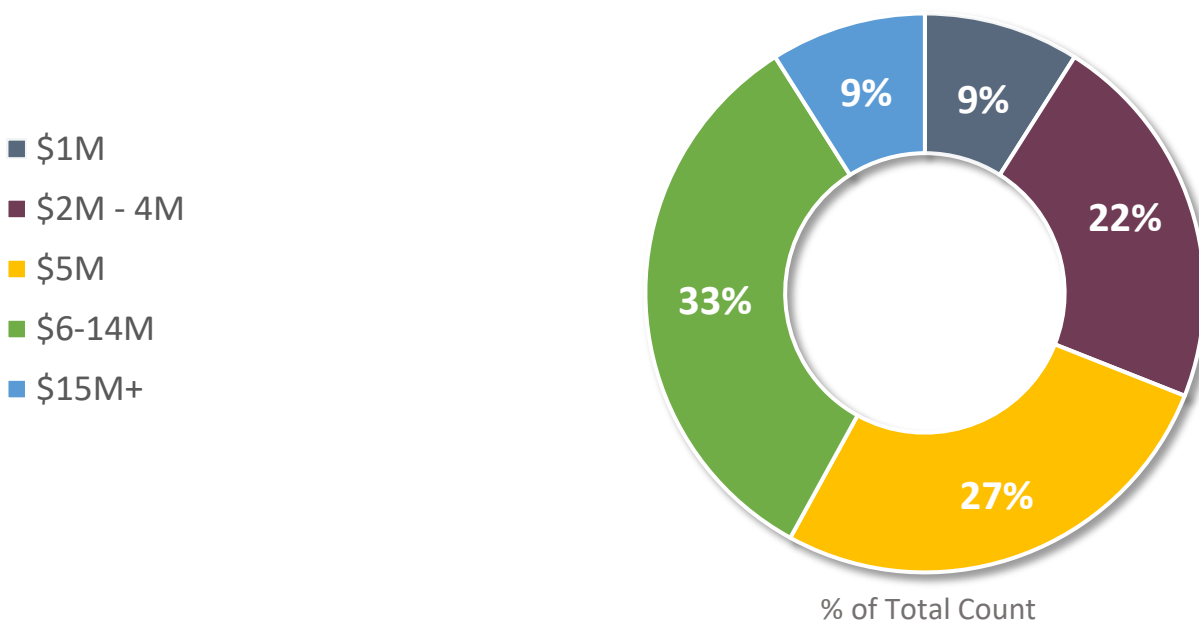
The rate for each revenue category is essentially half of the next larger category. The rate for companies generating less than \$5 million of revenue is \$9.17. It drops to \$4.64 for contractors generating \$5 million to \$25 million, then \$2.63 for the next category, and finally \$1.23 for contractors generating over \$50 million.

It is interesting to note that the average general liability rates for each revenue band are consistent with those of the prior year.

Excess Liability

Data sets were collected from 1,020 organizations. 329 General Contractors, 166 Electrical/HVAC, 54 Highway/Underground, 278 Trade, and 193 Other Specialties.

2022 Excess Liability Coverage Limits



Excess liability policies provide larger limits over primary general liability, auto liability, and employers liability policies. Excess liability coverage provides protection for catastrophic liability, which is very important to the construction industry due to the inherent danger found at construction sites.

1,020 of the contractors in our survey reported their purchase of excess liability insurance. The limits purchased are relatively modest, with 58 percent of the contractors in the survey purchasing limits of \$5 million or less. 33 percent of the contractors in the survey purchased limits between \$6 million and \$14 million. Only 9 percent carried a limit of \$15 million or greater.

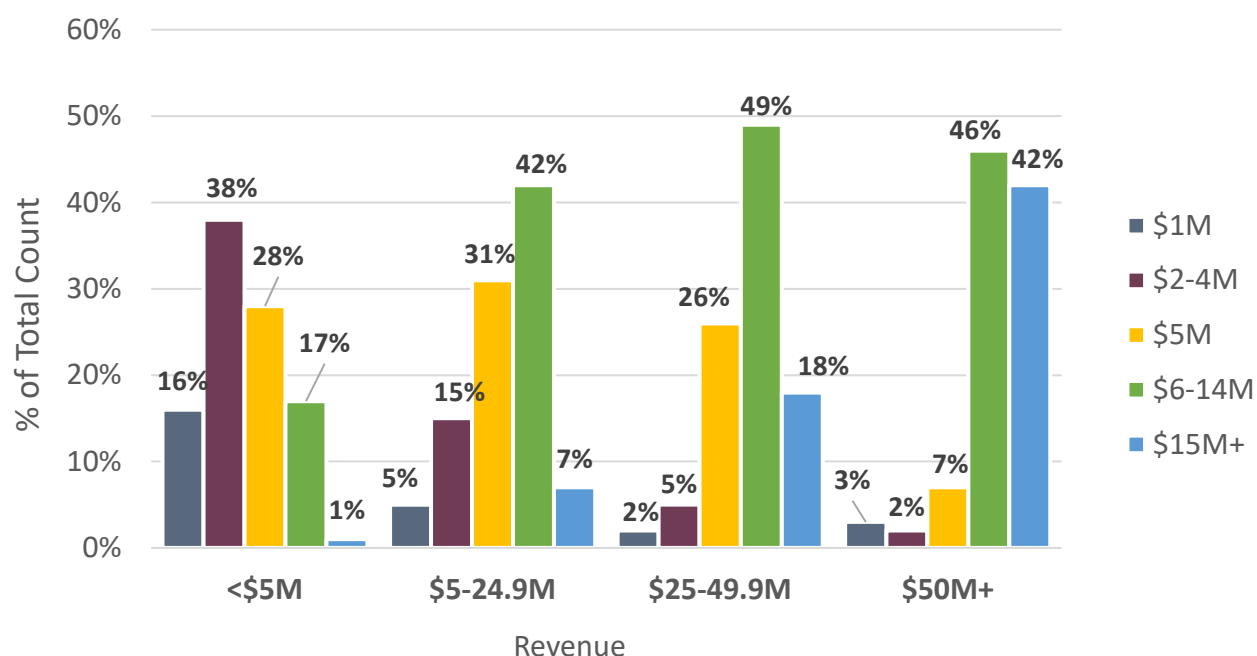
It is important to note that there was a significant increase in the size of excess liability coverage purchased compared to last year. Last year, only 23 percent of survey participants reported excess liability limits greater than \$5 million, compared to 42 percent this year.

The limits purchased are a function of the size and type of contractor, with larger contractors purchasing higher limits of coverage. High limits of excess liability were typically layered, using several insurance carriers to build a tower in increments of \$10 million to \$25 million per layer.

Excess Liability by Revenue

Data sets were collected from 1,020 organizations. 329 General Contractors, 166 Electrical/HVAC, 54 Highway/Underground, 278 Trade, and 193 Other Specialties.

2022 Excess Liability Coverage Limits by Revenue



We received data on excess liability limits and annual revenue on 1,020 contractors in our survey, which provides a comfortable level of statistical credibility. As shown on the prior page, it appears that contractors in our survey purchased higher excess liability limits this year compared to last year.

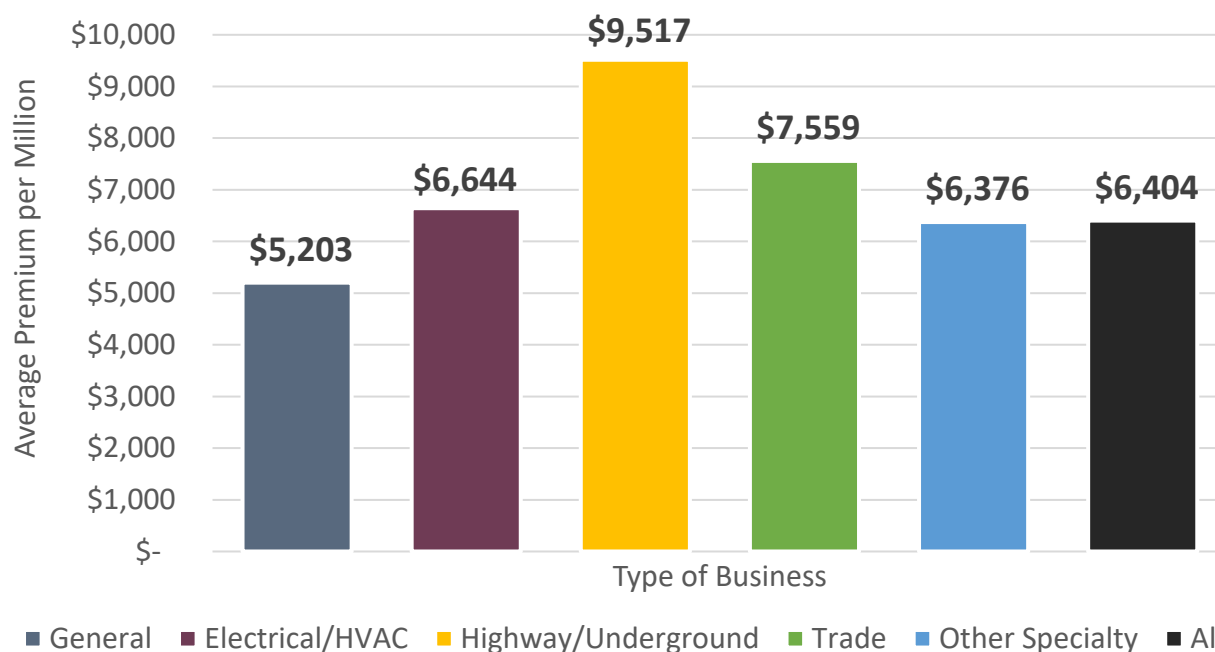
Unsurprisingly, larger construction companies purchase higher limits of excess liability coverage than small contractors. 42 percent of firms generating more than \$50 million of coverage purchased more than \$15 million of excess liability. 95 percent purchase at least \$5 million in coverage compared to 83 percent last year.

Smaller contractors tend to purchase lower levels of excess liability coverage. 54 percent of contractors generating less than \$5 million of revenue purchase excess liability limits of \$4 million or less. 46 percent of small contractors purchase excess liability limits of \$5 million or more, compared to 36 percent purchasing at this level a year ago.

Excess Liability Average Premium by Business Type

Data sets were collected from 954 organizations. 313 General Contractors, 151 Electrical/HVAC, 54 Highway/Underground, 261 Trade, and 175 Other Specialties.

2022 Excess Liability Average Premium per \$1 Million Limit by Business Type



The excess liability premium for an individual contractor is a function of the underlying general liability, auto liability, and employers liability premiums. On a layered excess liability program, the premium for each layer declines as the amount of underlying insurance in the stack increases. In other words, the greater the total limit in a liability program, the lower the premium per million of coverage.

We had adequate data for basic rate analysis on excess liability premium from 954 organizations. This chart compares the average cost per million (regardless of the total limit purchased) of a contractor's excess liability program.

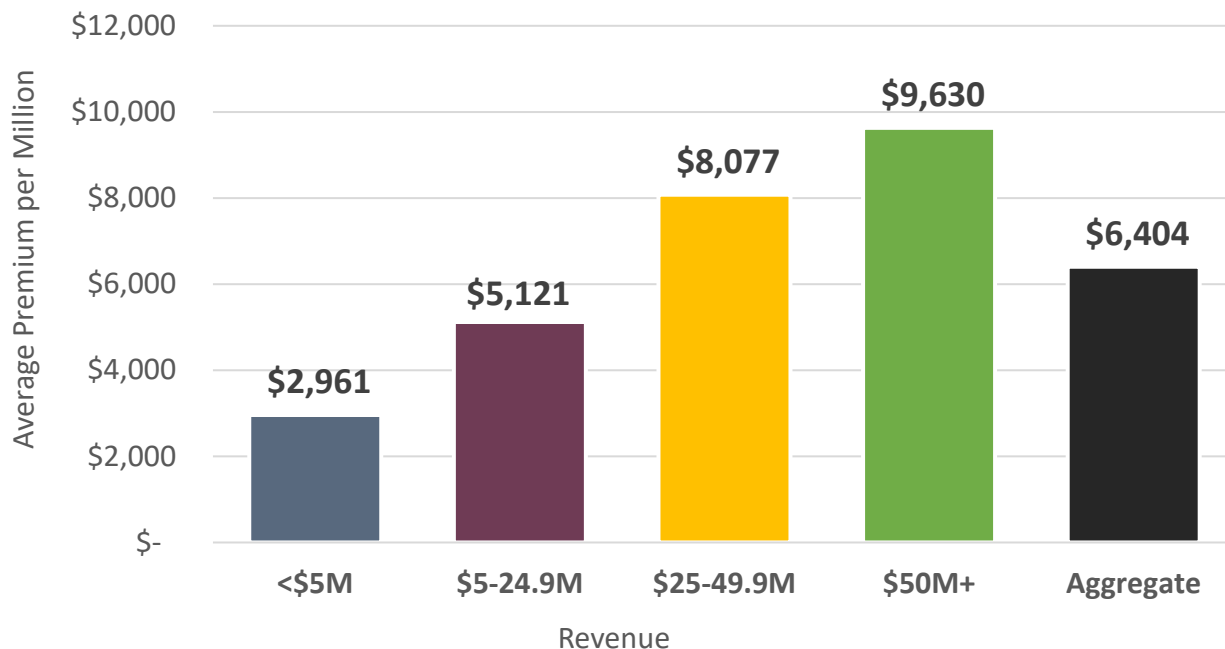
The rate variance between specialties is a function of the perceived risk associated with a construction activity. An average highway/underground contractor in our survey pays \$9,517 per million of coverage, compared to a rate for an electrical/HVAC contractor of \$6,644. The rate for a general contractor is \$5,203. On a \$5 million excess liability policy, a general contractor would on average pay \$26,015, compared to \$33,220 for an HVAC contractor, and \$47,585 for a highway contractor.

When compared to last year, rates and premiums have increased substantially, based on the type of contractor. The largest increase was in the highway/underground specialty. The lowest increase was for general contractors.

Excess Liability Average Premium by Revenue

Data sets were collected from 954 organizations. 313 General Contractors, 151 Electrical/HVAC, 54 Highway/Underground, 261 Trade, and 175 Other Specialties.

2022 Excess Liability Premium per \$1 Million Limit by Revenue



The excess liability premium for an individual contractor is a function of the underlying general liability, auto liability, and employers liability premiums. Those premiums are a function of the construction activities and characteristics of the individual contractor, including revenue size: the greater the contractor's size, the greater their loss exposure. Since contractors in this year's survey are purchasing greater limits than prior years, this chart is less useful than in past surveys. Nonetheless, it does provide some valuable insights.

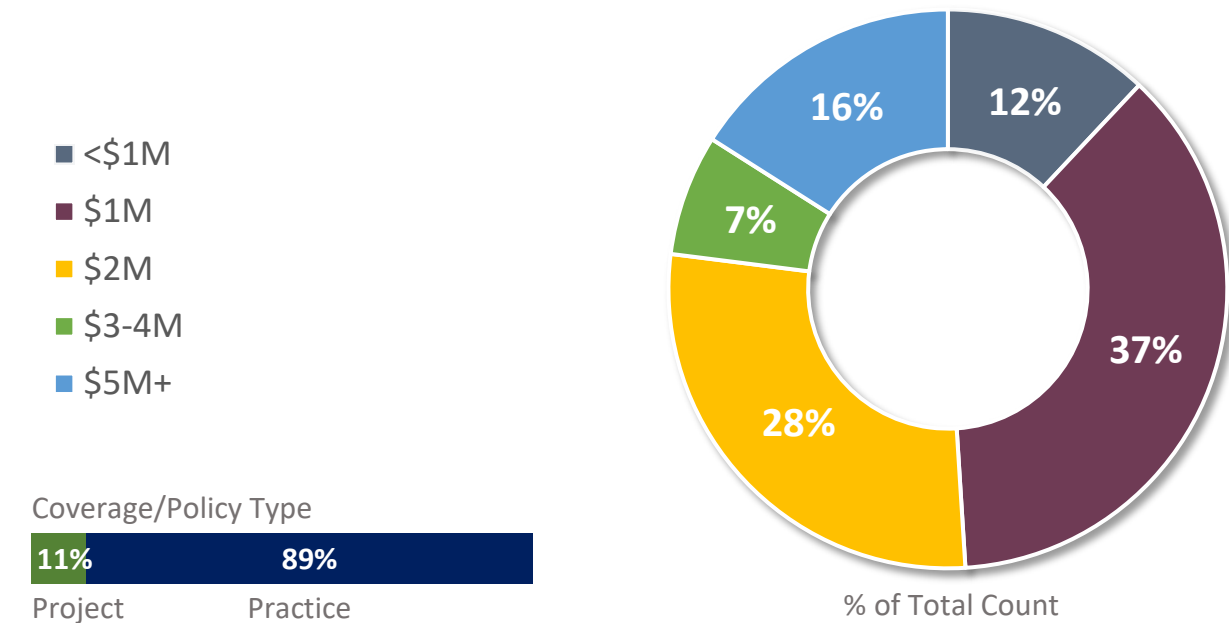
The information on the previous page compared rate per million by type of contractor. This chart compares the average cost per million (regardless of the total limit purchased) of a contractor's excess liability program to their annual revenue.

Unsurprisingly, the larger the contractor's revenue base, the more they pay per million of excess liability coverage. A contractor generating more than \$50 million of revenue pays \$9,630 per million of excess liability limit, compared to a contractor generating less than \$5 million of revenue paying \$2,961 per million of limit.

Contractor's Professional Liability

Data sets were collected from 323 organizations. 116 General Contractors, 55 Electrical/HVAC, 19 Highway/Underground, 89 Trade, and 44 Other Specialties.

2022 Contractor's Professional Liability Coverage Limits



With contractors increasingly involved in design/build and construction management contracts, where they provide professional advice to owners, the need for professional liability insurance has become more important. Last year's survey reflected that approximately 13 percent of survey respondents purchased contractor's professional liability coverage. This year's survey showed that approximately 20 percent of participants purchased contractor's professional liability coverage.

Most of the firms purchasing the coverage perceive their professional liability exposure to be limited, hence they tend to purchase lower limits than for other liability exposures. 84 percent of the contractors in our survey that purchased contractor's professional liability cover purchased a limit less than \$5 million. 16 percent perceive a greater need and purchased limits of at least \$5 million.

Contractor's professional liability coverage can be purchased on a per project basis or on a contractor's entire work program. 89 percent of the firms purchasing contractor's professional coverage purchase on a practice basis. Only 11 percent of the firms purchase this coverage for a specific project. That breakdown is consistent with prior years.

Environmental Impairment

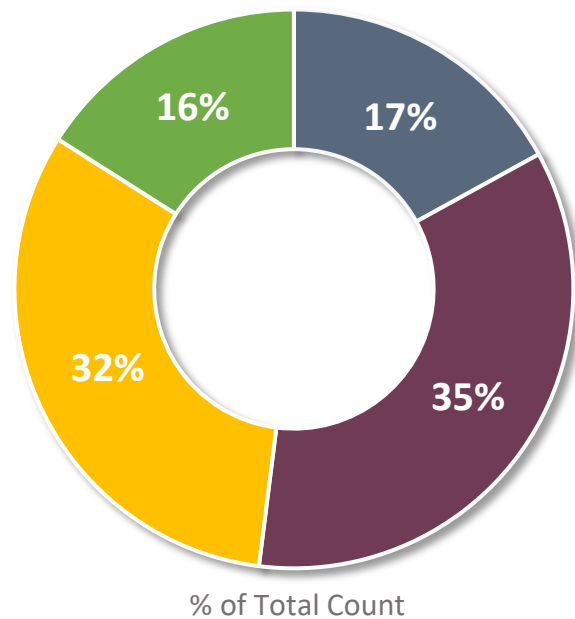
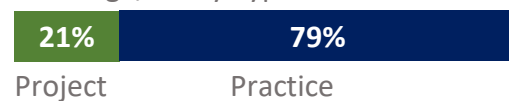
Data sets were collected from 331 organizations. 102 General Contractors, 48 Electrical/HVAC, 28 Highway/Underground, 92 Trade, and 61 Other Specialties.

2022 Environmental Impairment Coverage Limits

Environmental Impairment Limits

- <\$1M
- \$1M
- \$2-4M
- \$5M+

Coverage/Policy Type



The purchase of environmental liability insurance (EIL) is often driven by contractual requirements from owners, although many firms recognize their exposure and purchase insurance to protect against environmental losses. Much like what we observed with contractor's professional coverage, the results for EIL show that 20 percent of the firms in our survey purchase environmental impairment liability insurance.

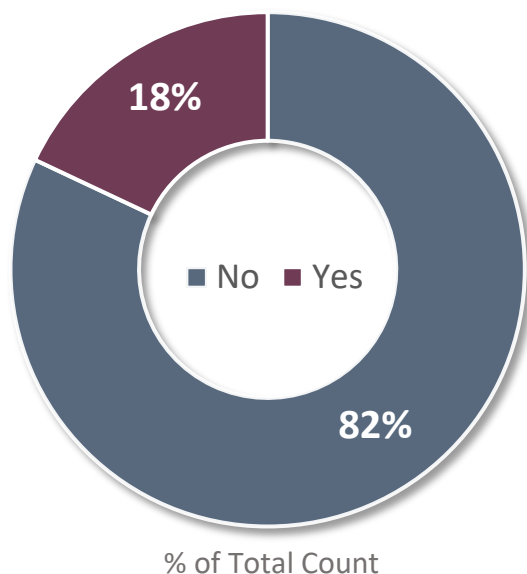
The limits purchased tend to be fairly modest, 84 percent of the coverage purchased having a limit less than \$5 million. Only 16 percent of policies had limits of \$5 million or greater.

As with contractor's professional coverage, EIL can be purchased on a contractor's entire work program, often referred to as practice coverage, or for a specific project. 79 percent of the environmental impairment policies in our survey were practice policies, while only 21 percent were purchased for a specific project. This represents a shift toward project rather than practice policies.

Alternatives

2022 Owners and Contractors Protective

Data sets were collected from 926 organizations. 319 General Contractors, 138 Electrical/HVAC, 42 Highway/Underground, 219 Trade, and 208 Other Specialties.

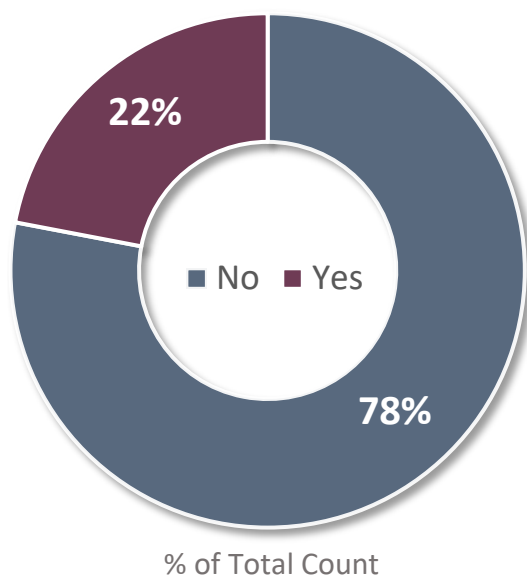


Sometimes an owner will purchase liability insurance, covering itself and the contractors performing work on the project from damages caused by their negligence. The point of this coverage is to eliminate the possibility of disputes between the owner and contractor caused by damage to a third party. This coverage used to be fairly routine for contractors performing work for railroads. While this coverage is sometimes purchased by owners, builders are sometimes required to purchase the coverage.

While still uncommon, 18 percent of the contractors in our survey report the purchase of an owners and contractors protective policy, compared to only 4 percent last year.

2022 Sub-Contractors Default

Data sets were collected from 816 organizations. 296 General Contractors, 119 Electrical/HVAC, 30 Highway/Underground, 177 Trade, and 194 Other Specialties.



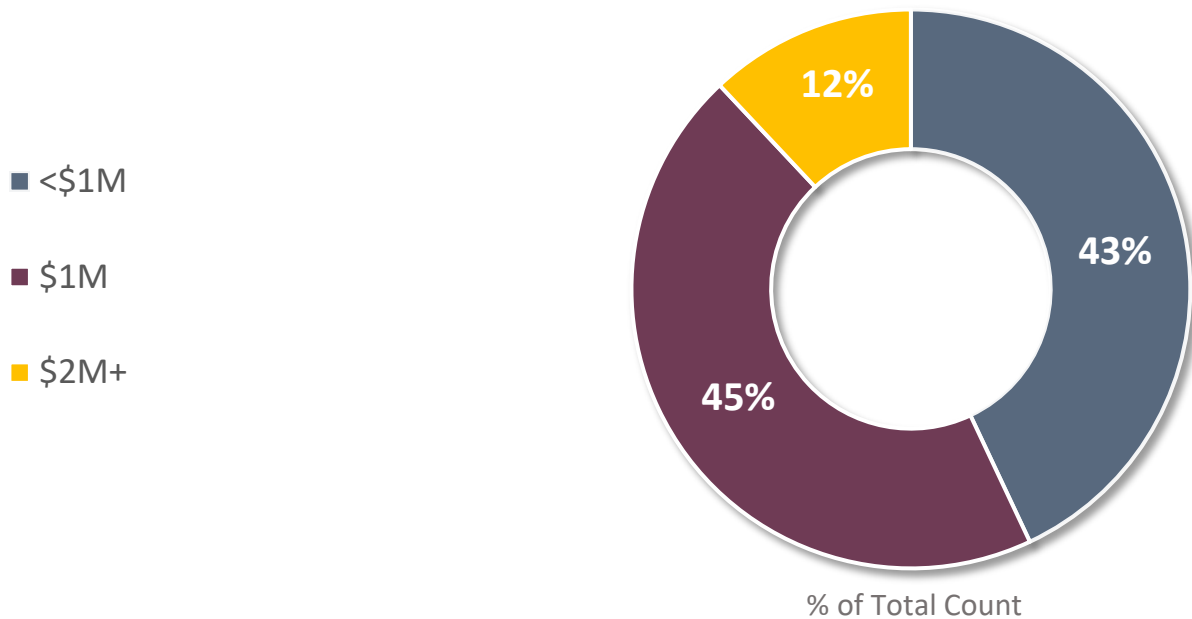
Construction projects are complex and often require the participation of several layers of subcontractors to complete the work. The financial failure of a key subcontractor can have a devastating impact on the financial wellbeing of a general contractor. Subcontractor default coverage provides money for the general contractor to bring in an alternative subcontractor in the event of their failure to perform.

22 percent of the contractors in our survey were involved in the purchase of subcontractor default insurance, compared to 19 percent last year.

Cyber

Data sets were collected from 216 organizations. 83 General Contractors, 38 Electrical/HVAC, 9 Highway/Underground, 34 Trade, and 52 Other Specialties.

2022 Cyber Limits



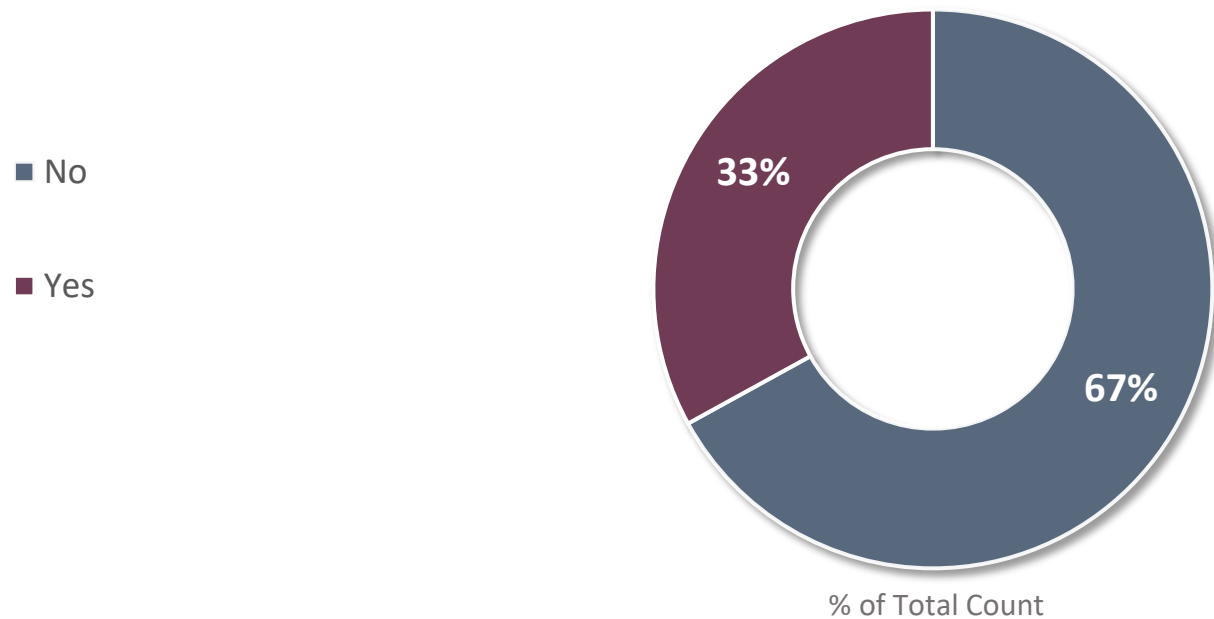
Cyber insurance, often referred to as privacy coverage, protects against internet-based risks, and more generally from risks relating to information technology infrastructure and activities. Risks of this nature are typically excluded from traditional commercial general liability policies or are not specifically defined in traditional insurance products. Policies may provide either first-party, which protects the contractor's own systems from damage, or third-party coverage, which protects against damage to others, or a combination of the two.

While surveys of other industry segments indicate the purchase of greater levels of cyber insurance than construction, cyber insurance has become more prevalent in the construction industry. We collected data from 216 contractors that purchase cyber insurance. Limits were relatively modest, with 88 percent purchasing limits of \$1 million or less. We suspect that some of the coverage may be included with other forms of insurance.

Executive Risk — D&O Liability

Data sets were collected from 813 organizations. 291 General Contractors, 112 Electrical/HVAC, 33 Highway/Underground, 181 Trade, and 196 Other Specialties.

2022 Executive Risk — D&O Liability



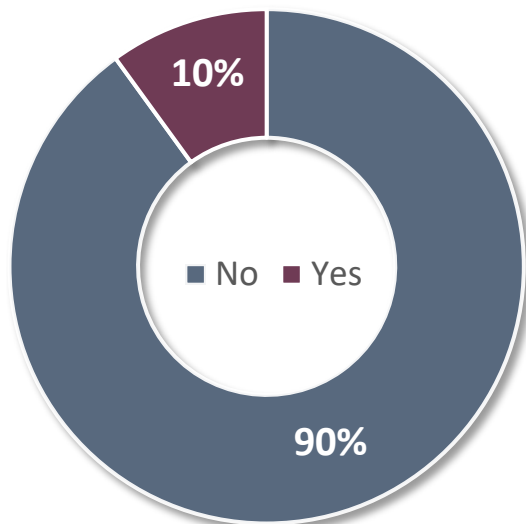
Directors and officers liability (D&O) insurance protects the individual members of the board of directors and management of a company from allegations that they mismanaged the company, resulting in adverse financial results. Construction companies tend to be privately held, although corporate ownership is not uncommon. It is generally perceived that directors and officers of public corporate entities are more at risk than their counterparts at private firms since shareholder suits constitute a major source of management liability claims. In addition to shareholders, management liability suits may come from employees, customers, competitors, creditors, retirement fund participants, and regulatory authorities.

The survey data demonstrated that 33 percent of the contractors surveyed purchase some form of D&O insurance. Last year's survey showed that 24 percent of participants purchased some level of D&O coverage. While this result is lower than other industries we surveyed, it likely reflects that D&O is a discretionary purchase, not typically required by outside parties.

Workers' Compensation

2022 Group Captive

Data sets were collected from 794 organizations. 286 General Contractors, 112 Electrical/HVAC, 31 Highway/Underground, 170 Trade, and 195 Other Specialties.



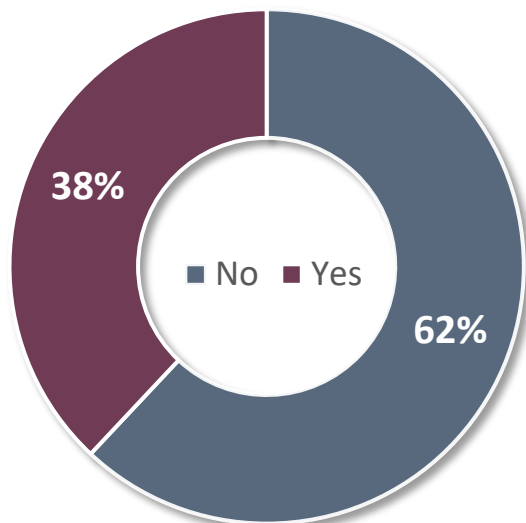
% of Total Count

Workers' compensation costs are a significant line item on most contractors' income statement. One approach that some contractors pursue in controlling workers' compensation costs is to work with similar firms in a quasi-self-funding mechanism in the form of a group captive insurance company.

This approach is typically used by relatively large contractors. While only 10 percent of the firms in our survey report utilizing a group captive approach on their workers' compensation exposure, this more than doubles the 4 percent reporting utilization last year.

2022 Workers' Compensation MOD over 1.0

Data sets were collected from 730 organizations. 194 General Contractors, 133 Electrical/HVAC, 44 Highway/Underground, 211 Trade, and 67 Other Specialties.



% of Total Count

Another approach to controlling workers' compensation costs is to aggressively manage project safety and workers' compensation claims to drive down the experience modification used by insurance companies to compute premiums. A workers' compensation experience modification of 1.0 indicates average loss experience compared to other contractors. An experience modification greater than 1.0 reflects losses greater than average. An experience modification of less than 1.0 reflects losses less than average.

38 percent of the contractors in our survey had an experience modification greater than 1.0. 62 percent had an experience modification less than 1.0.

RESULTS

General Contractors

Key Highlights

The general construction (NAICS 2361XX and 2362XX) section of our survey includes data from over 558, or 34 percent of the respondents. Contractors in this category are responsible for the construction of residential, commercial, industrial, and institutional building projects. The 558 contractors in this specialty area constituted 34 percent of survey participants and half of the overall revenue. In aggregate, they generated almost \$13 billion in revenue, with the largest firm generating over \$1 billion.

Much of the data regarding general contractors conformed to our general expectations.

- Property and contractor's equipment insurance limits increased compared to last year.
- Despite overall increases in equipment limits, 40 percent of the largest contractors in the survey have less than \$500,000 of contractor's equipment.
- While property rates consistently decreased as the total insured value increased, property rates increased substantially for small general contractors, while dropping for large contractors.
- The rate per million of excess liability limit increased as the size of the contractor increased.

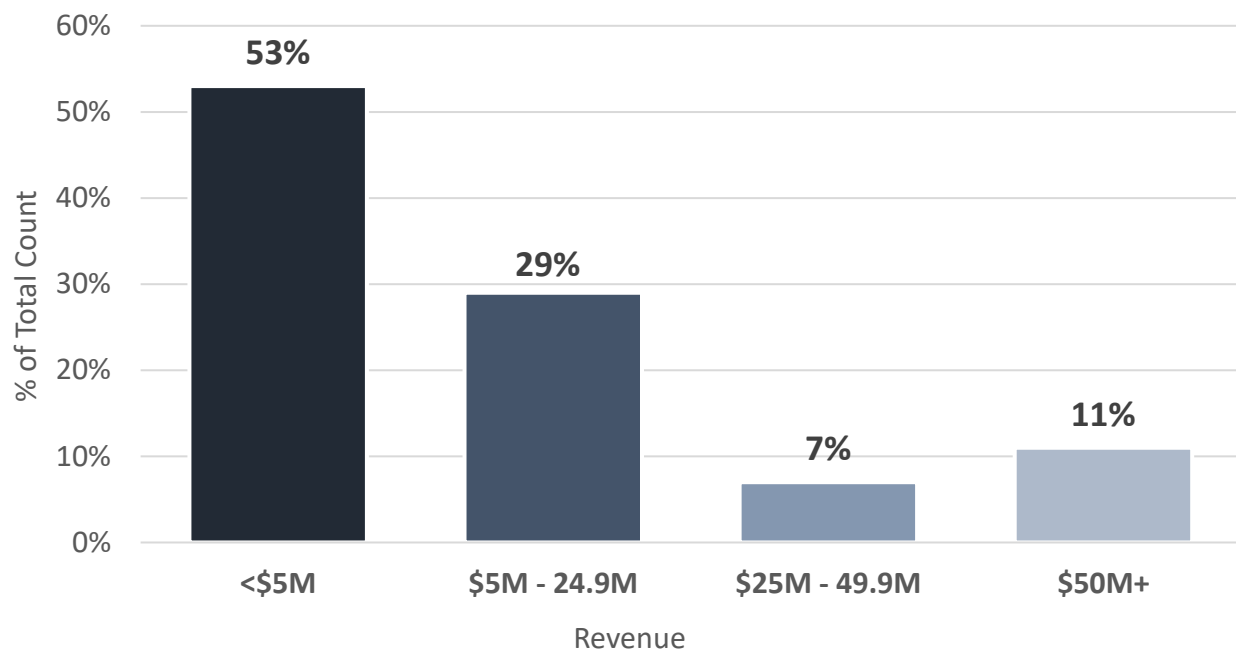
While much of the data conformed to our expectations, here are some items of note.

- General contractors were responsible for more builder's risk coverage than we anticipated since the coverage is often supplied by owners.
- Excess liability limits purchased by general contractors increased substantially compared to last year's survey. Excess liability premium costs increased slightly from last year.
- The percentage of firms purchasing contractor's professional liability has been relatively consistent year to year at about 22 percent.
- The percentage of firms purchasing environmental impairment liability coverage was 19, slightly less than last year.
- Purchase of D&O insurance increased slightly compared to last year.
- Purchase of cyber insurance decreased to only 14 percent, down from 31 percent last year.
- Involvement with subcontractor default coverage increased to 22 percent of general contractors this year.

Business Count by Revenue

Data sets were collected from 558 General Contractors. The organizations represent over \$12.8 billion of revenue.

2022 Business Count by Revenue

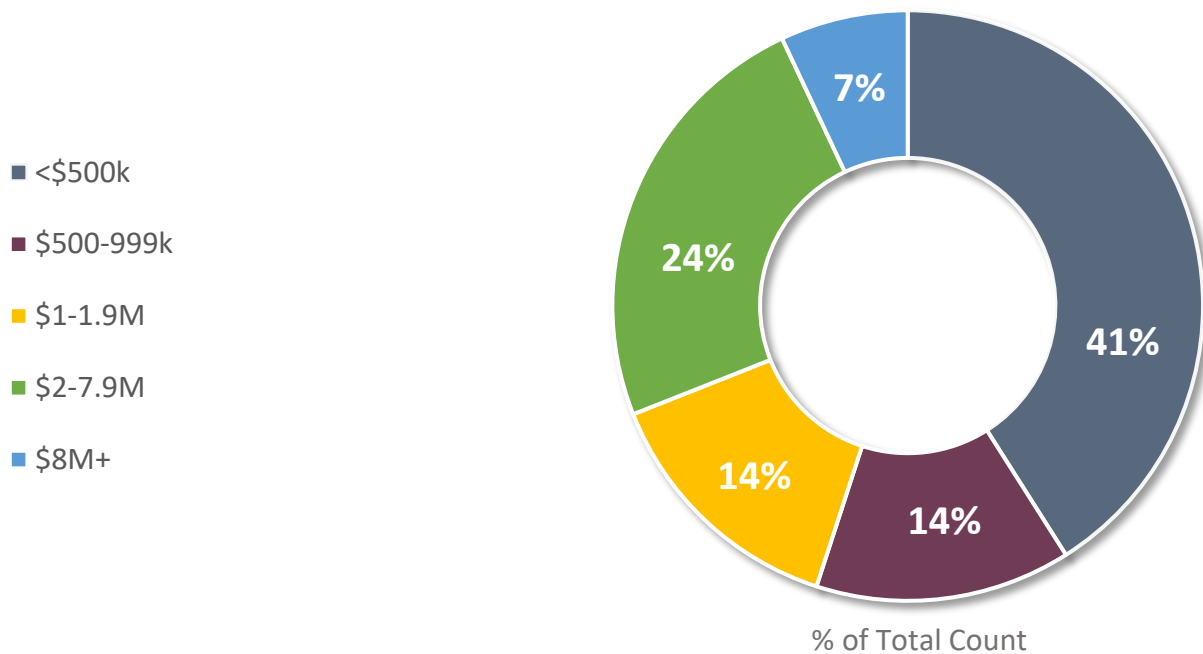


The survey data included 558 general contractors, nearly twice as many as last year's survey. The average general contractor in the survey generated slightly more revenue than contractors in the other categories. 53 percent of the firms in the survey generated annual revenues less than \$5 million. 11 percent of firms generated annual revenues in excess of \$50 million. 7 percent of the firms in the survey were in the \$25 million to \$49.9 million size range. Average revenue per general contractor in this year's survey was \$23 million. Total revenue generated by general contractors included in the survey exceeds \$12.8 billion, which equals the revenue of the other specialty groups in our survey combined.

Property Total Insured Value (TIV)

Data sets were collected from 379 General Contractors. The organizations represent over \$1.36 billion of TIV.

2022 Total Insured Value Breakdown by Business Count



We collected data on property limits from 379 general contracting firms. The construction industry is less dependent on real property (as opposed to mobile equipment) than other industries we surveyed.

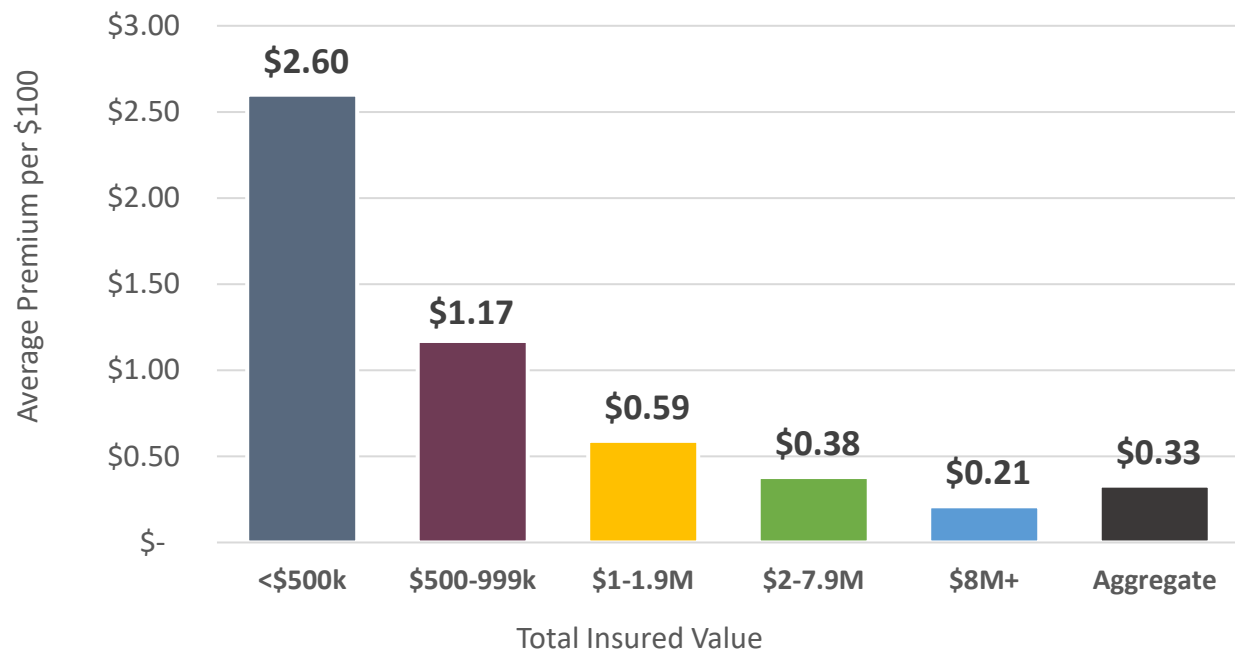
The general contractors in the survey purchase relatively modest property limits, however they did increase compared to last year. While some general contractors own their own offices and maintain equipment yards and warehouses, others function largely as construction managers with relatively insubstantial property needs.

55 percent of general contractors in our survey purchased property limits of less than \$1 million, compared to 63 percent in our last survey. While only 7 percent purchased limits greater than \$8 million, that still is a 1 percentage point increase over last year.

Property Total Insured Value (TIV) Rate per \$100

Data sets were collected from 287 General Contractors.

2022 Average Rate Per \$100 of Total Insured Value



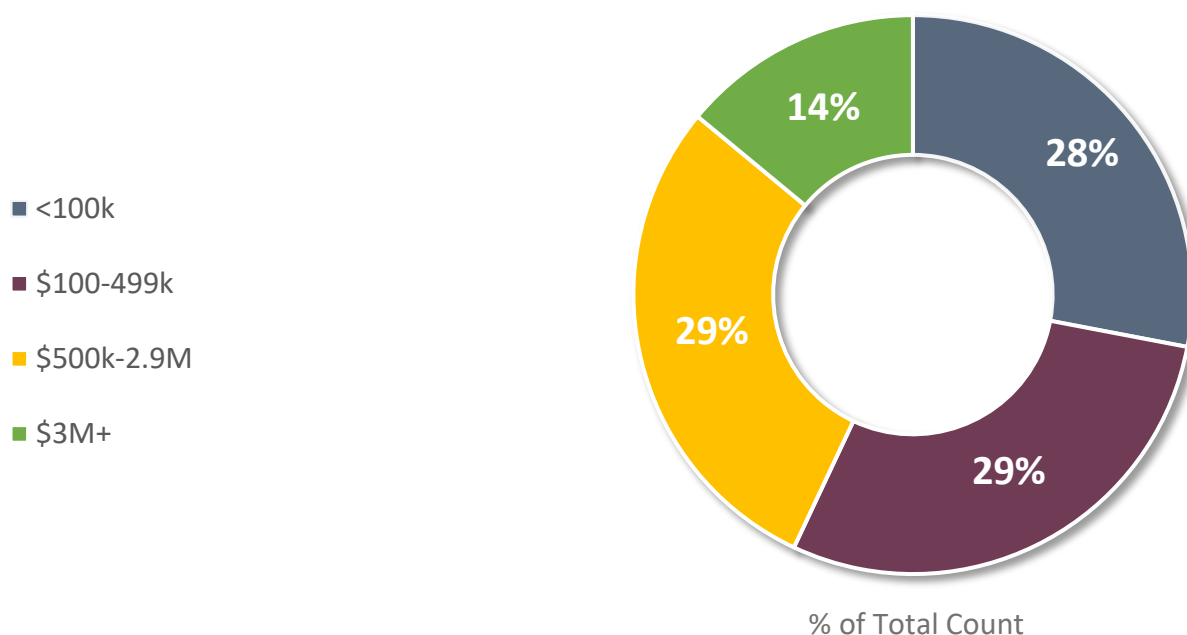
We received data on property pricing from 287 general construction companies. As we saw in the aggregated data, the average rate per \$100 of total insured value decreased as the size of the property portfolio increased. This phenomenon is usually a reflection of increased fire resistiveness in building construction and increased protections against loss built into the buildings.

Property rates for smaller contractors increased substantially compared to last year, while rates for large contractors decreased. Companies with less than \$500,000 in total insured property value paid, on average, \$2.60 per \$100 of valuation compared to \$1.33 in last year's survey. The rate dropped by more than half in the \$500,000 to \$999,000 bracket. The rate continued to decrease until it reached \$0.21 per \$100 of valuation for firms with over \$8 million in total insured value, which is \$0.08 less than last year for large contractors.

Contractor's Equipment Limits

Data sets were collected from 305 General Contractors.

2022 Contractor's Equipment Coverage Limits



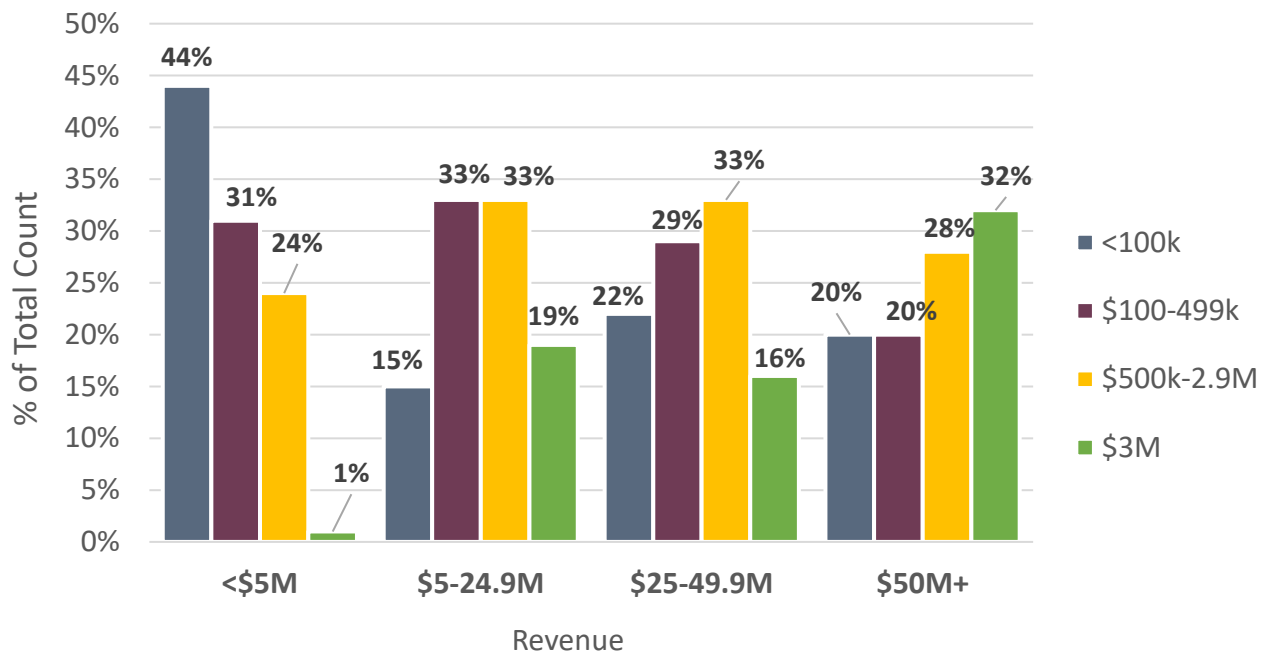
General contractors often subcontract their heaviest construction work, creating less need for large pieces of equipment and associated contractor's equipment insurance. As a result, they tend to purchase lower levels of contractor's equipment coverage than other specialties. This was borne out by the data in our survey.

While limits remain relatively modest, general contractors purchased higher limits of contractor's equipment insurance than last year. 57 percent of the general contractors in our survey purchased contractor's equipment insurance with limits under \$500,000 compared to 73 percent last year. 14 percent of the contractors in our survey purchased limits in excess of \$3 million compared to 6 percent last year.

Contractor's Equipment Limits by Revenue

Data sets were collected from 305 General Contractors.

2022 Contractor's Equipment Coverage Limits by Revenue



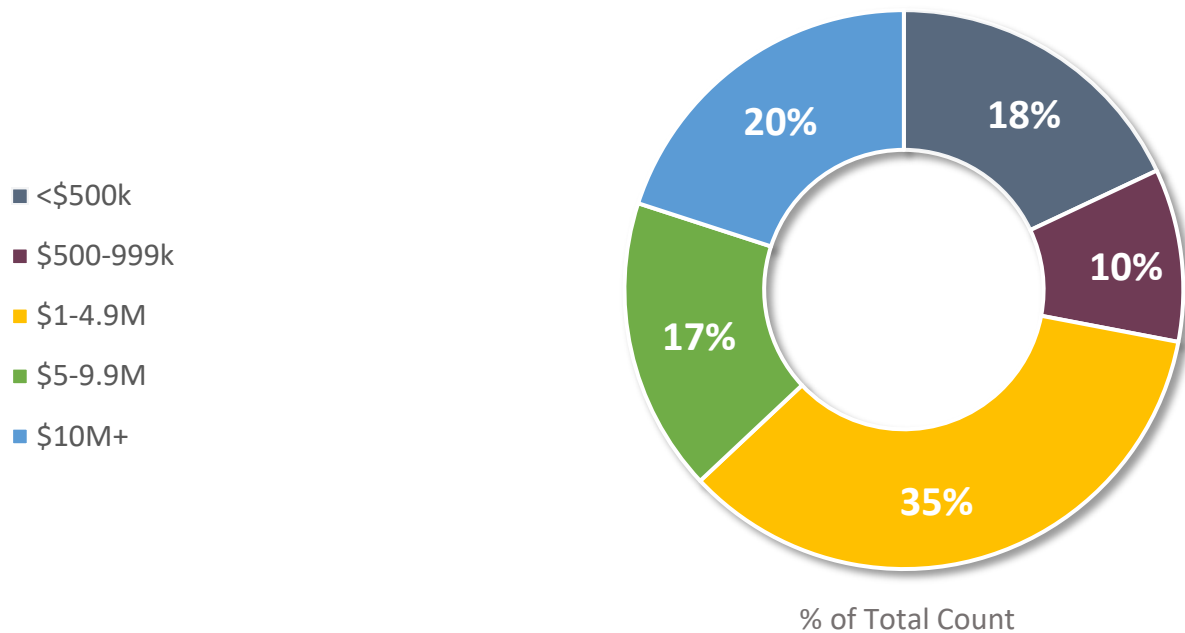
The data in this display is interesting from three perspectives.

1. It is not surprising that larger revenue contractors need more equipment. 32 percent of contractors that generate over \$50 million in revenue have at least \$3 million in contractor's equipment, an increase of 11 percentage points over last year.
2. The size of contractor's equipment limits increases across all levels of revenue, as the revenue size of the general contractor increases.
3. There are relatively high percentages of general contractors with minimal equipment (under \$500,000) that are able to generate high revenue volumes; 40 percent of general contractors that generate over \$50 million of revenue have less than \$500,000 of equipment. These are general contractors that subcontract most of the work on a project or work in a construction manager capacity.

Builder's Risk Limits

Data sets were collected from 142 General Contractors.

2022 Builder's Risk Coverage Limits



Builder's risk coverage is typically purchased by owners and covers the work of all contractors working on a project. When the owner fails to purchase the coverage, it tends to be the province of general contractors, which is supported by our data. Less than half of the general contractors in our survey report purchasing builder's risk coverage.

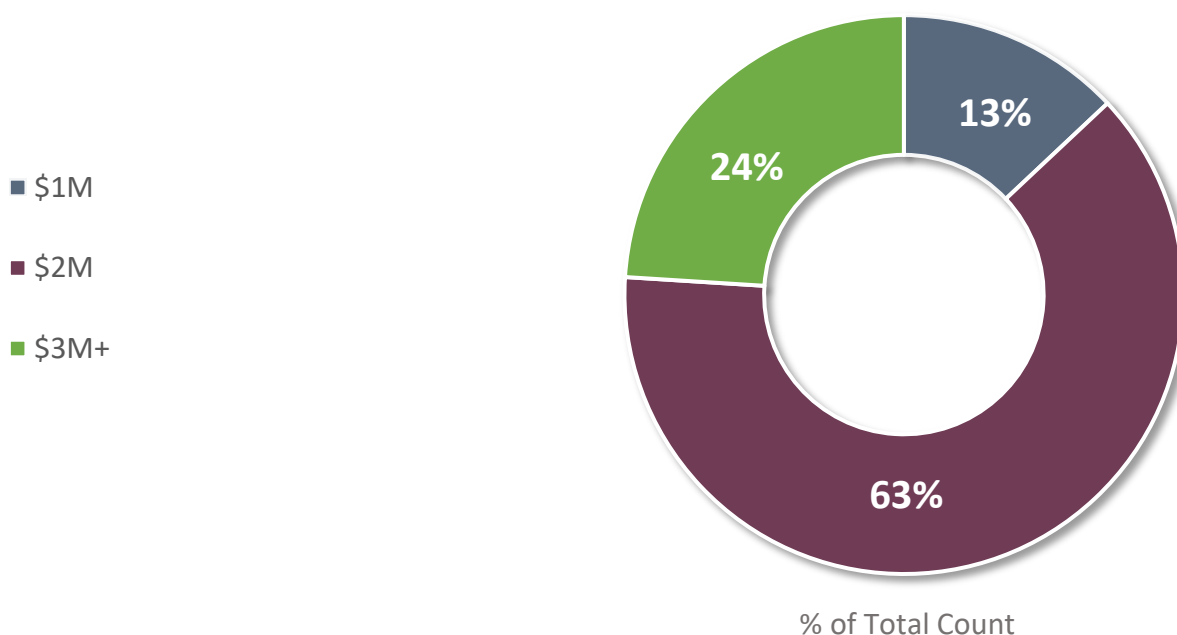
Builder's risk coverage is usually written on an individual project basis for the entire cost of the project, plus the economic impact of delays in the project completion data and associated "soft costs." 37 percent of the general contractors in our survey report purchasing builder's risk limits in excess of \$5 million. Only 28 percent report purchasing builder's risk coverage with a limit of less than \$1 million.

Builder's risk limits are consistent with last year's survey.

General Liability

Data sets were collected from 533 General Contractors.

2022 General Liability Coverage Limits



General liability insurance is issued to provide protection from bodily injury and property damage arising from injury to third parties caused by the insured's negligence. It typically is purchased using a \$1 million per occurrence/\$2 million annual aggregate limit. However, the shift toward purchasing higher limits, driven by the demands of excess liability insurers, appears to be accelerating somewhat.

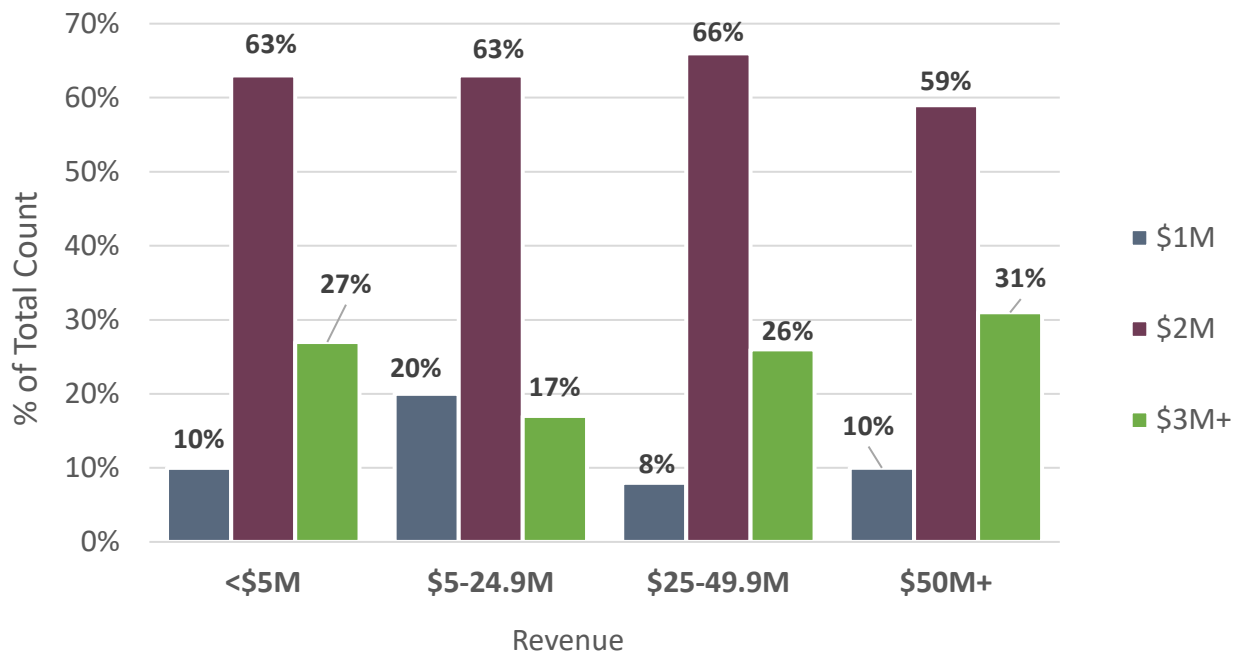
Data was collected from 533 general contractors in our survey. This coverage is difficult to analyze since some firms report their occurrence limit, and others report their aggregate limit. The data reflects that 13 percent of general contractors purchase a standard \$1 million occurrence general liability limit. 63 percent of respondents to the survey indicate a \$2 million general liability limit. In reality, we believe that most are purchasing a \$1 million occurrence/\$2 million annual aggregate limit.

Organizations can purchase higher liability limits, and our survey shows that 24 percent are purchasing general liability limits greater than the standard, most reporting a \$4 million limit. This compares to 8 percent last year and likely reflects increased underwriting requirements from excess liability insurance carriers in a hardening excess liability market.

General Liability by Revenue

Data sets were collected from 533 General Contractors.

2022 General Liability Coverage Limits by Revenue



In the prior section, we noted that some organizations report the general liability policy's occurrence limit, and others report the aggregate limit. In other words, we believe that most of the \$2 million limits reported are actually the *aggregate limit* of the general liability policy.

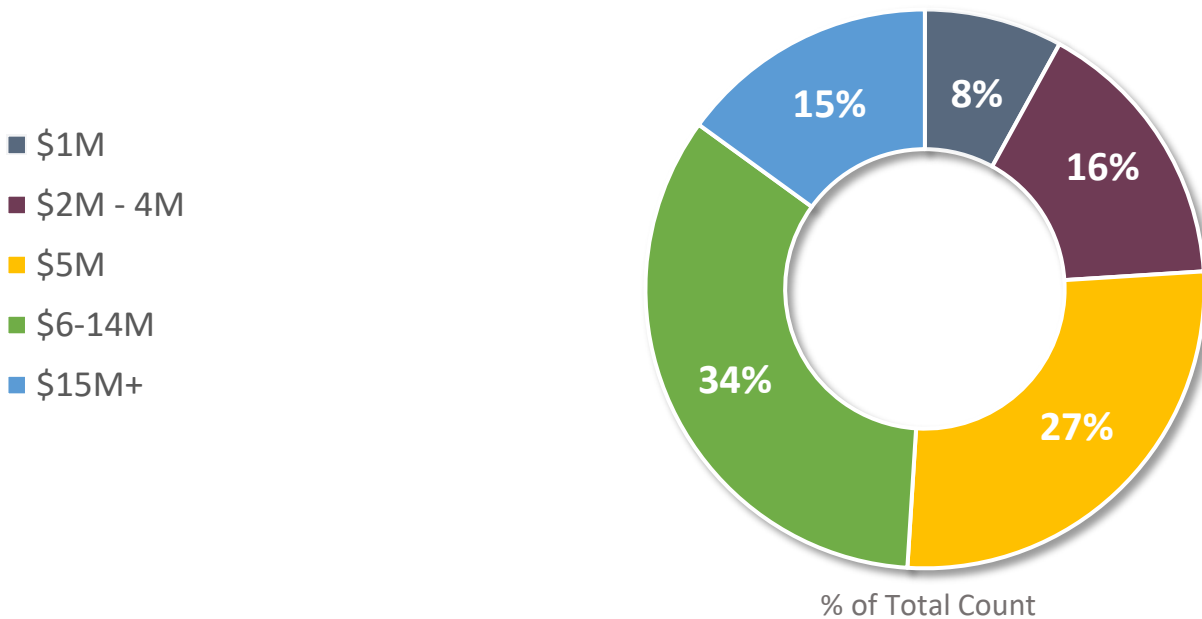
If this is true, then the vast majority of construction organizations in our survey purchase a standard \$1 million per occurrence/\$2 million aggregate limit of liability for their general liability policies, irrespective of their size. 73 percent of small organizations report either a \$1 million or \$2 million general liability limit. This phenomenon is replicated across all revenue sizes surveyed.

We observed in the previous section that excess liability underwriters frequently require higher underlying limits in the general liability policy to support their coverage offer. As contractors grow in revenue size, they begin to purchase larger limits, usually a \$2 million per occurrence/\$4 million annual aggregate general liability limit. 31 percent of larger general contractors report purchasing higher general liability limits, which is higher for general contractors than other specialties.

Excess Liability

Data sets were collected 329 General Contractors.

2022 Excess Liability Coverage Limits



Excess liability policies provide larger limits over primary general liability, auto liability, and employers liability policies. Excess liability coverage provides protection for catastrophic liability. Construction is inherently dangerous and is subject to catastrophic loss.

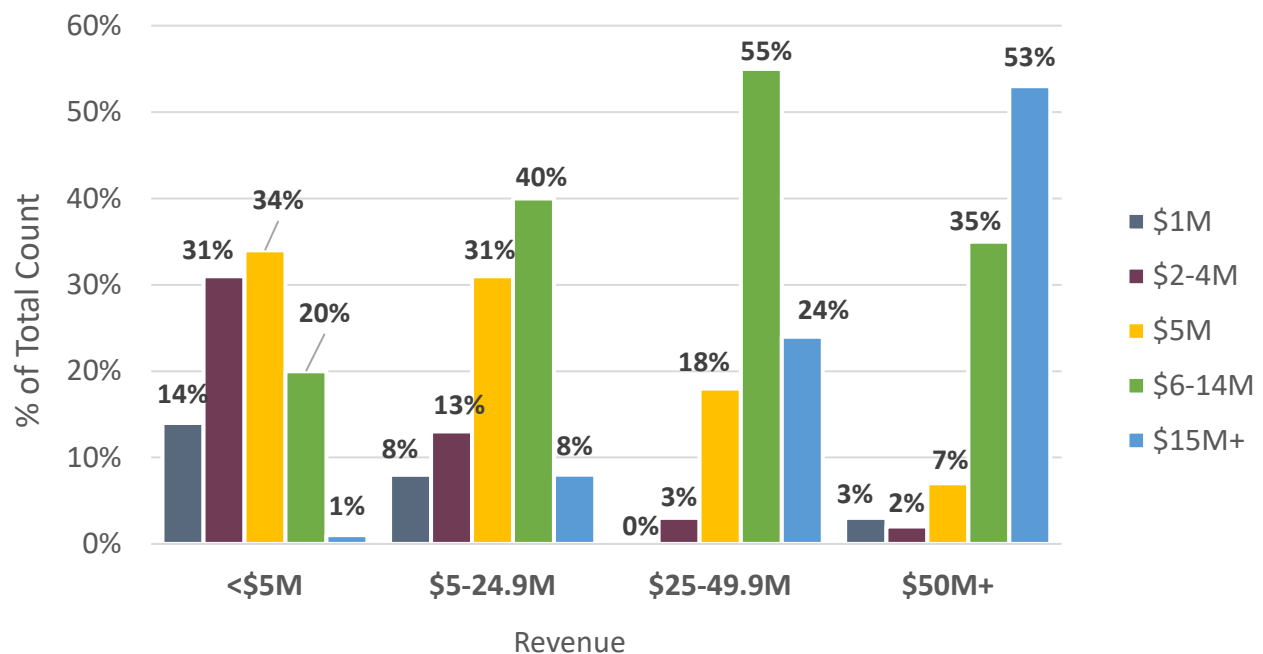
329 of the general contractors in our survey reported their purchase of excess liability insurance. Reported excess liability limits increased over last year's survey. 51 percent of the general contractors in the survey purchased \$5 million or less of excess liability limit compared to 73 percent last year. 34 percent of the contractors in the survey purchased between \$6 million and \$14 million of limit compared to 21 percent last year. While only 15 percent carried a limit of \$15 million or greater, that represents a significant increase over the 6 percent of general contractors that carried larger limits last year.

High limits of excess liability were typically layered, using several insurance carriers to build a tower in increments of \$10 million to \$25 million per layer.

Excess Liability by Revenue

Data sets were collected from 329 General Contractors.

2022 Excess Liability Coverage Limits by Revenue



We received data on both excess liability limits and annual revenue on 329 general contractors in our survey, which provides a comfortable level of statistical credibility. As we saw on the prior page, general contractors purchased significantly higher excess liability limits compared to last year's survey.

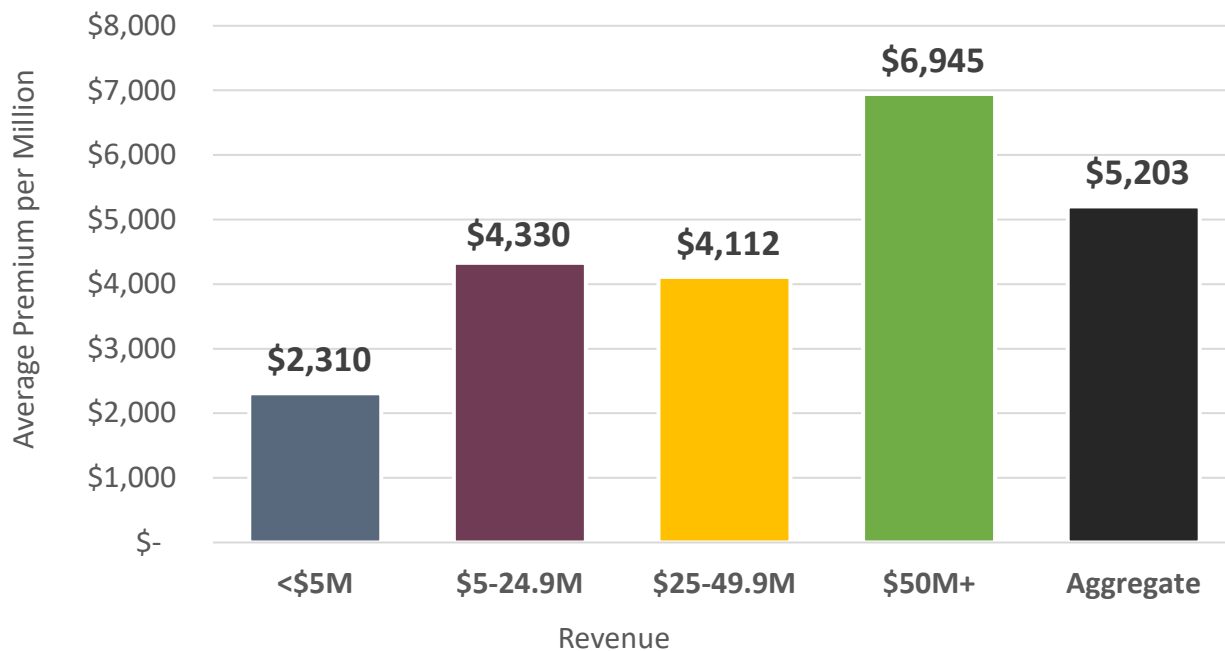
Unsurprisingly, larger construction companies purchase higher limits of excess liability coverage than small contractors. 53 percent of firms generating more than \$50 million of coverage purchased more than \$15 million of excess liability, a substantial increase over the 36 percent in last year's survey. 95 percent purchase at least \$5 million in coverage.

Smaller general contractors tend to purchase lower levels of excess liability coverage. 45 percent of contractors generating less than \$5 million of revenue purchase excess liability limits of \$4 million or less, compared to 73 percent last year.

Excess Liability Average Premium by Revenue

Data sets were collected from 313 General Contractors.

2022 Excess Liability Premium per \$1 Million Limit by Revenue



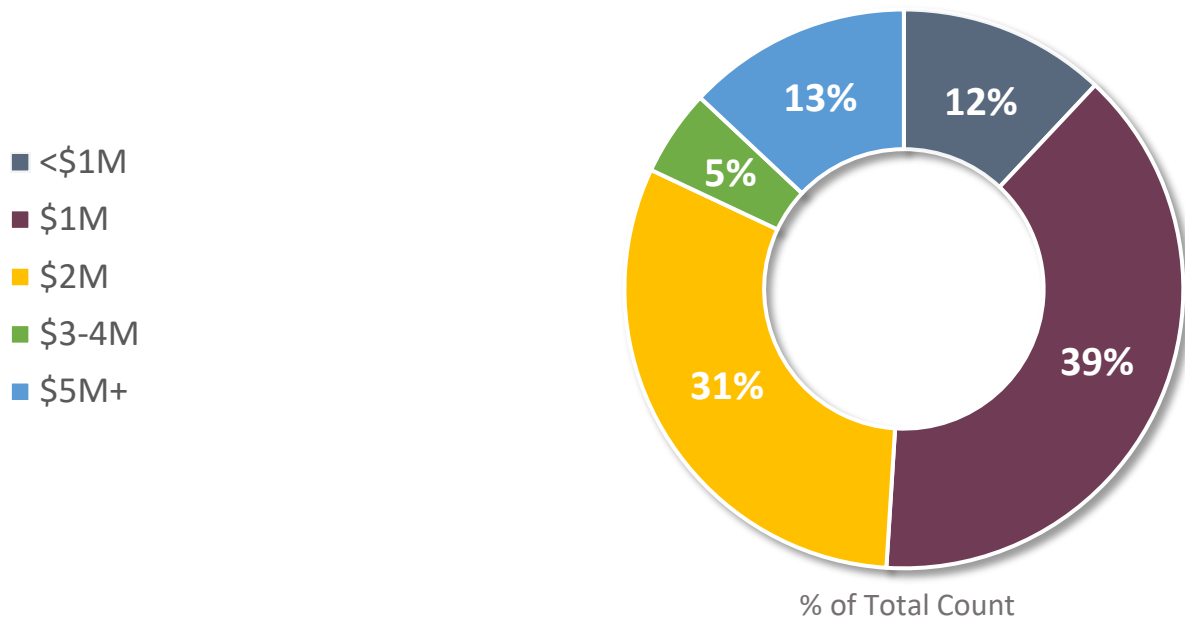
The excess liability premium for an individual general contractor is a function of the underlying general liability, auto liability, and employers liability premiums. Those premiums are a function of the construction activities and characteristics of the individual contractor, including revenue size. The greater the size of the contractor, the greater their exposure to loss.

This chart compares the average cost per million (regardless of the total limit purchased) of a general contractor's excess liability program to their annual revenue. Unsurprisingly, the larger the contractor's revenue base, the more they pay per million of excess liability coverage. A general contractor generating more than \$50 million of revenue pays \$6,945 per million of excess liability limit, compared to a contractor generating less than \$5 million of revenue paying \$2,310 per million of limit. While there are differences in each revenue band, overall excess liability premium costs per million dollars of coverage increased nominally compared to last year's survey.

Contractor's Professional Liability

Data sets were collected from 116 General Contractors.

2022 Contractor's Professional Liability Coverage Limits



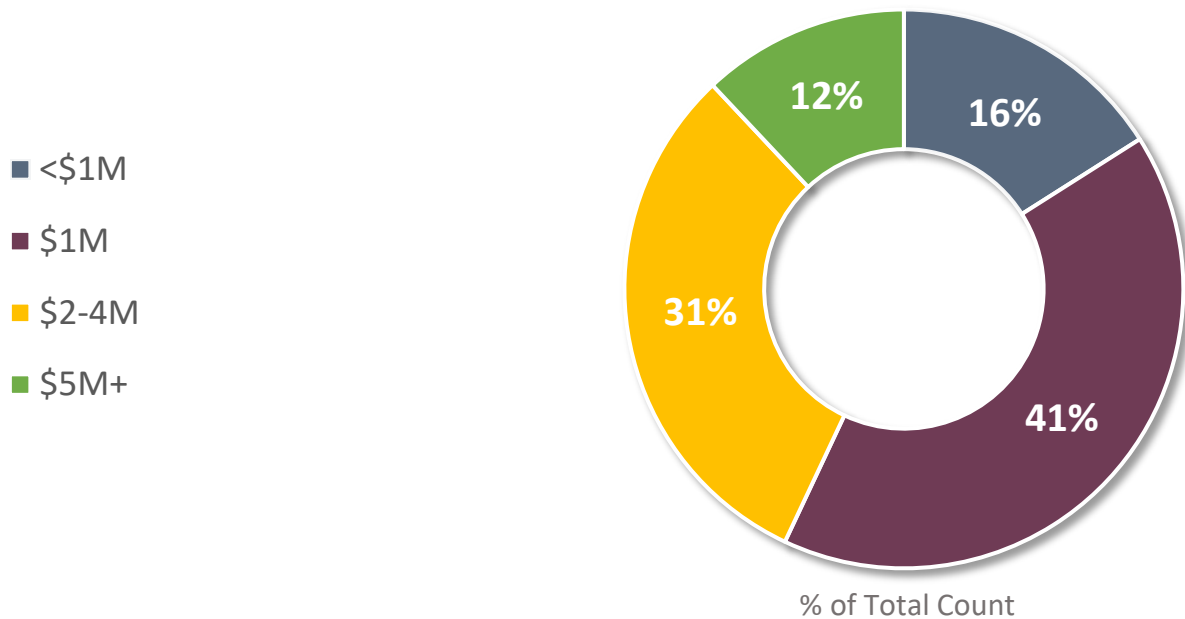
With general contractors becoming increasingly involved in design/build and construction management contracts, where they provide professional advice to owners, professional liability insurance has become more important. Roughly 22 percent of the general contracting organizations in our survey purchase contractor's professional liability coverage.

Most of the firms purchasing the coverage perceive their professional liability exposure to be limited, hence they tend to purchase lower limits than for other liability exposures. 87 percent of the general contractors in our survey that purchase contractor's professional liability cover purchase a limit of less than \$5 million. 13 percent perceive a greater need and purchase limits in excess of \$5 million. The limits purchased are consistent with what we found in last year's survey.

Environmental Impairment

Data sets were collected from 102 General Contractors.

2022 Environmental Impairment Coverage Limits



The purchase of environmental liability insurance is often driven by contractual requirements from owners, although many firms recognize their exposure and purchase insurance to protect against environmental losses.

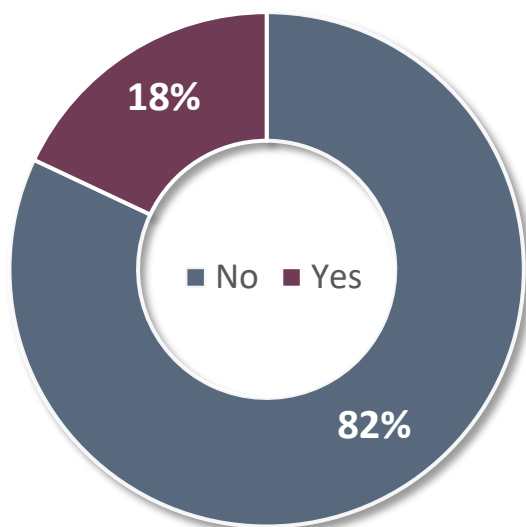
Much like what we observed with contractor's professional coverage, the results for EIL are in line with our expectations, with 19 percent of the firms in our survey showing the purchase of environmental impairment liability insurance, marginally less than last year's survey. It is worth noting that general contractors are significantly more likely to purchase EIL coverage than a specialty contractor.

The limits purchased tend to be fairly modest, 88 percent of the coverage purchased having a limit less than \$5 million. 12 percent of policies had limits of \$5 million or greater. As was the case with excess liability, the size of the limit purchased tends to increase as the size of the contractor increases.

Alternatives

2022 Owners and Contractors Protective

Data sets were collected from 319 General Contractors.



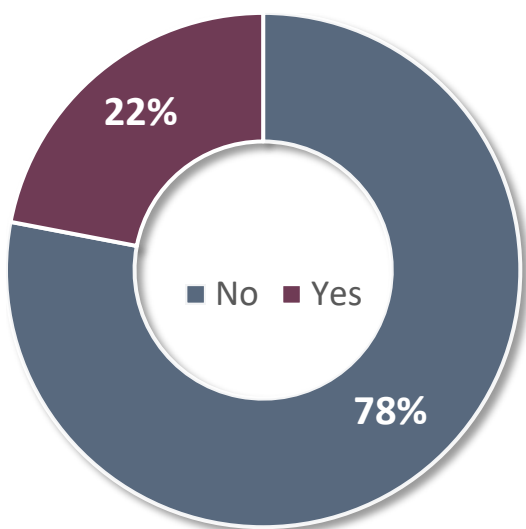
% of Total Count

Sometimes an owner will purchase liability insurance, covering itself and the contractors performing work on the project from damages caused by their negligence. This coverage eliminates the possibility of disputes between the owner and contractor caused by damage to a third party. This coverage used to be fairly routine for contractors performing work for railroads. While owners sometimes purchase this coverage, builders are sometimes required to purchase the coverage.

Our results show that purchase of this coverage has increased from last year, with 18 percent purchasing the coverage versus 4 percent last year.

2022 Sub-Contractors Default

Data sets were collected from 296 General Contractors.



% of Total Count

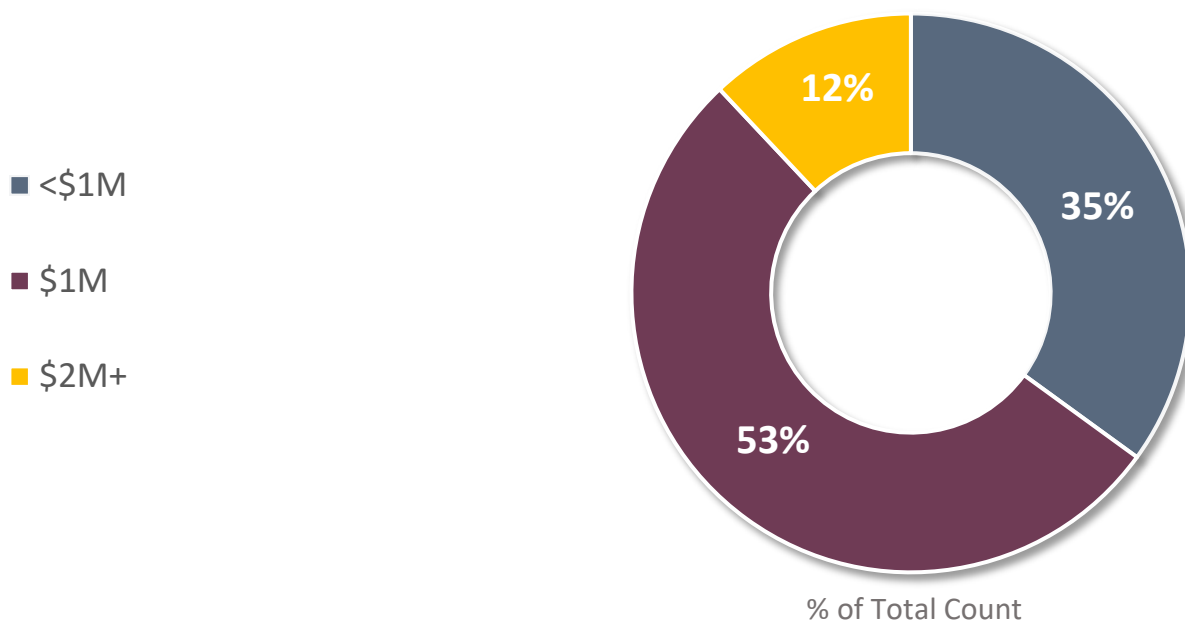
Construction projects are complex and often require the participation of several layers of subcontractors to complete the work. The financial failure of a key subcontractor can have a devastating impact on the financial wellbeing of a general contractor. Subcontractor default coverage provides money for the general contractor to bring in an alternative subcontractor in the event of their failure to perform.

We were somewhat surprised to see that 22 percent of the general contractors in our survey were involved in purchasing subcontractor default insurance.

Cyber

Data sets were collected from 83 General Contractors.

2022 Cyber



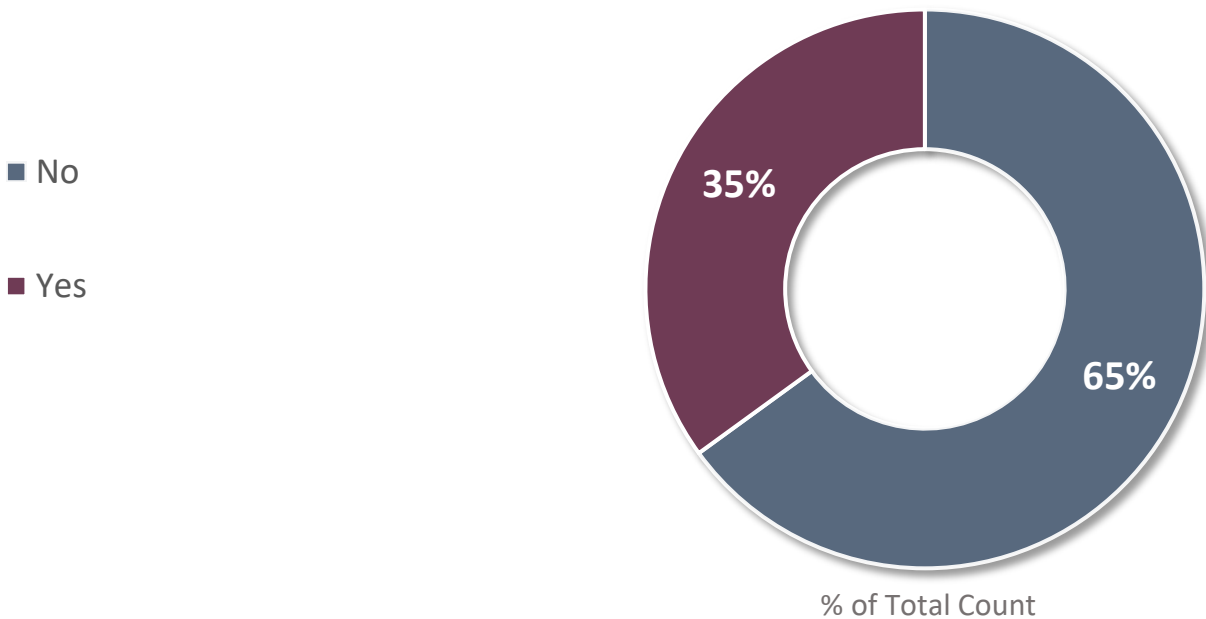
Cyber insurance, often referred to as privacy coverage, protects against internet-based risks, and more generally from risks relating to information technology infrastructure and activities. Risks of this nature are typically excluded from traditional commercial general liability policies or at least are not specifically defined in traditional insurance products. Policies may provide either first-party, which protects the contractor's own systems from damage, or third-party coverage, which protects against damage to others, or a combination of the two.

General contractors often have valuable project and client data stored in their systems. Nonetheless, our data reflects that general contractors are less likely to purchase cyber insurance coverage than their more specialized counterparts. We collected data from 590 general contractors. 14 percent purchase some form of cyber insurance coverage. 88 percent of general contractors that purchase the coverage purchased a limit of \$1 million or less.

Executive Risk — D&O Liability

Data sets were collected from 291 General Contractors.

2022 Executive Risk — D&O Liability



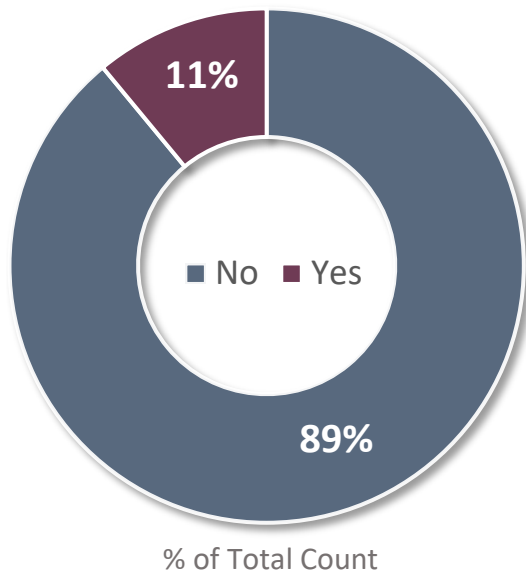
D&O liability insurance protects the individual members of the board of directors and management of a company from allegations that they mismanaged the company, resulting in adverse financial results. Construction companies tend to be privately held, although corporate ownership is not uncommon. It is generally perceived that directors and officers of public corporate entities are more at risk than their counterparts at private firms since shareholder suits constitute a major source of management liability claims. In addition to shareholders, however, management liability suits may come from employees, customers, competitors, creditors, retirement fund participants, and regulatory authorities.

The data for general contractors tracks very closely to the overall data regarding directors and officers liability coverage. 35 percent of the general contractors in our survey purchase some level of D&O insurance, a significant increase from 23 percent last year.

Workers' Compensation

2022 Group Captive

Data sets were collected from 286 General Contractors.

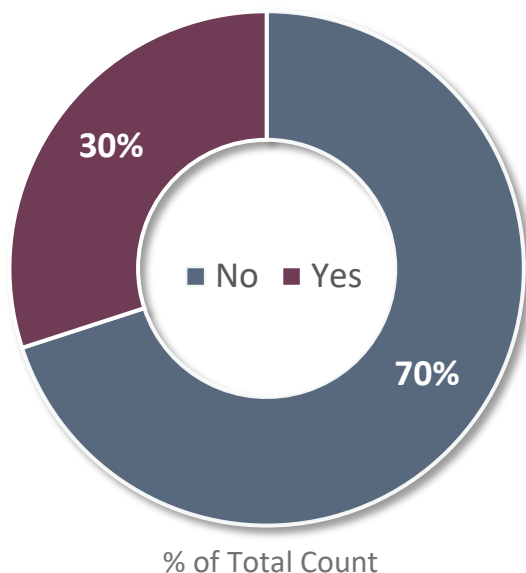


Workers' compensation costs are a significant line item on most contractors' income statement. One approach that some contractors pursue in controlling workers' compensation costs is to work with similar firms in a quasi-self-funding mechanism in the form of a group captive insurance company.

This approach is typically used by relatively large contractors. 11 percent of the firms in our survey report utilizing a group captive approach on their workers' compensation exposure.

2022 Workers' Compensation MOD over 1.0

Data sets were collected from 194 General Contractors.



Another approach to controlling workers' compensation costs is to aggressively manage project safety and workers' compensation claims to drive down the experience modification used by insurance companies to compute premiums. A workers' compensation experience modification of 1.0 indicates average loss experience compared to other contractors. An experience modification greater than 1.0 reflects losses greater than average. An experience modification of less than 1.0 reflects losses less than average.

30 percent of the contractors in our survey had an experience modification greater than 1.0. 70 percent had an experience modification less than 1.0.

RESULTS

Electrical / HVAC

Key Highlights

Given the amount of data received, we created a category in our survey called Electrical/HVAC. This category includes contractors that perform heating, ventilating, air conditioning, electrical, and plumbing work, and is based on NAICS code 2382XX, and constituted 16 percent of the contractors in our survey. The data covers 254 contractors, ranging in size from less than \$1 million to over \$300 million, generating \$2.7 billion in revenue as a group. The average annual revenue per contractor in this group is just over \$10 million.

Much of the data conformed to our general expectations.

- This segment had somewhat larger property limits than other segments.
- Contractor's equipment limits were relatively modest.
- Property rates decreased as total insured value increased.
- Builder's risk/installation floater coverage was quite low.
- The rate per million of excess liability limit increased as the size of the contractor increased.

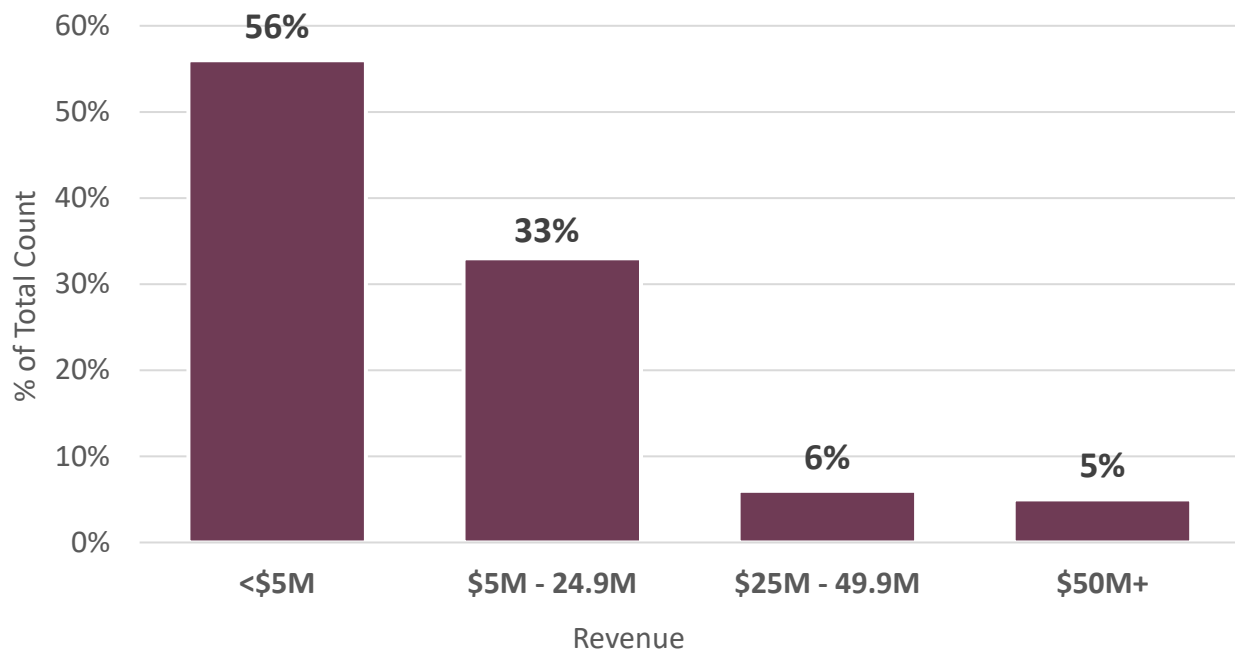
While much of the data conformed to our expectations, here are some items of note.

- The contractors in this segment were somewhat smaller than they were a year ago.
- Excess liability limits were higher than expected and increased when compared to last year.
- The percentage of firms purchasing contractor's professional liability increased when compared to our last survey.
- The percentage of firms purchasing environmental impairment liability coverage was higher than our last survey.
- A higher percentage of electrical and HVAC contractors purchased cyber insurance than other categories of contractor.
- One third of the contractors in this category purchased directors and officers liability insurance.

Business Count by Revenue

Data sets were collected from 254 Electrical/HVAC businesses. The organizations represent over \$2.7 billion of revenue.

2022 Business Count by Revenue



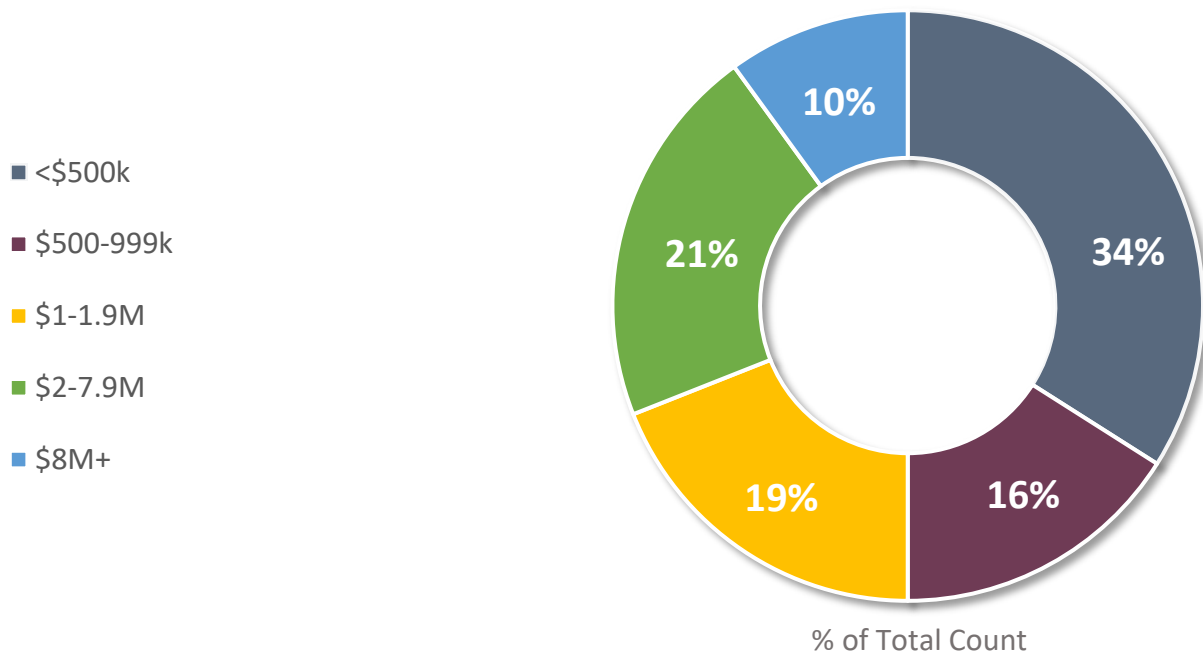
The survey data included a wide variety of different-sized electrical/HVAC contractors. The firms in this category are somewhat smaller than they were a year ago. On average, the contractors in the electrical/HVAC segment are more likely to be found in the \$5 million to \$24.9 million category (33 percent) than other specialty contractors. 56 percent of the firms in the survey generated annual revenues of less than \$5 million. 5 percent of firms generated annual revenues in excess of \$50 million. 6 percent of the firms in the survey were in the \$25 million to \$49.9 million size range. The average electrical/HVAC contractor in this year's survey generated just over \$10 million of annual revenue. Total revenue among respondents exceeds \$2.6 billion.

Comparing the revenue of contractors among differing specialties can create misperceptions. A general contractor may subcontract most of the work on their projects to others, passing a significant portion of the project revenue through their books to other firms. A highway/heavy contractor will generally sublet a smaller portion of their projects than a general contractor with the same revenue volume. Electrical/HVAC contractors often work with expensive equipment that can increase the revenue flowing from their contracts.

Property Total Insured Value (TIV)

Data sets were collected from 196 Electrical/HVAC businesses. The organizations represent over \$718 million of TIV.

2022 Total Insured Value Breakdown by Business Count



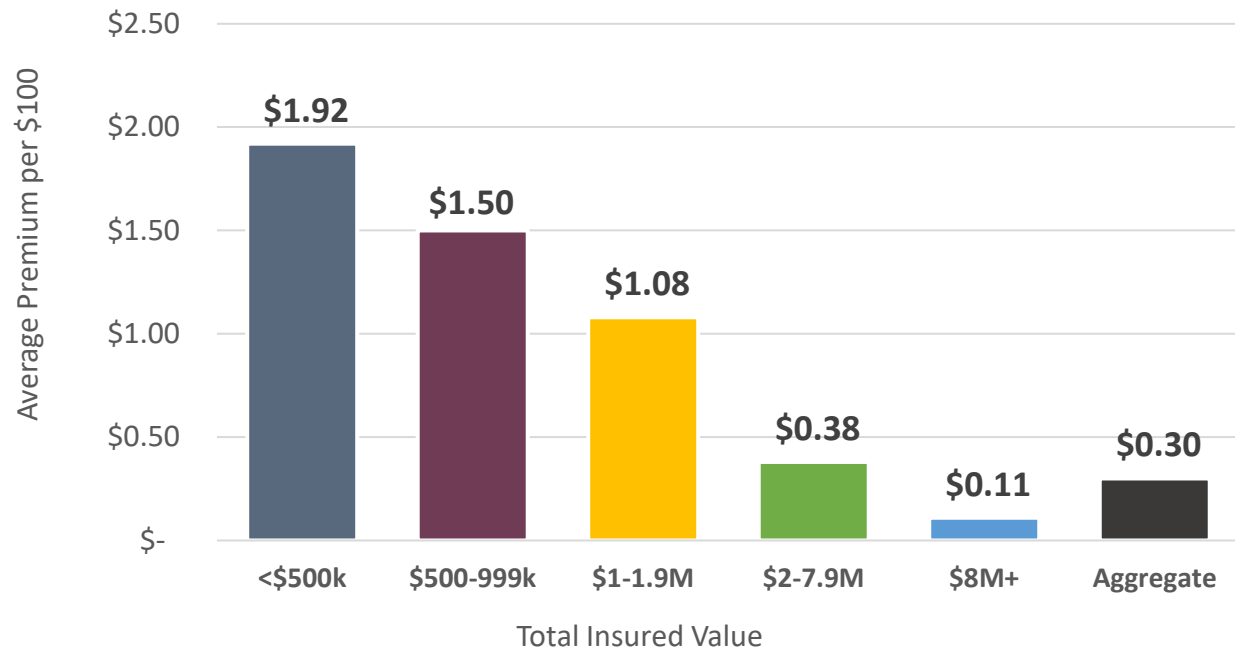
We collected data on property limits from 196 electrical/HVAC construction firms. While we noted earlier that the construction industry is less dependent on real property (as opposed to mobile equipment) than other industries, the electrical/HVAC category tends to carry higher property limits than their counterparts. Electrical/HVAC contractors have a greater need for equipment yards, warehouses for inventory storage, and fabrication/repair shops, thereby requiring more property insurance.

The electrical/HVAC contractors in our survey increased their property limits compared to last year. 50 percent of the electrical/HVAC contractors in our survey purchased property limits of less than \$1 million compared to 63 percent last year. 10 percent purchased limits greater than \$8 million, up from 6 percent last year. While the differences from other specialty areas are reflective of the nature of electrical/HVAC construction, they are modest.

Property Total Insured Value (TIV) Rate per \$100

Data sets were collected from 151 Electrical/HVAC businesses.

2022 Average Rate Per \$100 of Total Insured Value



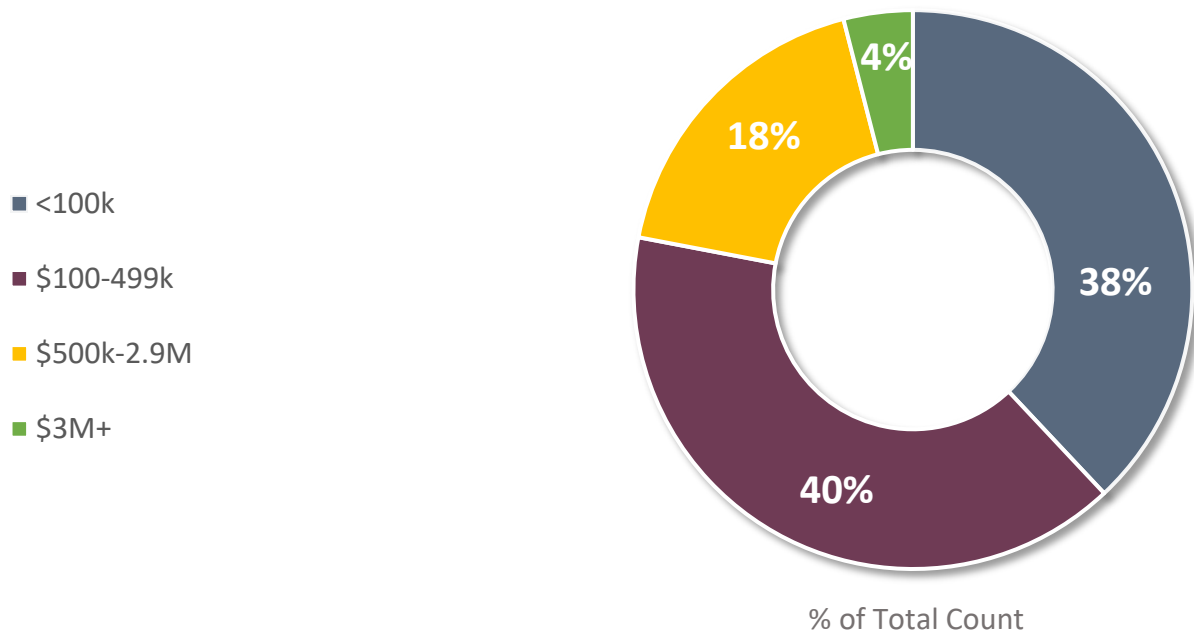
We received data on property pricing from 197 electrical/HVAC construction companies. Consistent with other specialties, the average rate per \$100 of total insured value decreased as the size of the property portfolio increased. This phenomenon is usually a reflection of increased fire resistiveness in building construction and increased protections against loss built into the buildings.

Property rates increased significantly for smaller firms but decreased for the largest electrical/HVAC companies. Companies with less than \$500,000 in total insured property value paid, on average, \$1.92 per \$100 of valuation, an increase from \$1.33 a year ago. The rate dropped to \$1.50 in the \$500,000 to \$999,000 bracket. The rate decreased until it reached \$0.11 per \$100 of valuation for firms with over \$8 million in total insured value, compared to \$0.27 a year ago. The average rate for electrical/HVAC contractors decreased from \$0.36 to \$0.30.

Contractor's Equipment Limits

Data sets were collected from 149 Electrical/HVAC businesses.

2022 Contractor's Equipment Coverage Limits



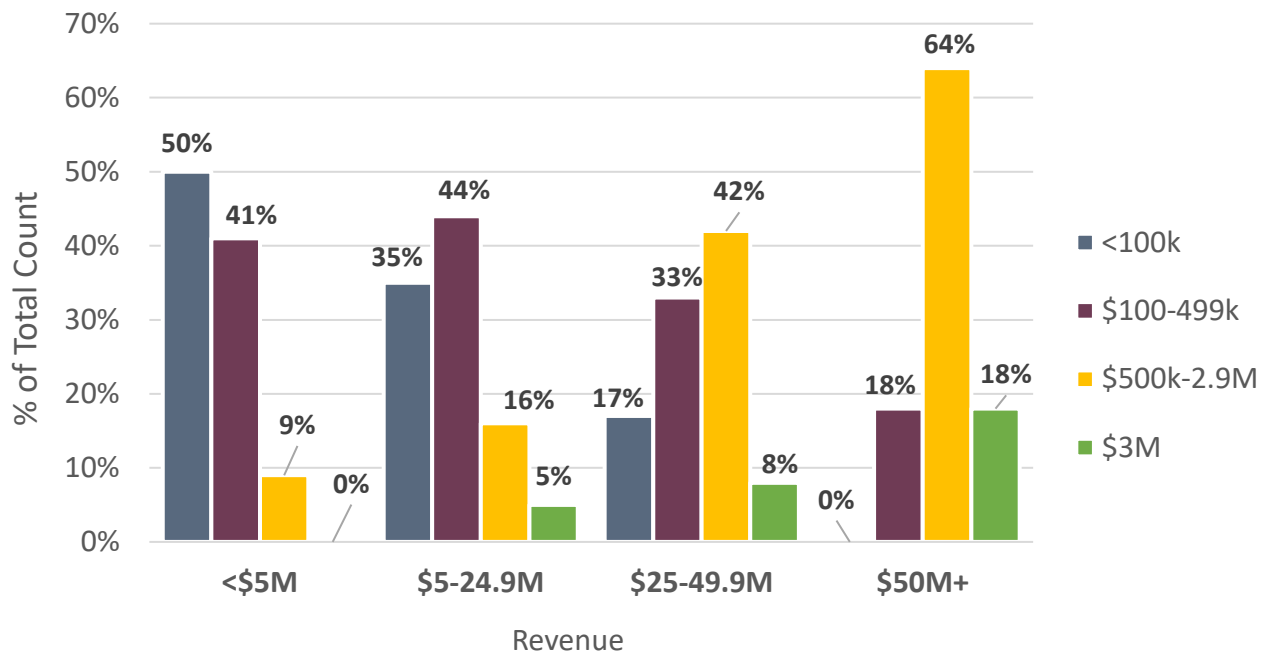
The need for contractor's equipment coverage depends on the type of contractor. Highway/underground contractors utilize large and expensive items of equipment, so the coverage for them is important. General contractors often subcontract their heaviest construction work, creating less need for large pieces of equipment and associated contractor's equipment insurance. The equipment utilized in the electrical/HVAC construction business consists of different types of lifts and hand tools, so they typically carry higher limits than similarly sized general contractors, but smaller limits than equivalent underground/highway contractors.

Electrical/HVAC contractors tend to have lower contractor's equipment limits than other specialties. Limits were marginally smaller than a year ago. 78 percent of the contractors in our survey purchased contractor's equipment insurance with limits under \$500,000, 18 percent greater than the percentage in the aggregate section of this report. Only 4 percent of the contractors in our survey purchased limits in excess of \$3 million, compared to 13 percent in the aggregate section.

Contractor's Equipment Limits by Revenue

Data sets were collected from 149 Electrical/HVAC businesses.

2022 Contractor's Equipment Coverage Limits by Revenue



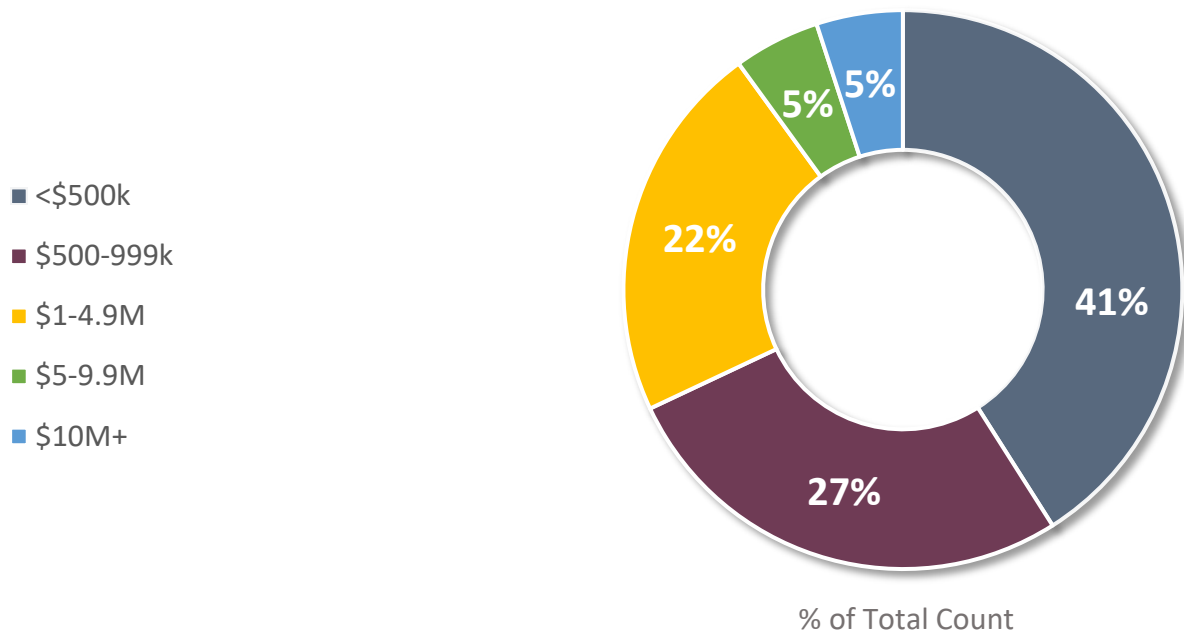
Electrical/HVAC contractors tend to have higher values of insured contractor's equipment than most other specialties, as demonstrated by the data from 149 electrical/HVAC contractors in our survey. The data in this display is interesting from three perspectives:

1. It is not surprising that larger revenue contractors need more equipment. 82 percent of contractors that generate over \$50 million in revenue have at least \$500,000 in contractor's equipment compared to 75 percent in our last survey.
2. The trends in the electrical/HVAC data are remarkably consistent, with equipment levels increasing directly in accordance with revenue growth.
3. Small electrical/HVAC contractors seem to be able to operate with modest levels of equipment. 91 percent of contractors generating less than \$5 million of annual revenue have contractor's equipment limits of less than \$500K. This compares to 87 percent last year.

Builder's Risk Limits

Data sets were collected from 59 Electrical/HVAC businesses.

2022 Builder's Risk Coverage Limits



Builder's risk coverage is typically purchased by owners and covers the work of all contractors working on a project. When the owner fails to purchase the coverage, it tends to be the province of general contractors, which is supported by our data. Installation floaters are a builder's risk type coverage which tends to be the province of the HVAC/electrical specialty.

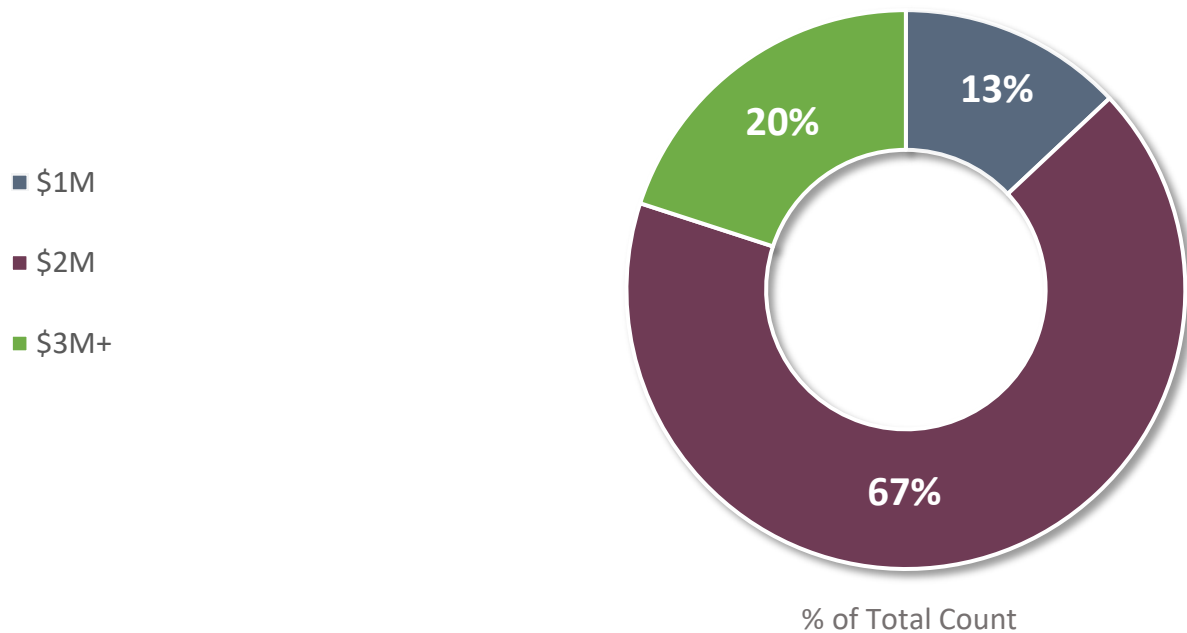
Builder's risk coverage is usually written on an individual project basis for the entire cost of the project, plus the economic impact of delays in the project completion date and associated "soft costs." As a result, the limits of builder's risk coverage purchased by electrical/HVAC contractors in our survey are relatively modest.

Only 59 electrical/HVAC contractors in our survey (23 percent) report purchasing builder's risk type coverage. 41 percent of the electrical/HVAC contractors in our survey purchased minimal limits, i.e., under \$500,000. Only 10 percent of contractors purchased builder's risk limits in excess of \$5 million, however, 5 percent carried limits greater than \$10 million. We believe this is due to the coverage being on an installation floater form and limited to only the work being performed by the electrical/HVAC contractor, rather than all contractors on a project, as would be the case with general contractors.

General Liability

Data sets were collected from 245 Electrical/HVAC businesses.

2022 General Liability Coverage Limits



General liability insurance is issued to provide protection from bodily injury and property damage arising from injury to third parties caused by the insured's negligence. It typically is purchased using a \$1 million per occurrence/\$2 million annual aggregate limit. However, the shift toward purchasing higher limits, driven by the demands of excess liability insurers, appears to be accelerating somewhat.

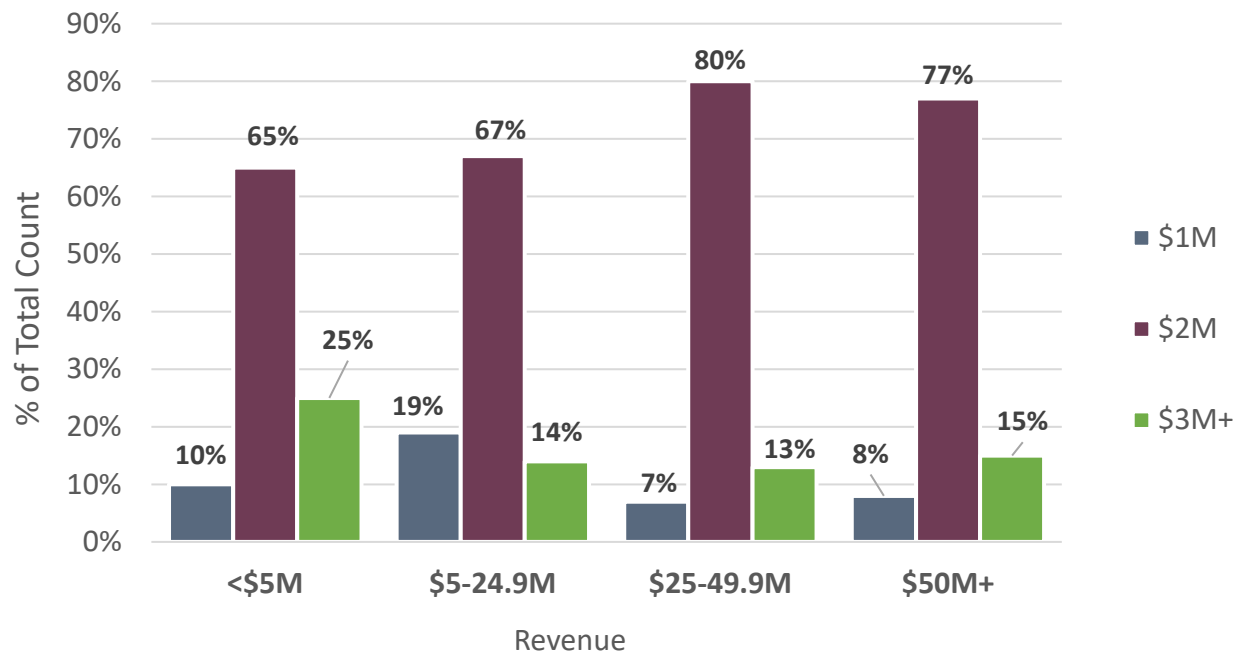
Data was collected from 245 electrical/HVAC contractors in our survey. This coverage is difficult to analyze since some firms report their occurrence limit and others report their aggregate limit. The data reflects that 13 percent of general contractors purchase a standard \$1 million occurrence general liability limit. 67 percent of respondents to the survey indicate a \$2 million general liability limit. In reality, we believe that most are purchasing a \$1 million occurrence/\$2 million annual aggregate limit.

Organizations can purchase higher liability limits, and our survey shows that 20 percent are purchasing general liability limits greater than the standard, most reporting a \$4 million limit. This compares to 12 percent last year, and likely reflects underwriting requirements from excess liability insurance carriers.

General Liability by Revenue

Data sets were collected from 245 Electrical/HVAC businesses.

2022 General Liability Coverage Limits by Revenue



In the prior section, we noted that some organizations report the general liability policy's occurrence limit, and others report the aggregate limit. In other words, we believe that most of the \$2 million limits reported are actually the aggregate limit of the general liability policy.

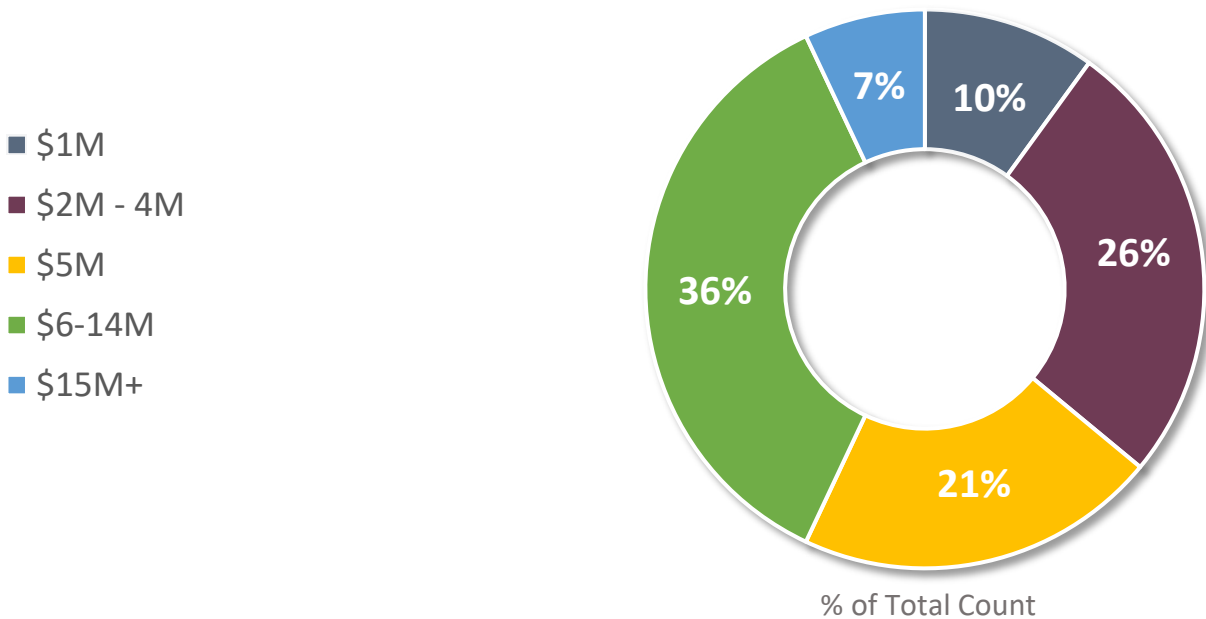
If this is true, then the vast majority of construction organizations in our survey purchase a standard \$1 million per occurrence/\$2 million aggregate limit of liability for their general liability policies, irrespective of their size. 75 percent of small organizations report either a \$1 million or \$2 million general liability limit. This phenomenon is replicated across all revenue sizes surveyed.

We observed in the previous section that excess liability underwriters frequently require higher underlying limits in the general liability policy to support their coverage offer. As contractors grow in revenue size, they begin to purchase larger limits, usually a \$2 million per occurrence/\$4 million annual aggregate general liability limit.

Excess Liability

Data sets were collected 166 Electrical/HVAC businesses.

2022 Excess Liability Coverage Limits



Excess liability policies provide larger limits over primary general liability, auto liability, and employers liability policies. Excess liability coverage provides protection for catastrophic liability. Construction is inherently dangerous and is subject to catastrophic loss.

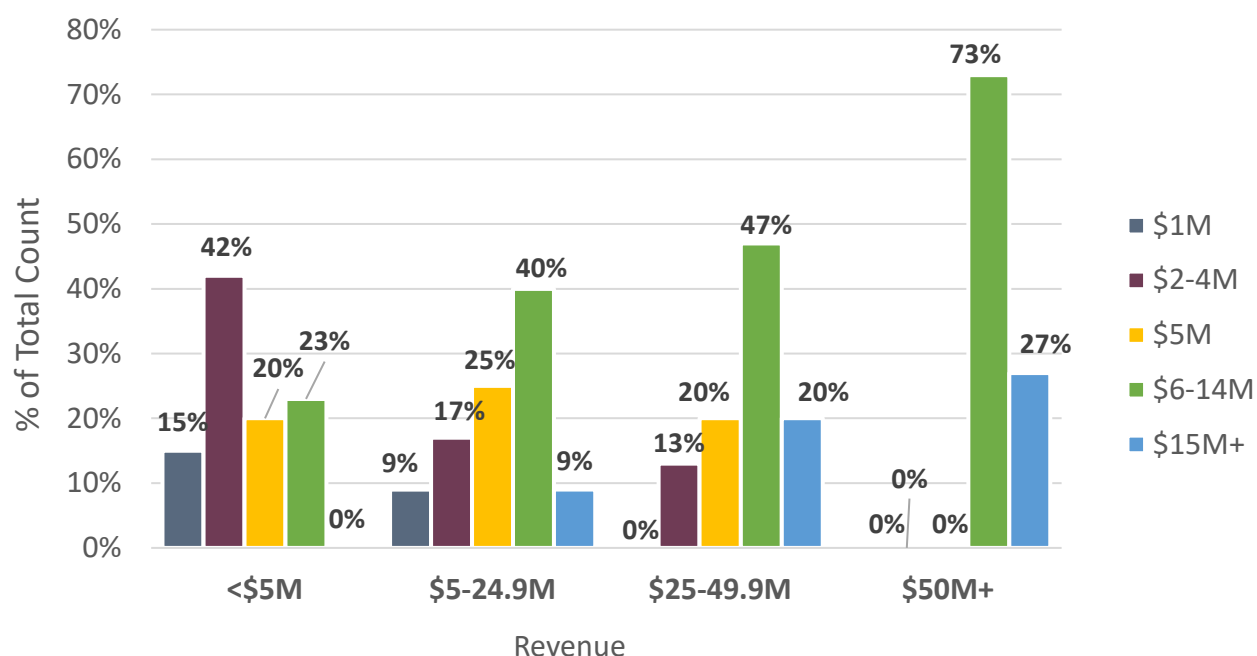
166 of the electrical/HVAC contractors in our survey reported their purchase of excess liability insurance. Consistent with what has been already reported elsewhere, electrical/HVAC contractors reported purchasing significantly higher excess liability limits than a year ago. 57 percent of the electrical/HVAC contractors in the survey purchase \$5 million or less of excess liability limit, compared to 80 percent last year. 36 percent of the contractors in the survey purchased between \$6 million and \$14 million of limit compared to only 12 percent last year. Only 7 percent carried a limit of \$15 million or greater, which is nominally less than 8 percent in our last survey.

The limits purchased is a function of the size and type of contractor, with larger contractors purchasing higher limits of coverage. High limits of excess liability were typically layered, using several insurance carriers to build a tower in increments of \$10 million to \$25 million per layer.

Excess Liability by Revenue

Data sets were collected from 166 Electrical/HVAC businesses.

2022 Excess Liability Coverage Limits by Revenue



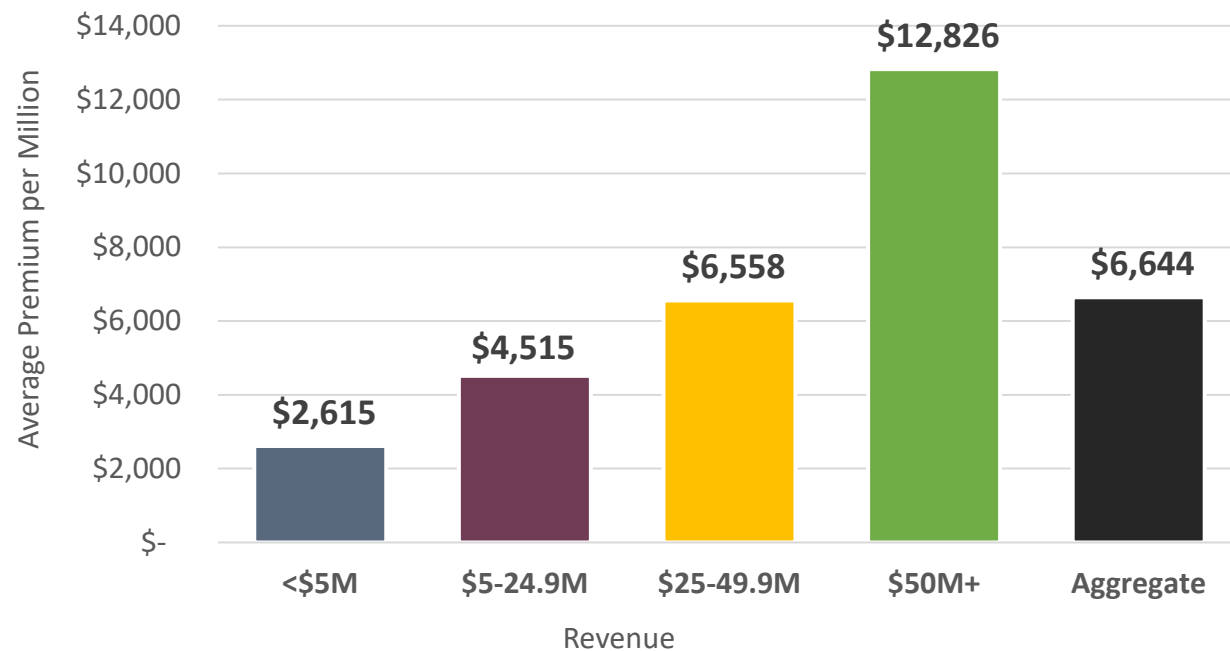
Excess liability policies provide larger limits over primary general liability, auto liability, and employers liability policies. Excess liability coverage provides protection for catastrophic liability. Construction is inherently dangerous and is subject to catastrophic loss.

166 of the electrical/HVAC contractors in our survey reported their purchase of excess liability insurance. Reported excess liability limits increased over last year's survey. As expected, excess liability limits increased as revenue size increased. 77 percent of the smaller electrical/HVAC contractors in the survey purchased \$5 million or less of excess liability limit compared to 95 percent last year. 27 percent of large contractors carried a limit of \$15 million or greater, with 100 percent of large contractors carrying limits greater than \$5 million compared to 69 percent last year.

Excess Liability Average Premium by Revenue

Data sets were collected from 151 Electrical/HVAC businesses.

2022 Excess Liability Premium per \$1 Million Limit by Revenue



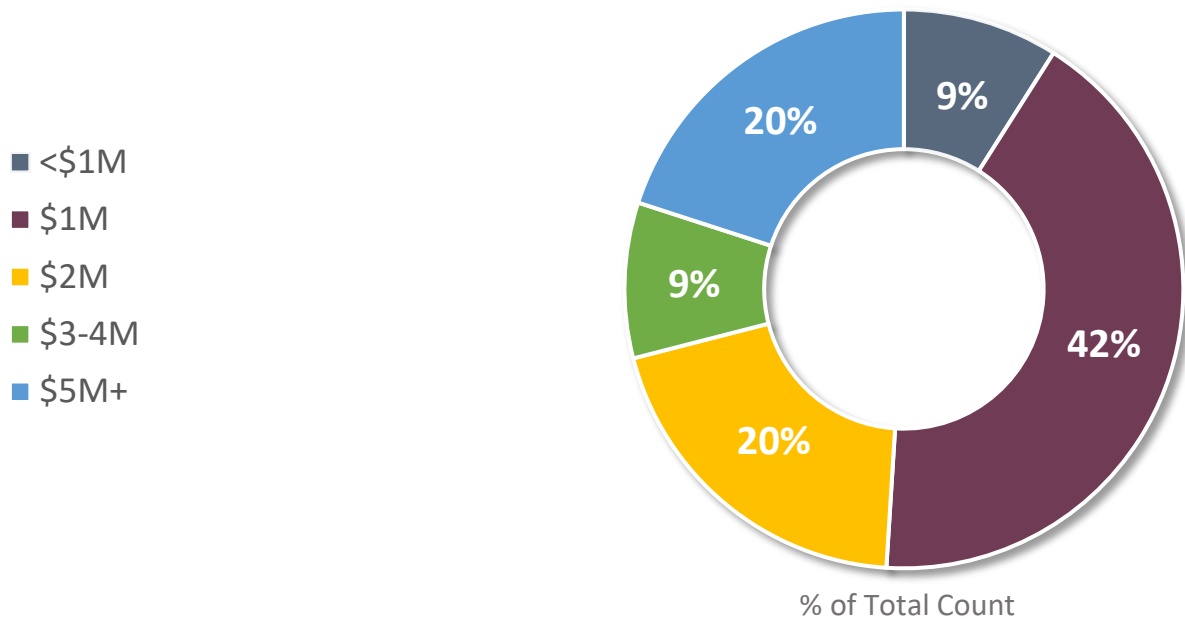
The excess liability premium for an individual contractor is a function of the underlying general liability, auto liability, and employers liability premiums. Those premiums are a function of the construction activities and characteristics of the individual contractor, including revenue size. The greater the size of the contractor, the greater their exposure to loss.

This chart compares the average cost per million (regardless of the total limit purchased) of a contractor's excess liability program to their annual revenue. Unsurprisingly, the larger the contractor's revenue base, the more they pay per million of excess liability coverage. An electrical/HVAC contractor generating more than \$50 million of revenue pays \$12,826 per million of excess liability limit, an increase of 37 percent over last year. An electrical/HVAC contractor generating less than \$5 million of revenue paid \$2,615 per million of limit.

Contractor's Professional Liability

Data sets were collected from 55 Electrical/HVAC businesses.

2022 Contractor's Professional Liability Coverage Limits



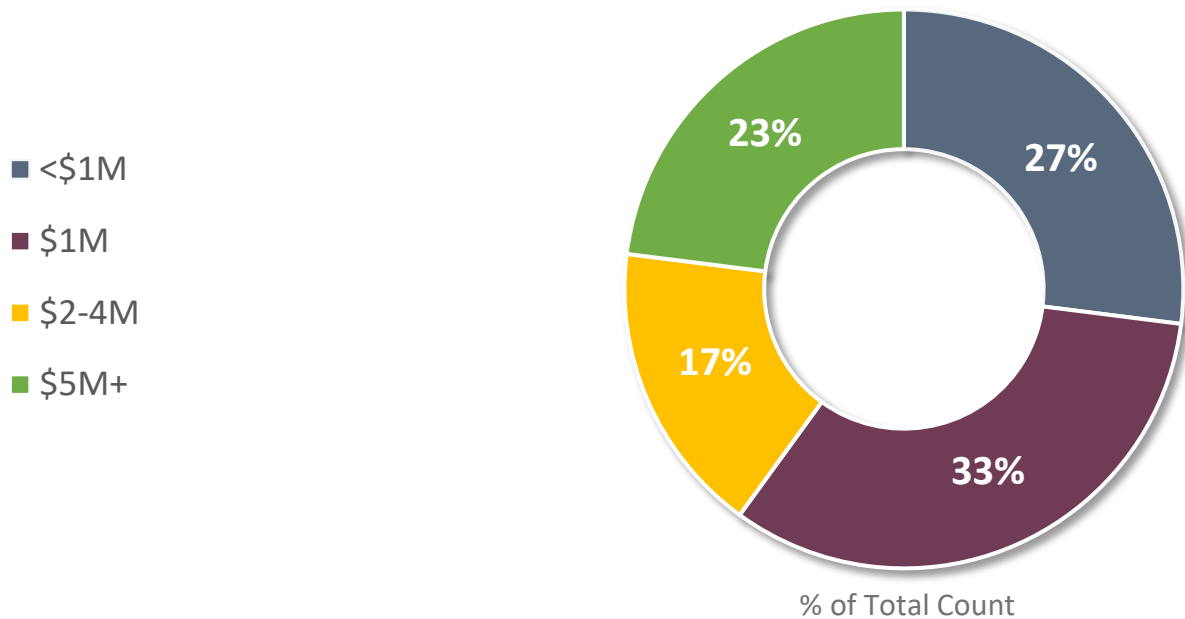
With contractors increasingly involved in design/build and construction management contracts, where they provide professional advice to owners, the need for professional insurance has become more important. Because of the technical nature of their work, electrical/HVAC contractors offer professional advice on their projects more frequently than other types of contractors. This year's survey indicates that over 20 percent of electrical/HVAC contractors carry contractor's professional liability coverage compared to approximately 13 percent of the organizations in the survey overall.

Most electrical/HVAC firms purchasing the coverage perceive their professional liability exposure to be limited. Hence, they tend to purchase lower limits than for other liability exposures. 80 percent of the electrical/HVAC contractors in our survey that purchase contractor's professional liability cover purchase a limit of less than \$5 million. 20 percent perceive a greater need and purchase limits greater than or equal to \$5 million. The limits purchased are consistent with what we found in last year's survey.

Environmental Impairment

Data sets were collected from 48 Electrical/HVAC businesses.

2022 Environmental Impairment Coverage Limits



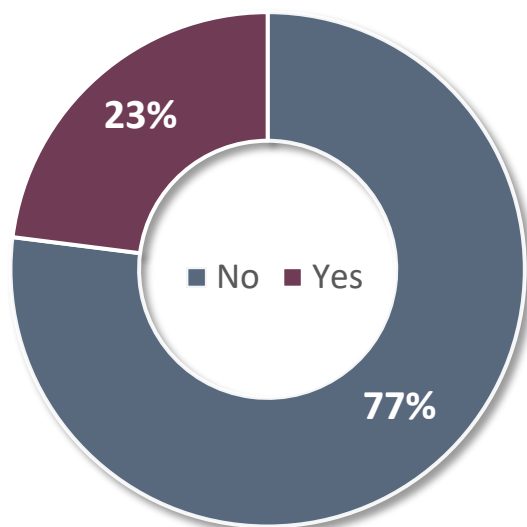
The purchase of environmental liability insurance is often driven by contractual requirements from owners, although many firms recognize their exposure and purchase insurance to protect against environmental losses. Much like what we observed with contractor's professional coverage, the results for EIL are more in line with our expectations, with 19 percent of the electrical/HVAC firms in our survey showing the purchase of environmental impairment liability insurance.

While the limits purchased tend to be fairly modest, they have decreased compared to last year. 77 percent of the coverage purchased has a limit of less than \$5 million, compared to 62 percent last year. Only 23 percent of policies had limits of \$5 million or greater, compared to 38 percent last year. As was the case with excess liability, the size of the limit purchased tends to increase as the size of the contractor increases.

Alternatives

2022 Owners and Contractors Protective

Data sets were collected from 138 Electrical/HVAC Businesses.



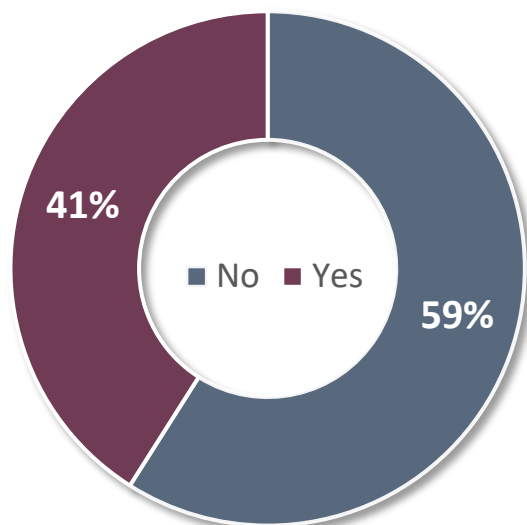
% of Total Count

Sometimes an owner will purchase liability insurance, covering itself and the contractors performing work on the project from damages caused by their negligence. This coverage eliminates the possibility of disputes between the owner and contractor caused by damage to a third party. This coverage used to be fairly routine for contractors performing work for railroads. While owners sometimes purchase this coverage, builders are sometimes required to purchase the coverage.

Our results show that this coverage has become more common in the past year. 23 percent of the contractors in our survey report the purchase of an owners and contractors policy this year compared to 4 percent last year.

2022 Sub-Contractors Default

Data sets were collected from 119 Electrical/HVAC Businesses.



% of Total Count

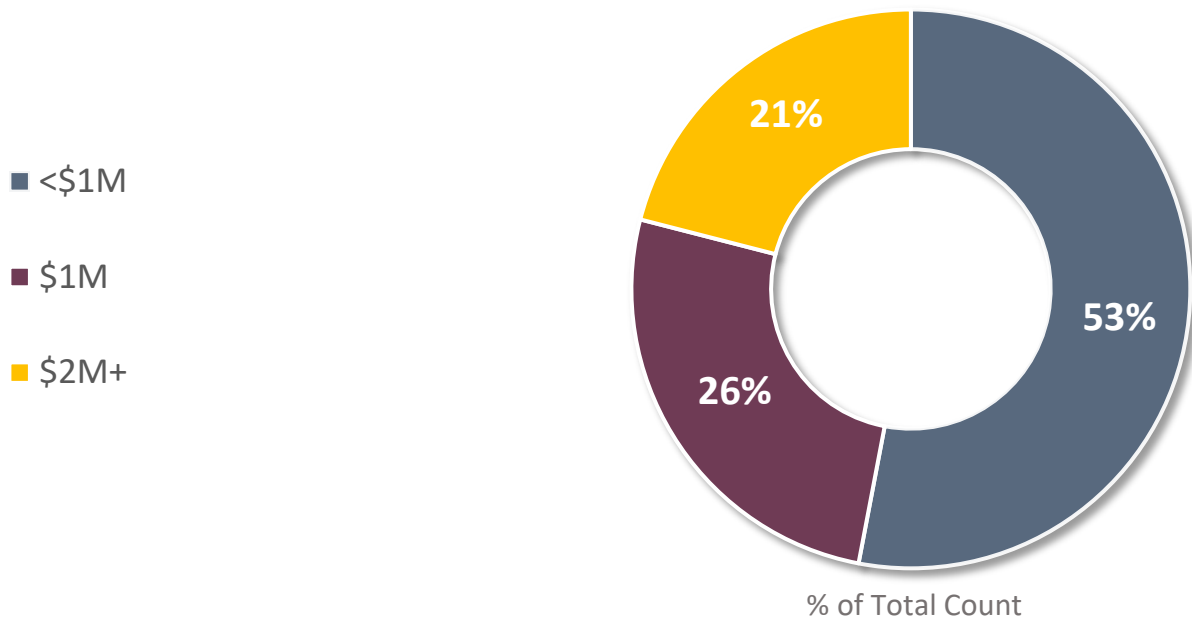
Construction projects are complex and often require the participation of several layers of subcontractors to complete the work. The financial failure of a key subcontractor can have a devastating impact on the financial wellbeing of a general contractor. Subcontractor default coverage provides money for the general contractor to bring in an alternative subcontractor in the event of their failure to perform.

We were somewhat surprised to see that 41 percent of the contractors in our survey were involved in projects that involved the purchase of subcontractor default insurance.

Cyber

Data sets were collected from 38 Electrical/HVAC businesses.

2022 Cyber



Cyber insurance, often referred to as privacy coverage, protects against internet-based risks, and more generally from risks relating to information technology infrastructure and activities. Risks of this nature are typically excluded from traditional commercial general liability policies or at least are not specifically defined in traditional insurance products. Policies may provide either first-party, which protects the contractor's own systems from damage, or third-party coverage, which protects against damage to others, or a combination of the two.

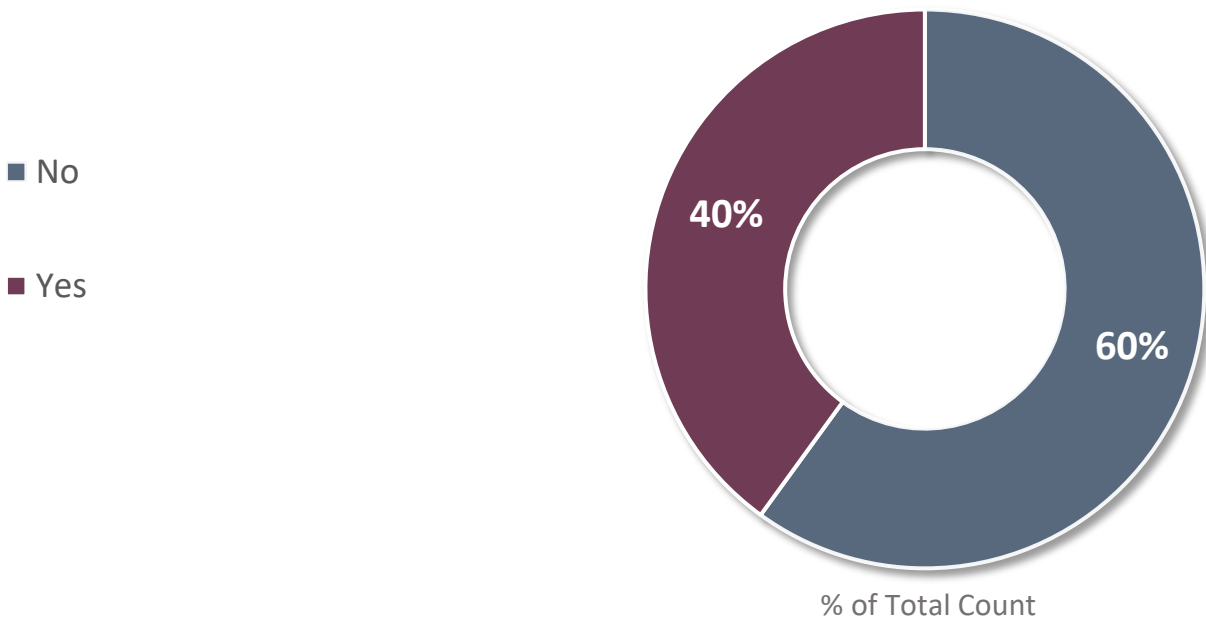
Electrical/HVAC contractors often have very valuable project and client data stored in their systems. They are often able to access customer systems remotely, increasing their exposure. Nonetheless, our data reflects that electrical/HVAC contractors are not likely to purchase cyber insurance coverage. Only 16 percent of the electrical/HVAC contractors in this year's survey purchase some form of cyber insurance coverage. Limits purchased are quite modest, with 79 percent of the policies having limits of \$1 million or less.

Executive Risk — D&O Liability

Data sets were collected from 112 Electrical/HVAC businesses.



2022 Executive Risk — D&O Liability



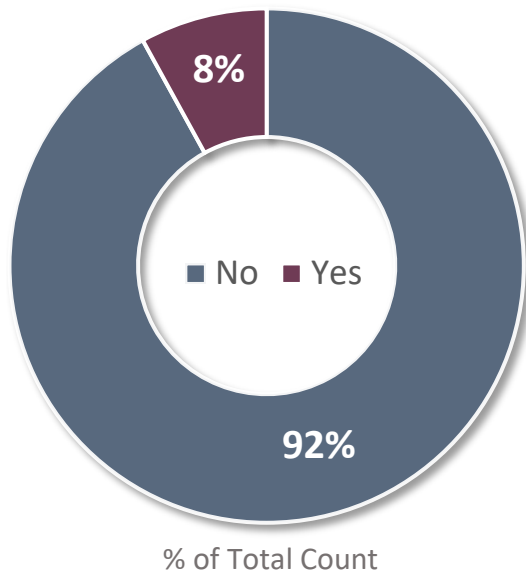
D&O liability insurance protects the individual members of the board of directors and management of a company from allegations that they mismanaged the company, resulting in adverse financial results. Construction companies tend to be privately held, although corporate ownership is not uncommon. It is generally perceived that directors and officers of public corporate entities are more at risk than their counterparts at private firms since shareholder suits constitute a major source of management liability claims. In addition to shareholders, however, management liability suits may come from employees, customers, competitors, creditors, retirement fund participants, and regulatory authorities.

Electrical/HVAC contractors appear to be more likely to purchase directors and officers liability coverage than other construction specialties as well. We collected data from 112 electrical/HVAC contractors, of which 40 percent reported purchasing some level of D&O liability coverage, an increase of 4 percentage points compared to last year.

Workers' Compensation

2022 Group Captive

Data sets were collected from 112 Electrical/HVAC businesses.

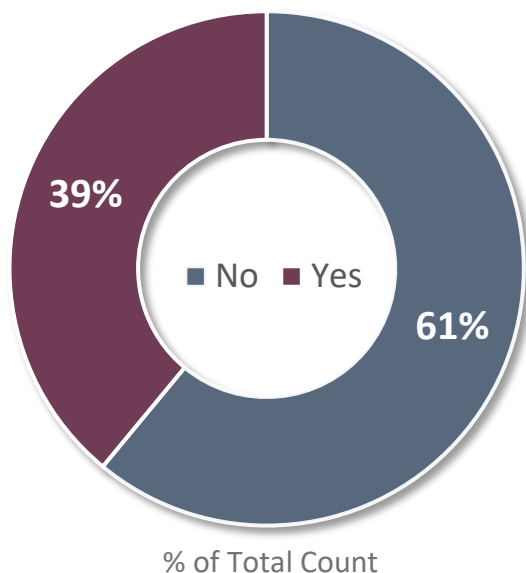


Workers' compensation costs are a significant line item on most contractors' income statement. One approach that some contractors pursue in controlling workers' compensation costs is to work with similar firms in a quasi-self-funding mechanism in the form of a group captive insurance company.

This approach is typically used by relatively large contractors. 8 percent of the firms in our survey report utilizing a group captive approach on their workers' compensation exposure.

2022 Workers' Compensation MOD over 1.0

Data sets were collected from 133 Electrical/HVAC businesses.



Another approach to controlling workers' compensation costs is to aggressively manage project safety and workers' compensation claims to drive down the experience modification used by insurance companies to compute premiums. A workers' compensation experience modification of 1.0 indicates average loss experience compared to other contractors. An experience modification greater than 1.0 reflects losses greater than average. An experience modification of less than 1.0 reflects losses less than average.

39 percent of the contractors in our survey had an experience modification greater than 1.0. 61 percent had an experience modification less than 1.0.

RESULTS

Highway / Underground

Key Highlights

While the amount of data received was less than we would have preferred, the unique risk factors involved caused us to create a separate category for highway and underground contractors, based on NAICS codes 2371XX and 2373XX. This category includes contractors that work on streets, highways, bridges, sewers, water, oil, and gas pipelines, and communication lines.

The high capital equipment costs of this segment create a natural barrier to entry; hence the segment constitutes only 4 percent of the survey respondents. The 69 firms in this segment generate \$2.5 billion of revenue. The largest underground/highway firm in this segment had annual revenue of \$500 million.

Much of the data conformed to our general expectations.

- On average, this segment had the highest revenue per surveyed contractor.
- Property limits were larger than other specialties, which we attribute to the need for equipment repair and maintenance facilities.
- Contractor's equipment limits were relatively large, compared to other categories of contractors in the survey.
- Builder's risk/installation floater coverage was quite low.
- Environmental impairment liability (pollution) coverage and limits were greater than other specialties.
- The rate per million of excess liability limit increased as the size of the contractor increased.

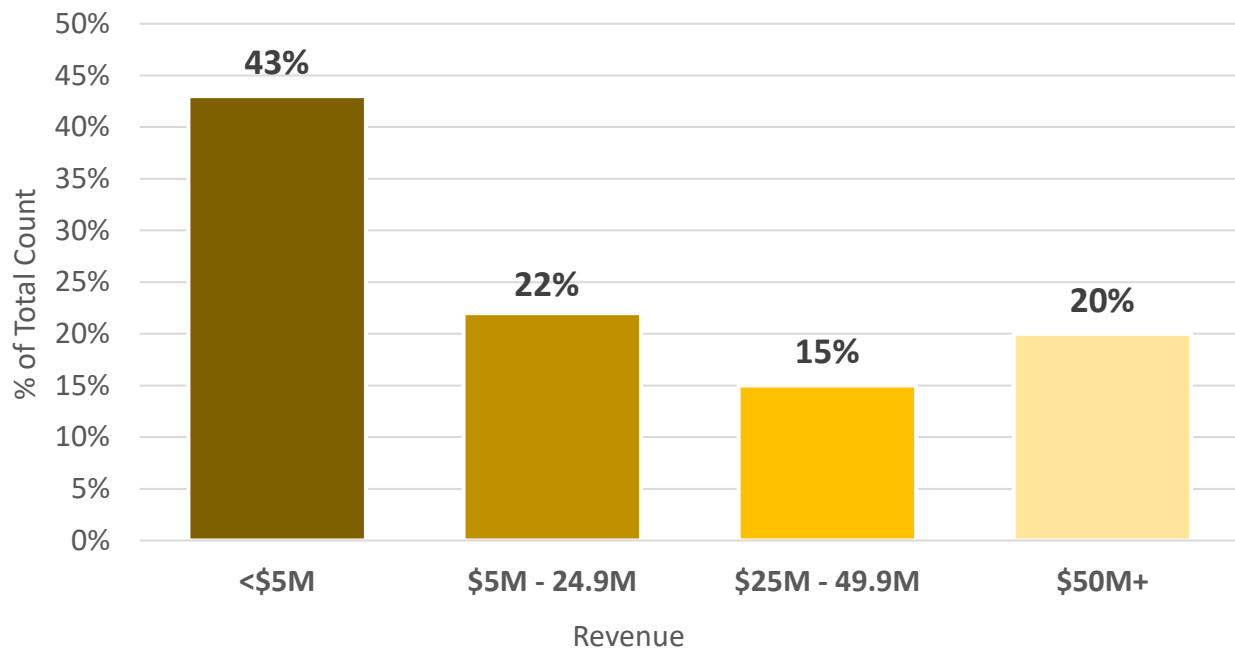
While much of the data conformed to our expectations, here are some items of note.

- Property rates decreased substantially compared to our last survey.
- Excess liability limits were higher than those carried by other specialties.
- Excess liability rates increased substantially compared to last year.
- Relatively few highway/underground firms in our survey chose to purchase cyber coverage.
- 19 percent reported using an alternative funding approach on their workers compensation.

Business Count by Revenue

Data sets were collected from 69 Highway/Underground businesses. The organizations represent over \$2.5 billion of revenue.

2022 Business Count by Revenue



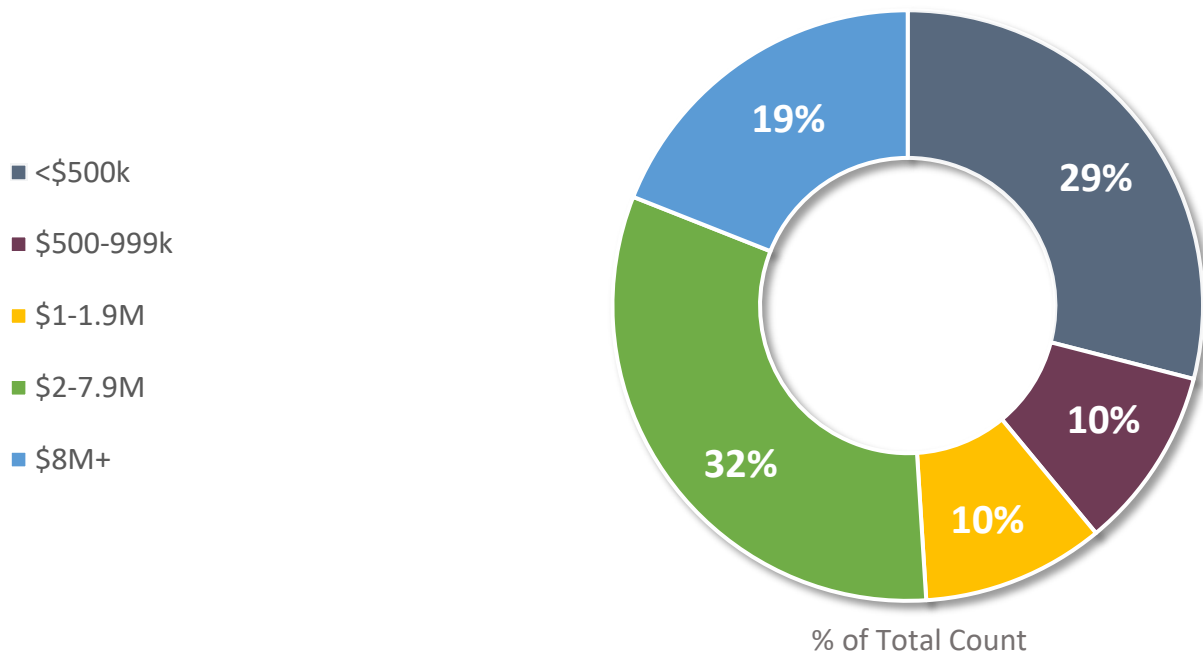
The survey data included a wide variety of different sized highway/underground contractors. 43 percent of the highway/underground firms in the survey generated annual revenues less than \$5 million. 20 percent of firms generated annual revenues in excess of \$50 million. 15 percent of the firms in the survey were in the \$25 million to \$49.9 million size range, which is somewhat greater than the overall contractors in the survey. The average revenue size of highway/underground contractors in this year's survey was \$36 million compared to \$31 million in last year's survey. Total highway/underground revenue included in the survey exceeds \$2.5 billion.

Comparing revenue of contractors among differing specialties can create misperceptions. Highway/underground contractors need to generate larger revenue streams because of the cost associated with needed capital equipment. A highway/heavy contractor will generally sublet a smaller portion of their projects than a general contractor with the same revenue volume. Nonetheless, some highway/underground contractors subcontract a significant amount of work to other firms, while other contractors in this category perform most of the work with their own forces.

Property Total Insured Value (TIV)

Data sets were collected from 52 Highway/Underground businesses. The organizations represent over \$355 million of TIV.

2022 Total Insured Value Breakdown by Business Count



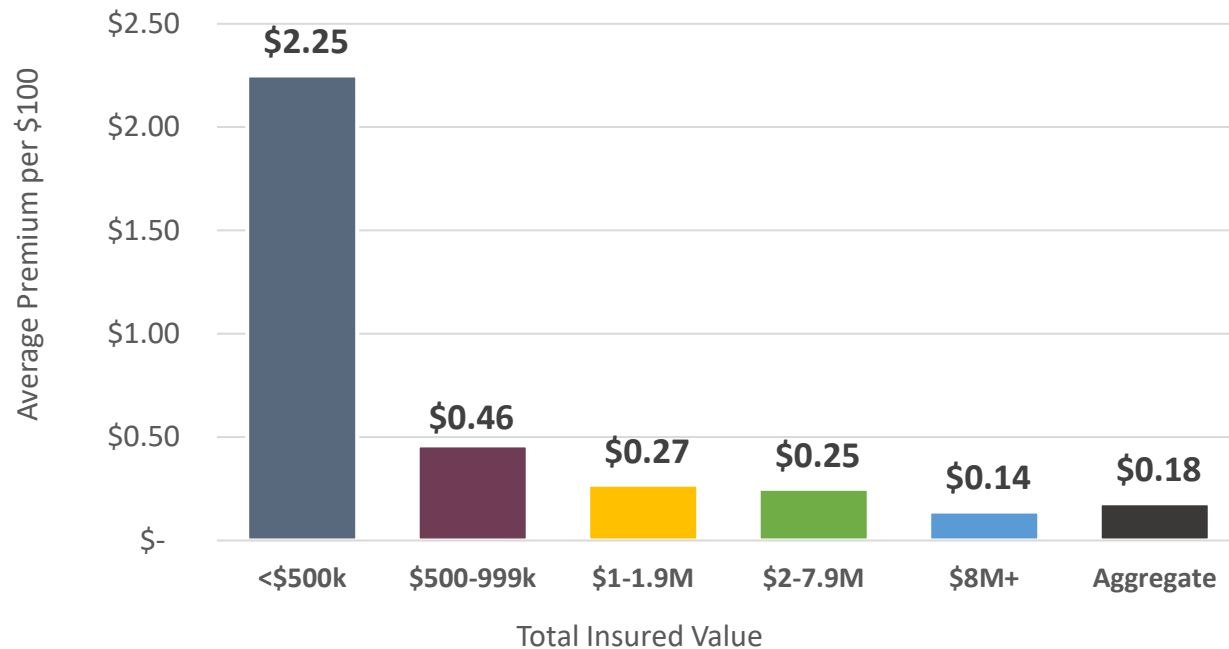
We collected data on property limits from 52 highway/underground construction firms. Highway/underground contractors generally need equipment yards and equipment repair shops, in addition to office space to house estimating and administrative functions, thereby requiring more property insurance than we saw in some other specialties.

Property limits increased from last year, which reflects the larger revenue size of firms in this specialty. 39 percent of highway/underground contractors in our survey purchased property limits of less than \$1 million compared to 46 percent in last year's survey. 51 percent purchased limits greater than \$2 million, while 19 percent purchased limits greater than \$8 million of property coverage, up from 8 percent last year.

Property Total Insured Value (TIV) Rate per \$100

Data sets were collected from 47 Highway/Underground businesses.

2022 Average Rate Per \$100 of Total Insured Value



We received data on property pricing from 64 highway/underground construction companies. As one would expect, the average rate per \$100 of total insured value decreased as the size of the property portfolio increased. This phenomenon is usually a reflection of increased fire resistiveness in building construction and increased protections against loss built into the buildings.

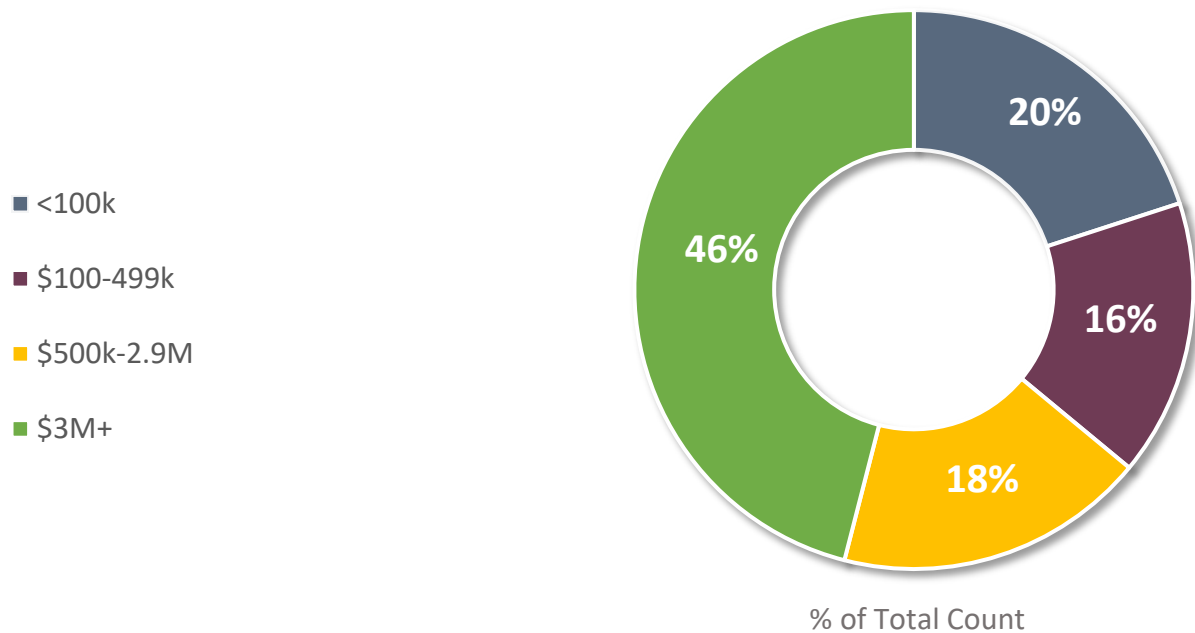
Generally speaking, highway/underground contractors have higher property insurance rates than other construction specialties. This is due to their primary location, which tends to be more rural and distant from a fire station than other specialties, and having a more hazardous occupancy due to the shop exposure.

Highway/underground companies in our survey with less than \$500,000 in total insured property value paid, on average, \$2.25 per \$100 of valuation. The rate dropped substantially as the size contractor increased. Rates for all but the smallest highway/underground contractors fell compared to last year. The average rate for all contractors in this category is \$0.18 per hundred dollars of property value compared to \$0.53 in last year's survey.

Contractor's Equipment Limits

Data sets were collected from 44 Highway/Underground businesses.

2022 Contractor's Equipment Coverage Limits



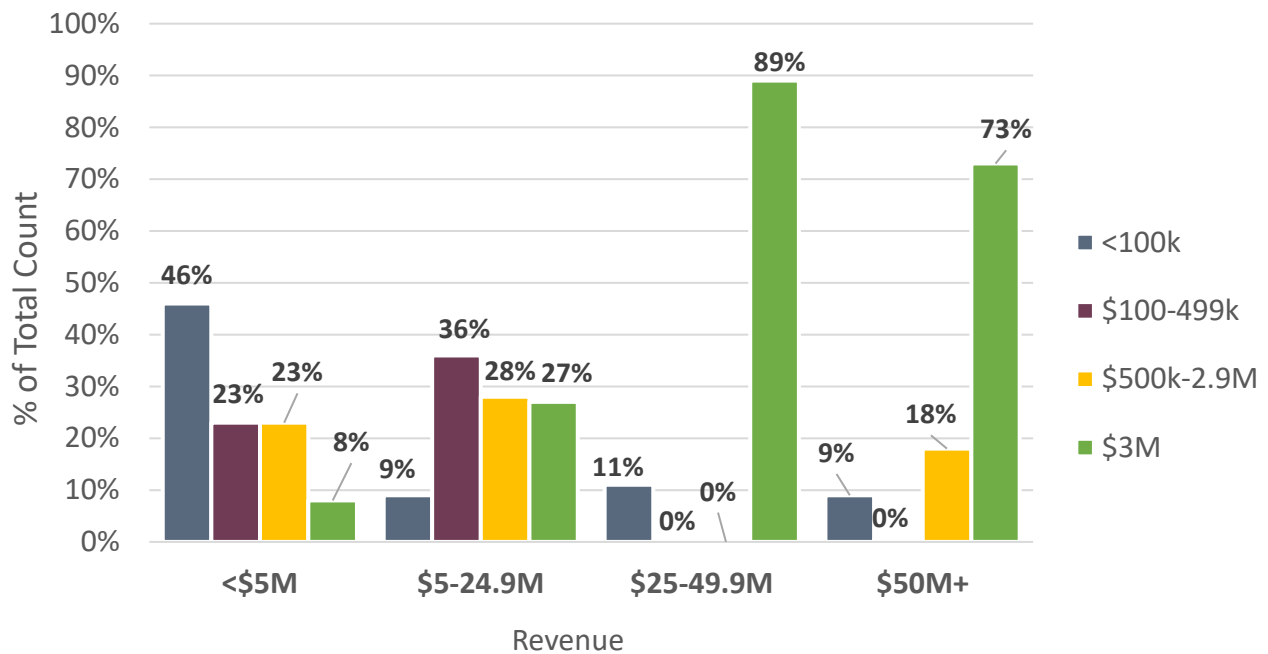
Highway/underground contractors utilize large and expensive pieces of equipment, so the coverage for contractor's mobile equipment is important for them. The survey reflected that the contractors in this category tend to purchase higher contractor's equipment limits than other specialties. Limits purchased increased compared to last year, consistent with the increase in revenue size.

We received data on the contractor's equipment coverage for 44 highway/underground contractors. Only 36 percent of the highway/underground contractors in our survey purchased contractor's equipment insurance with limits under \$500,000. 46 percent of the highway/underground contractors in our survey purchased limits in excess of \$3 million, compared to 12 percent in the aggregate section and 39 percent last year.

Contractor's Equipment Limits by Revenue

Data sets were collected from 44 Highway/Underground businesses.

2022 Contractor's Equipment Coverage Limits by Revenue

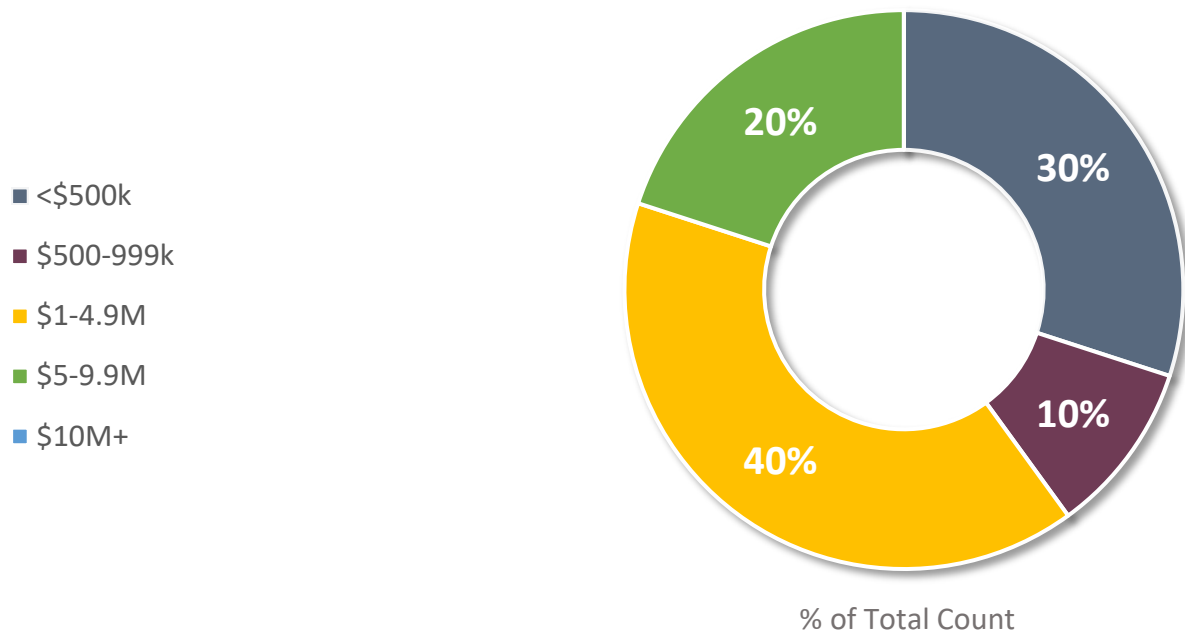


The last section confirmed that highway/underground contractors purchase higher limits of contractor's equipment coverage than other types of contractors. It is not surprising that as the size of a highway/underground contractor increases, so does the amount of contractor's equipment insurance. 73 percent of the contractors greater than \$50 million in annual revenue have at least \$3 million of contractor's equipment coverage. This increases fairly consistently in every revenue band.

Builder's Risk Limits

Data sets were collected from 10 Highway/Underground businesses.

2022 Builder's Risk Coverage Limits

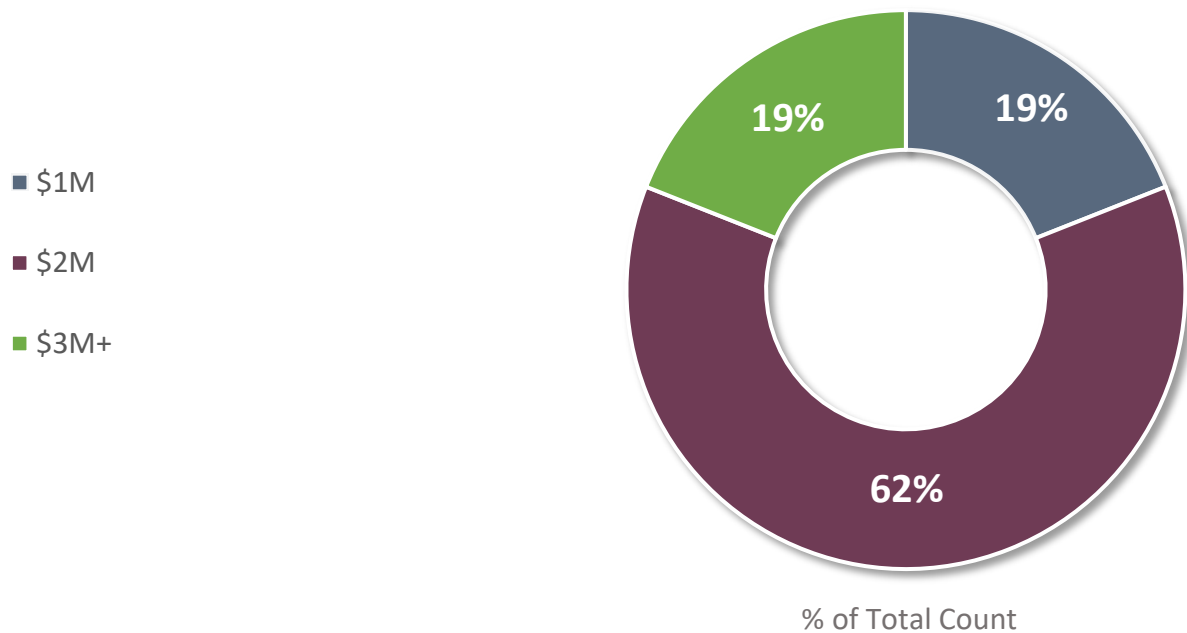


Builder's risk coverage is usually outside of the bailiwick of highway/underground contractors. Only 10 highway/underground contractors in our survey reported purchasing builder's risk coverage. No highway underground contractor reported purchasing a limit greater than \$10 million. 8 reported purchasing a builder's risk limit less than \$5 million.

General Liability

Data sets were collected from 68 Highway/Underground businesses.

2022 General Liability Coverage Limits



General liability insurance is issued to provide protection from bodily injury and property damage arising from injury to third parties caused by the insured's negligence. It typically is purchased using a \$1 million per occurrence/\$2 million annual aggregate limit, although the shift toward purchasing higher limits, driven by the demands of excess liability insurers, appears to be accelerating somewhat.

This coverage is difficult to analyze since some firms report their occurrence limit, and others report their aggregate limit. Data was collected from 68 highway/underground contractors in our survey, which tracks very closely with the data from other specialties.

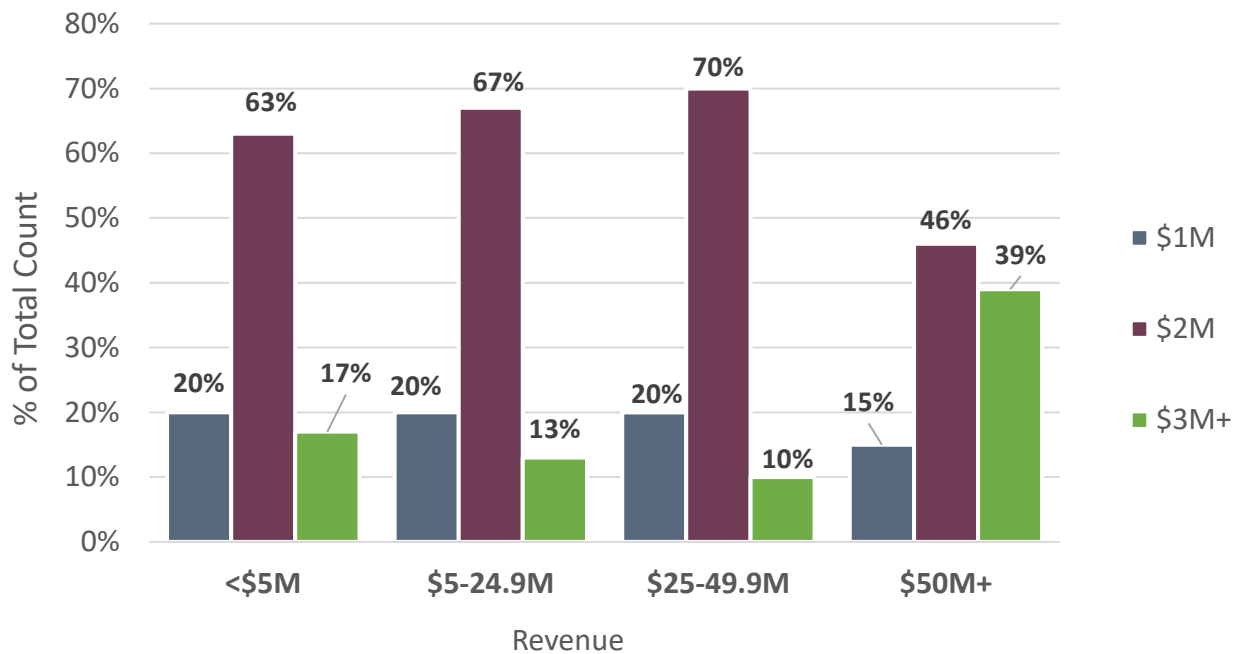
The data reflects that 19 percent of highway/underground contractors purchase a standard \$1 million occurrence general liability limit. 62 percent of respondents to the survey indicate a \$2 million general liability limit. In reality, we believe that most are purchasing a \$1 million occurrence/\$2 million annual aggregate limit.

Organizations can purchase higher liability limits, and our survey shows that 19 percent are purchasing general liability limits greater than the standard, most reporting a \$4 million limit. This compares to 22 percent last year and likely reflects underwriting requirements from excess liability insurance carriers.

General Liability by Revenue

Data sets were collected from 68 Highway/Underground businesses.

2022 General Liability Coverage Limits by Revenue



In the prior section, we noted that some organizations report the general liability policy's occurrence limit, and others report the aggregate limit. In other words, we believe that most of the \$2 million limits reported are actually the aggregate limit of the general liability policy.

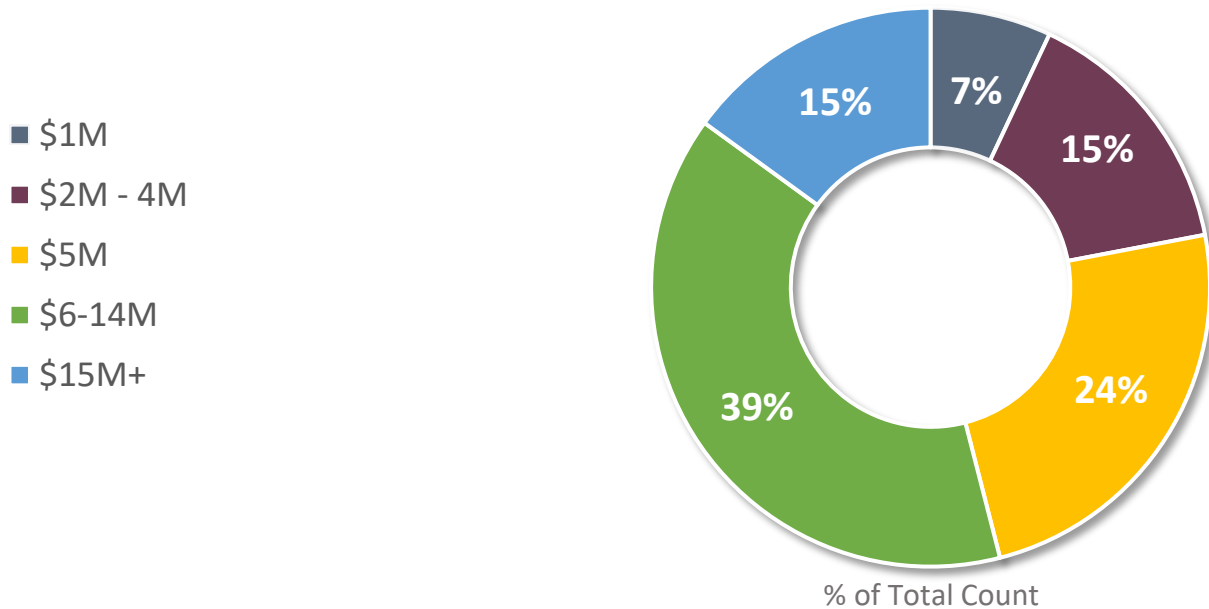
If this is true, then the vast majority of construction organizations in our survey purchase a standard \$1 million per occurrence/\$2 million aggregate limit of liability for their general liability policies, irrespective of their size. 83 percent of small organizations report either a \$1 million or \$2 million general liability limit. This phenomenon is replicated across all revenue sizes surveyed except the over \$50 million bracket, where the percentage drops to 61 percent.

We observed in the previous section that excess liability underwriters frequently require higher underlying limits in the general liability policy to support their coverage offer. As contractors grow in revenue size they begin to purchase larger limits, usually a \$2 million per occurrence/\$4 million annual aggregate general liability limit. 39 percent of highway/underground contractors generating more than \$50 million in annual revenue purchase larger general liability limits.

Excess Liability

Data sets were collected 54 Highway/Underground businesses.

2022 Excess Liability Coverage Limits



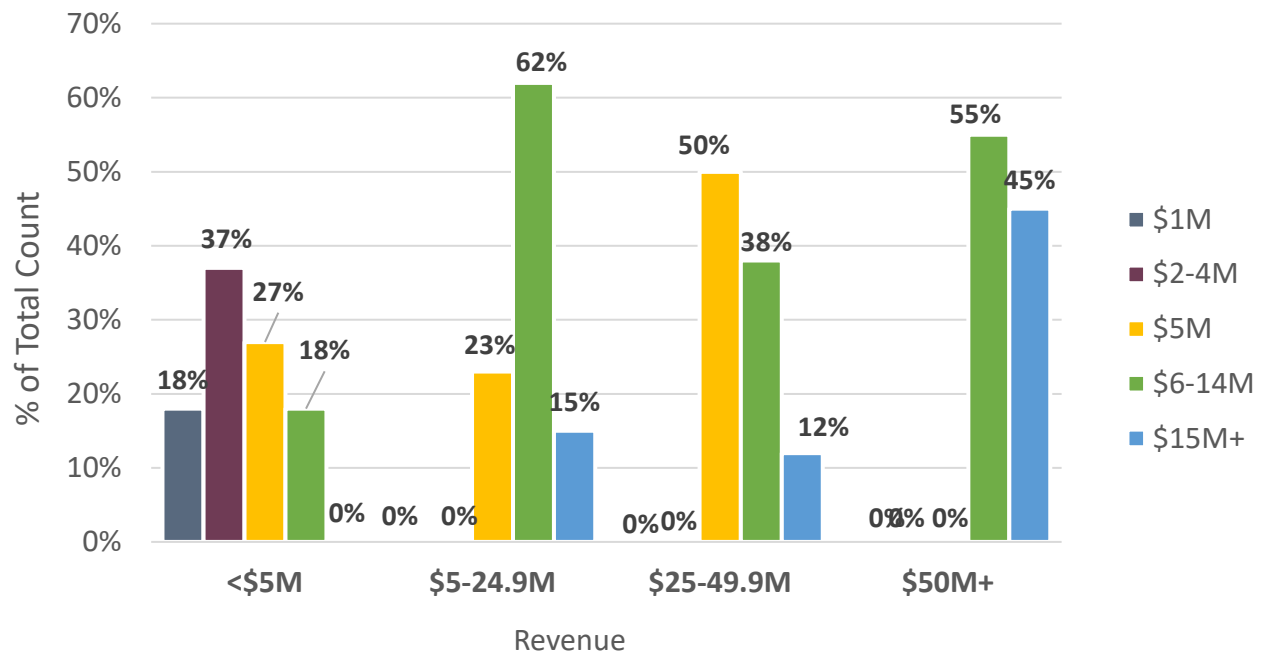
Excess liability policies provide larger limits over primary general liability, auto liability, and employers liability policies. Excess liability coverage provides protection for catastrophic liability. Construction is inherently dangerous and is subject to catastrophic loss.

As we saw with other specialty areas, excess liability limits increased in this year's survey. 54 highway/underground contractors in our survey reported their purchase of excess liability insurance. Reported excess liability limits increased over last year's survey. 46 percent of the highway/underground contractors in the survey purchased \$5 million or less of excess liability limit compared to 67 percent last year. 39 percent of the contractors in the survey purchased between \$6 million and \$14 million of limit compared to 17 percent last year. 15 percent carried a limit of \$15 million or greater, consistent with last year.

Excess Liability by Revenue

Data sets were collected from 54 Highway/Underground businesses.

2022 Excess Liability Coverage Limits by Revenue



Excess liability policies provide larger limits over primary general liability, auto liability, and employers liability policies. Excess liability coverage provides protection for catastrophic liability. Construction is inherently dangerous and is subject to catastrophic loss, hence this coverage is important.

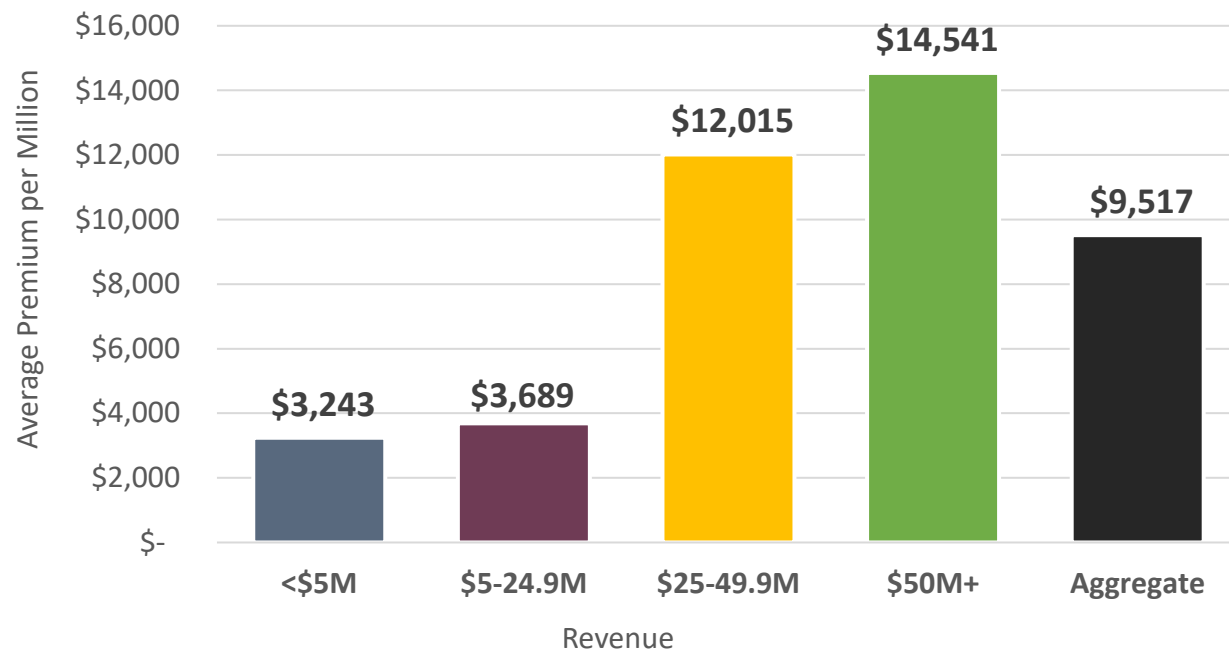
54 of the small highway/underground contractors in our survey reported their purchase of excess liability insurance. The limits purchased tend to be greater than the other specialties in the survey and have increased compared to last year.

55 percent of the highway/underground contractors in the survey purchased less than \$5 million of excess liability limit. Excess liability limits increase as revenue increases. All the highway underground contractors larger than \$5 million of annual revenue carry limits greater than or equal to \$5 million. Contractors in the largest revenue category carry at least \$6 million, and 45 percent carry more than \$15 million of excess liability limit.

Excess Liability Average Premium by Revenue

Data sets were collected from 54 Highway/Underground businesses.

2022 Excess Liability Premium per \$1 Million Limit by Revenue



The excess liability premium for an individual contractor is a function of the underlying general liability, auto liability, and employers liability premiums. Those premiums are a function of the construction activities and characteristics of the individual contractor, including revenue size. The greater the size of the contractor, the greater their exposure to loss.

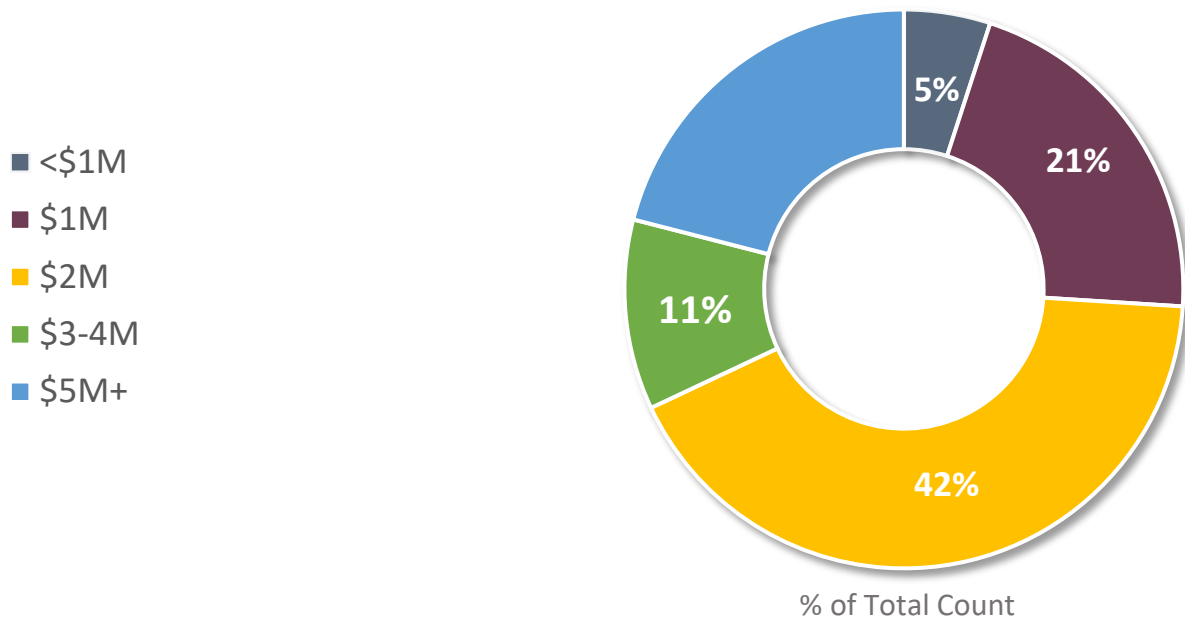
The information in this chart compares the average cost per million (regardless of the total limit purchased) of a highway/underground contractor's excess liability program to their annual revenue. Unsurprisingly, the larger the contractor's revenue base, the more they pay per million of excess liability coverage.

Excess liability rates have increased substantially from last year's survey. A highway/underground contractor in our survey generating more than \$50 million of revenue pays \$14,541 per million of excess liability limit, compared to a contractor generating less than \$5 million of revenue paying \$3,243 per million of limit. The aggregate rate for highway/underground contractors has increased by over 100 percent compared to last year.

Contractor's Professional Liability

Data sets were collected from 19 Highway/Underground businesses.

2022 Contractor's Professional Liability Coverage Limits



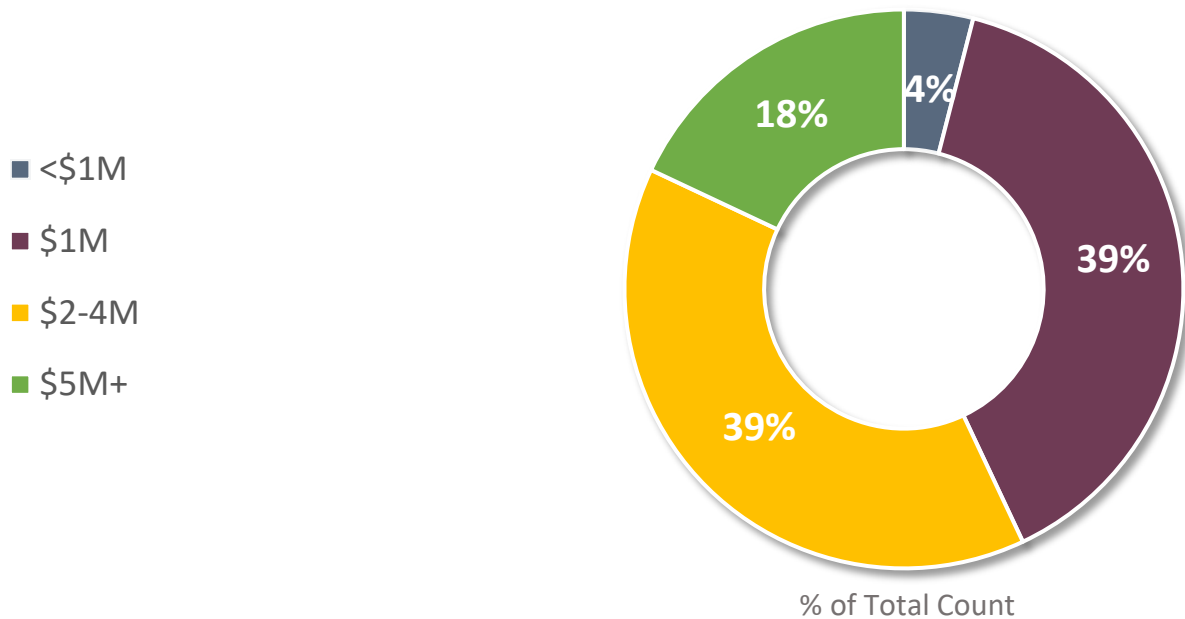
As other contractor categories increasingly become involved in design/build and construction management contracts, where they provide professional advice to owners, the need for professional insurance has become more important. Since it is unusual for highway and underground contractors to become involved in this arrangement, their need for contractor's professional insurance is correspondingly lower.

Only 19 of the highway and underground contractors in our survey report purchasing contractor's professional liability insurance. Five contractors report purchasing a limit of \$1 million or less. Four firms report purchasing a limit of \$5 million or greater.

Environmental Impairment

Data sets were collected from 28 Highway/Underground businesses.

2022 Environmental Impairment Coverage Limits



The purchase of environmental liability insurance is often driven by contractual requirements from owners, although many firms recognize their exposure and purchase insurance to protect against environmental losses. We were surprised to see so many contractors purchasing this coverage in last year's survey.

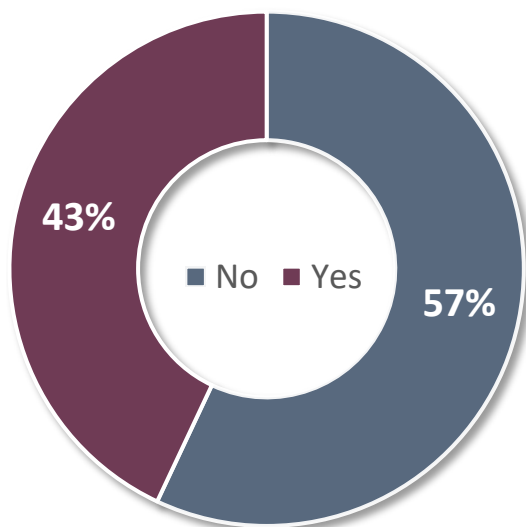
Once again, this year's survey demonstrates that highway and underground contractors are more likely to purchase environmental impairment liability insurance than many other specialties. Half of the highway/underground firms in our survey show the purchase of environmental impairment liability insurance, significantly more than other specialty contractors.

The limits purchased tend to be fairly modest, with 82 percent of the coverage purchased having a limit less than \$5 million. 18 percent of policies had limits of \$5 million or greater. As with excess liability, the size of the limit purchased tends to increase as the size of the contractor increases.

Alternatives

2022 Owners and Contractors Protective

Data sets were collected from 42 Highway/Underground businesses.



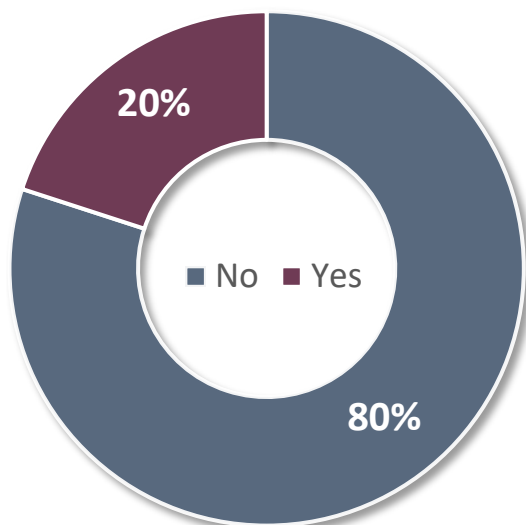
% of Total Count

Sometimes an owner will purchase liability insurance, covering itself and the contractors performing work on the project from damages caused by their negligence. This coverage eliminates the possibility of disputes between the owner and contractor caused by damage to a third party. This coverage used to be fairly routine for contractors performing work for railroads. While owners sometimes purchase this coverage, builders are sometimes required to purchase the coverage.

Highway/underground contractors tend to purchase this coverage more often than other specialties due to work around railroad right of ways. 43 percent of the contractors in our survey report the purchase of an owners and contractors policy.

2022 Sub-Contractors Default

Data sets were collected from 30 Highway/Underground businesses.



% of Total Count

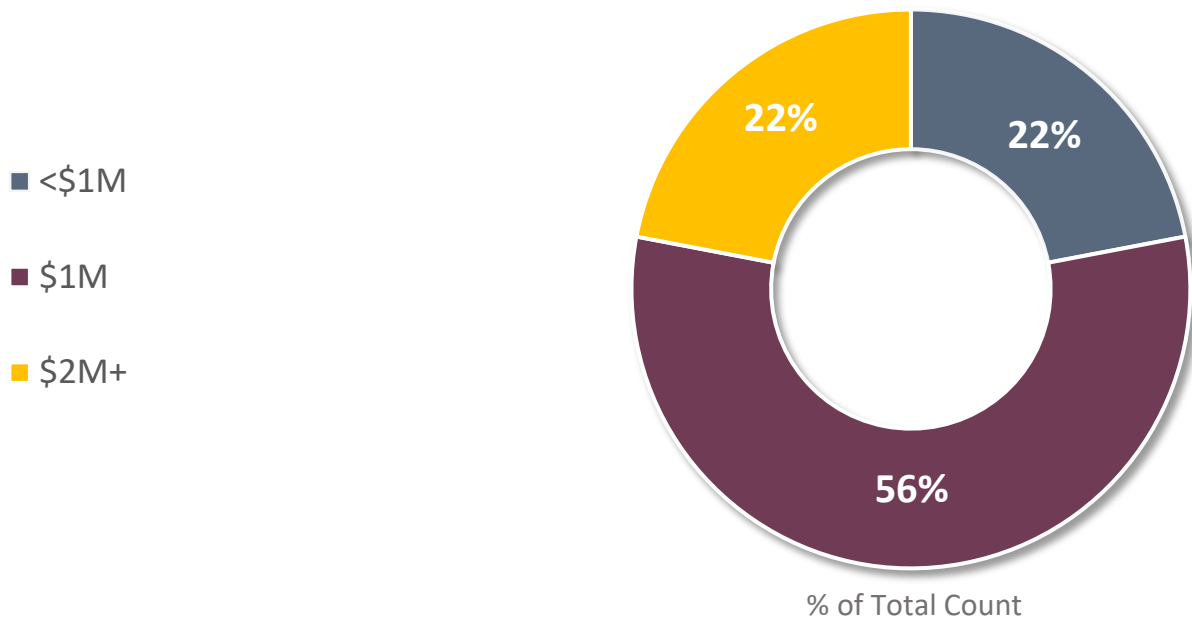
Construction projects are complex and often require the participation of several layers of subcontractors to complete the work. The financial failure of a key subcontractor can have a devastating impact on the financial wellbeing of a general contractor. Subcontractor default coverage provides money for the general contractor to bring in an alternative subcontractor in the event of their failure to perform.

20 percent of the highway/underground contractors in our survey were involved in purchasing subcontractor default insurance, which is consistent with last year's survey.

Cyber

Data sets were collected from 9 Highway/Underground businesses.

2022 Cyber



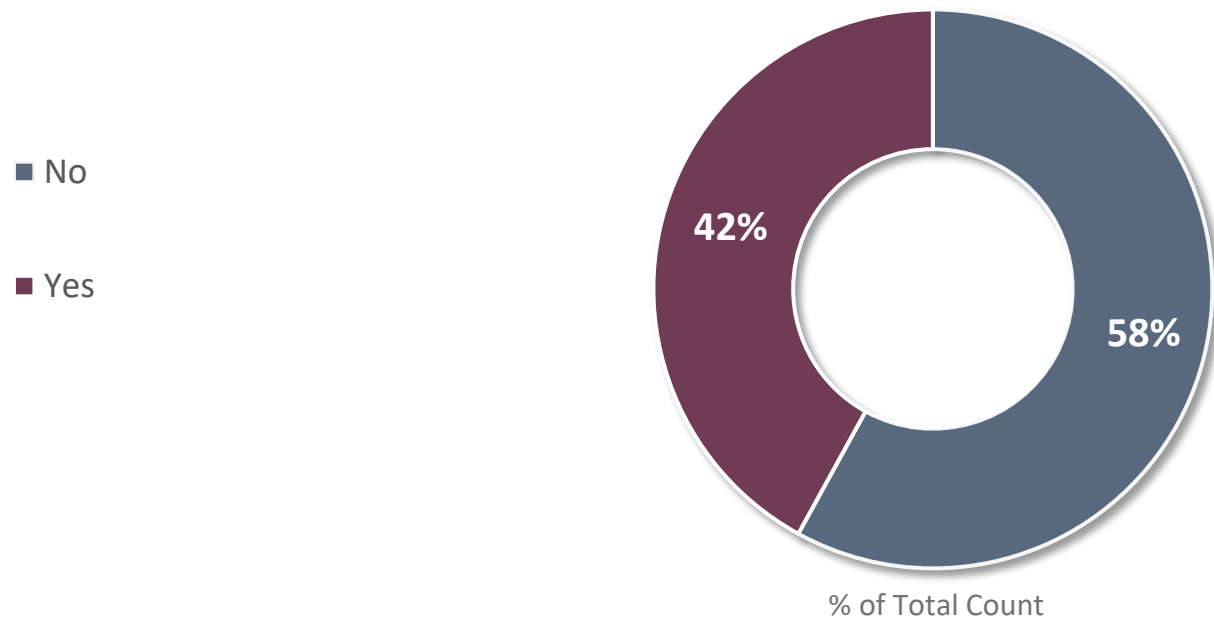
Cyber insurance, often referred to as privacy coverage, protects against internet-based risks, and more generally from risks relating to information technology infrastructure and activities. Risks of this nature are typically excluded from traditional commercial general liability policies or at least are not specifically defined in traditional insurance products. Policies may provide either first-party, which protects the contractor's own systems from damage, or third-party coverage, which protects against damage to others, or a combination of the two.

Highway/underground contractors tend to purchase his coverage less frequently than other specialties. Only 9 of the contractors in our survey report the purchase of cyber coverage. None of them purchased a limit greater than \$2 million.

Executive Risk — D&O Liability

Data sets were collected from 33 Highway/Underground businesses.

2022 Executive Risk — D&O Liability



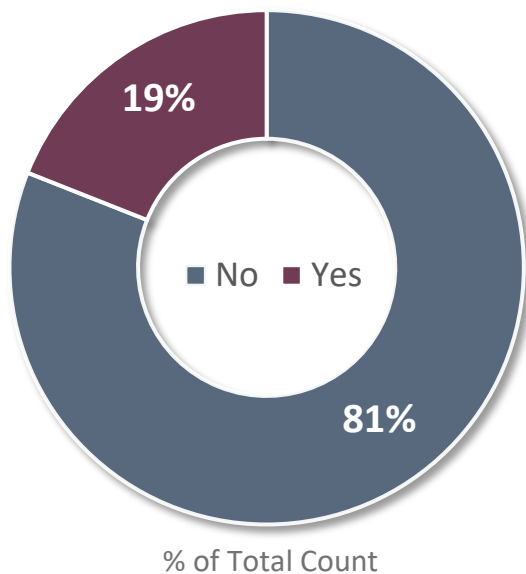
D&O liability insurance protects the individual members of the board of directors and management of a company from allegations that they mismanaged the company, resulting in adverse financial results. Construction companies tend to be privately held, although corporate ownership is not uncommon. It is generally perceived that directors and officers of public corporate entities are more at risk than their counterparts at private firms since shareholder suits constitute a major source of management liability claims. In addition to shareholders, however, management liability suits may come from employees, customers, competitors, creditors, retirement fund participants, and regulatory authorities.

We collected data regarding D&O liability coverage from 33 highway/underground contractors. The survey data demonstrated that only 42 percent of the contractors reporting on this issue in our survey purchase some form of D&O liability insurance.

Workers' Compensation

2022 Group Captive

Data sets were collected from 31 Highway/Underground businesses.

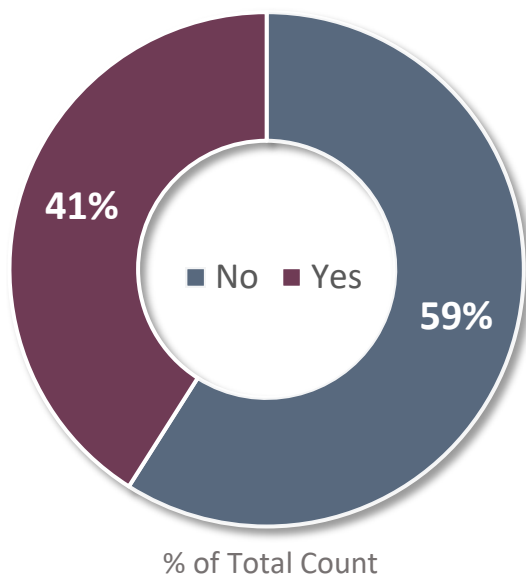


Workers' compensation costs are a significant line item on most contractors' income statement. One approach that some contractors pursue in controlling workers' compensation costs is to work with similar firms in a quasi-self-funding mechanism in the form of a group captive insurance company.

This approach is typically used by relatively large contractors. 19 percent of the firms in our survey report utilizing a group captive approach on their workers' compensation exposure.

2022 Workers' Compensation MOD over 1.0

Data sets were collected from 44 Highway/Underground businesses.



Another approach to controlling workers' compensation costs is to aggressively manage project safety and work comp claims to drive down the experience modification used by insurance companies to compute premiums. A workers' compensation experience modification of 1.0 indicates average loss experience compared to other contractors. An experience modification greater than 1.0 reflects losses greater than average. An experience modification of less than 1.0 reflects losses less than average.

41 percent of the contractors in our survey had an experience modification greater than 1.0. 59 percent had an experience modification less than 1.0.

RESULTS

Trade

Key Highlights

The trade contractors category in our survey incorporates data on traditional subcontractors, with the exception of electrical and HVAC contractors. It is based on NAICS codes 2371XX and 2373XX and includes such specialties as foundations, exterior finishes, framing, masonry, and finishing.

This category constituted 27 percent of survey participants. 446 trade contractors participated in this year's survey, ranging in size from less than \$1 million to over \$250 million in annual revenue. The average trade contractor in our survey generated slightly less than \$10 million in annual revenue. This specialty area generated \$4.4 billion in revenue across all survey participants.

Much of the data conformed to our general expectations.

- The contractors in this category generated the smallest annual revenues in the survey.
- While property limits were not particularly large, the rates were lower than other categories.
- Like other specialties, property rates increased substantially for small contractors, but actually decreased for larger property schedules.
- Contractor's equipment limits were relatively modest.
- Builder's risk/installation floater coverage was quite low.
- The rate per million of excess liability limit increased as the size of the contractor increased.

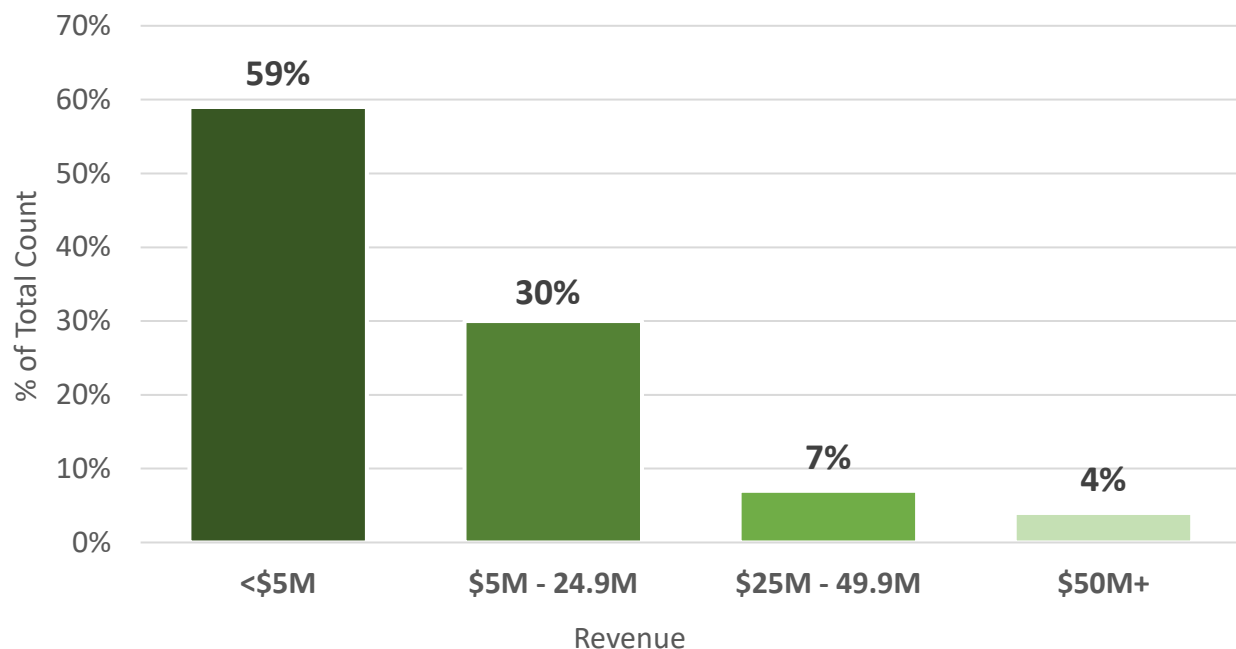
While much of the data conformed to our expectations, here are some items of note.

- The percentage of trade contractors purchasing higher general liability limits increased from 9 to 22 percent. There was not a direct relationship between revenue and limit purchased.
- Excess liability rates increased substantially for large trade contractors, although more modestly for smaller firms. The average across all sizes of trade contractors this year was \$7,559 compared to \$5,947 last year.
- Trade contractors that purchased professional liability coverage increased their limits in this year's survey.

Business Count by Revenue

Data sets were collected from 446 Trade businesses. The organizations represent over \$4.4 billion of revenue.

2022 Business Count by Revenue



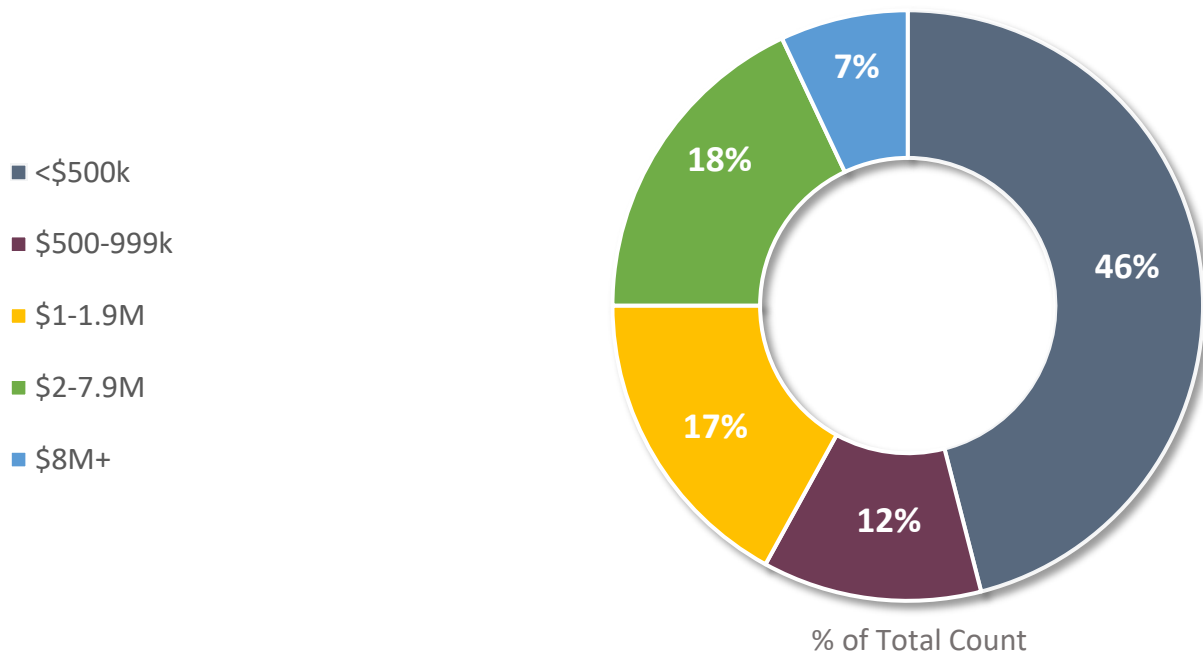
The survey data included a wide variety of different sized trade contractors, but in general, they tended to be a bit smaller than some of the other categories. 59 percent of the trade contractors in the survey generated annual revenues of less than \$5 million. 89 percent of firms generated annual revenues of less than \$25 million. Only 4 percent generated revenues in excess of \$50 million. The average trade contractor in our survey generated slightly less than \$10 million of annual revenue. Total trade contractor revenue included in the survey exceeds \$4.4 billion.

Comparing the revenue of contractors among differing specialties can create misperceptions. A trade contractor generally performs their work with their own workforce and tends to sublet less work than other specialties. They also tend to be less capital intensive, resulting in smaller property and contractor's equipment schedules.

Property Total Insured Value (TIV)

Data sets were collected from 323 Trade businesses. The organizations represent over \$1.2 billion of TIV.

2022 Total Insured Value Breakdown by Business Count



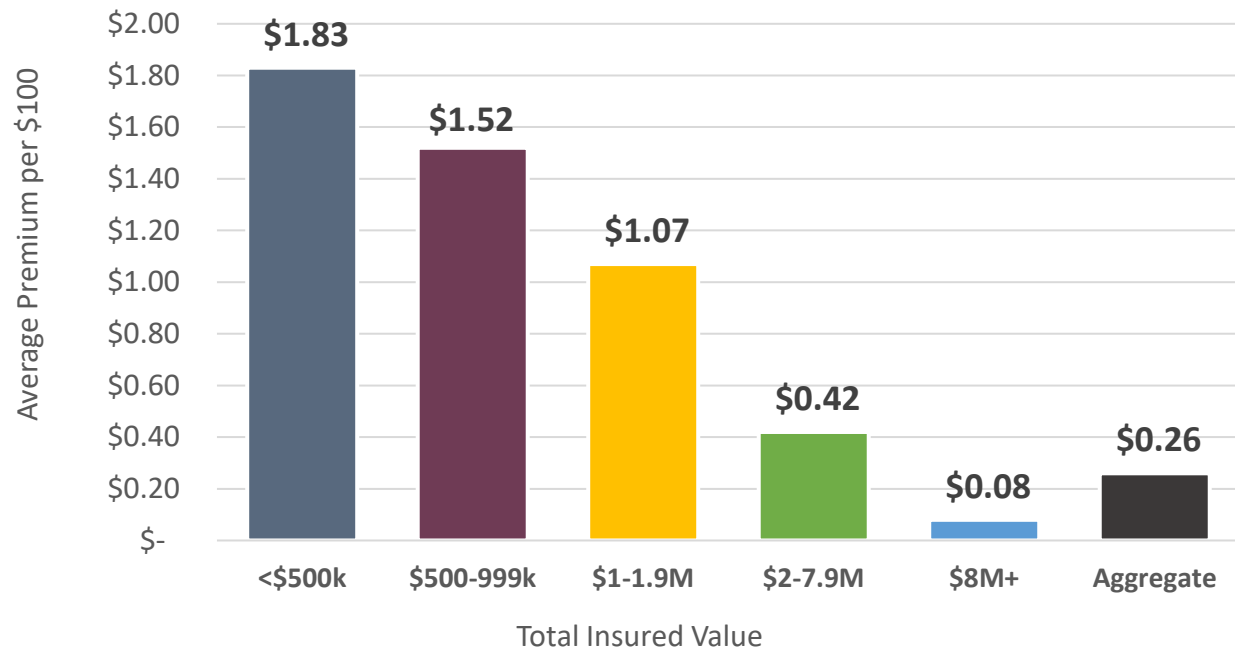
We received data on property pricing from 323 trade construction companies. The property limits purchased in this category tended to be quite modest, with 58 percent having less than \$1 million of insured property. 75 percent had limits of less than \$2 million. Only 7 percent showed limits greater than 8 million.

This is partly a reflection that these firms tend to be somewhat smaller than firms in other categories and have smaller needs for physical property to support their operations.

Property Total Insured Value (TIV) Rate per \$100

Data sets were collected from 255 Trade businesses.

2022 Average Rate Per \$100 of Total Insured Value



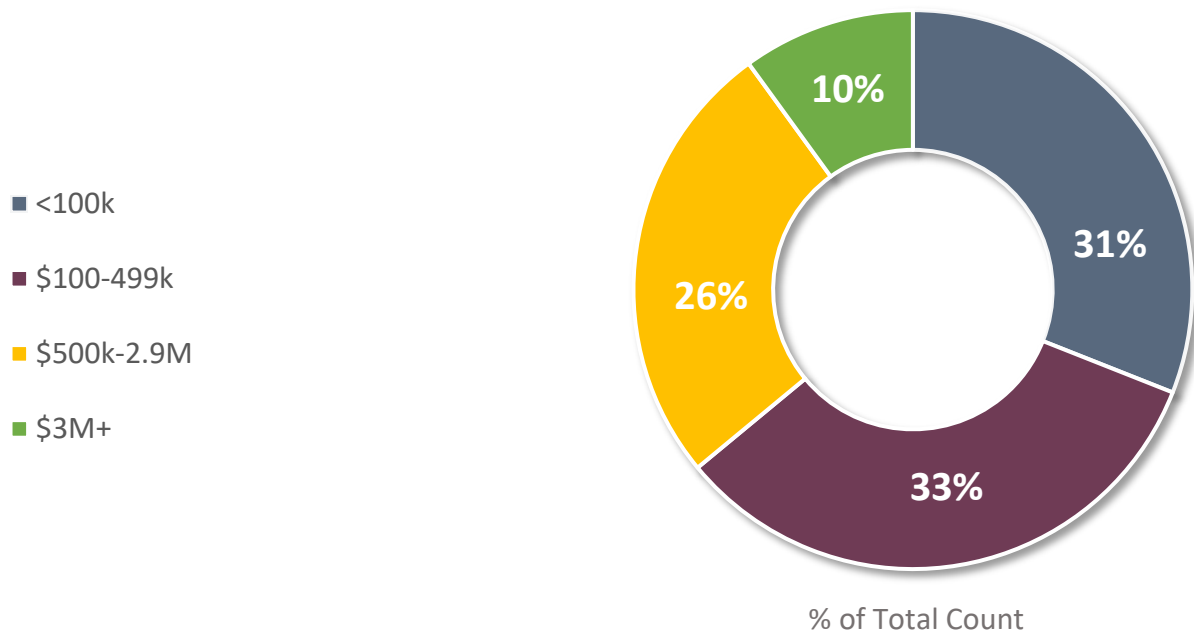
The data from 255 trade contractor organizations allowed us to calculate average property rates. As one would expect, the average rate per \$100 of total insured value decreases as the size of the property portfolio increased. This phenomenon is usually a reflection of increased fire resistiveness in building construction and increased protections against loss built into the buildings.

While the property rates for contractors in this category are significantly lower than some of their counterparts, the survey showed that rates for small contractors increased dramatically, while rates for large contractors actually decreased. Companies with less than \$500,000 in total insured property value paid, on average, \$1.83 per \$100 of valuation compared to \$1.01 last year. The rate decreased in each size band until it reached \$0.08 per \$100 of valuation for firms with over \$8 million in total insured value.

Contractor's Equipment Limits

Data sets were collected from 283 Trade businesses.

2022 Contractor's Equipment Coverage Limits



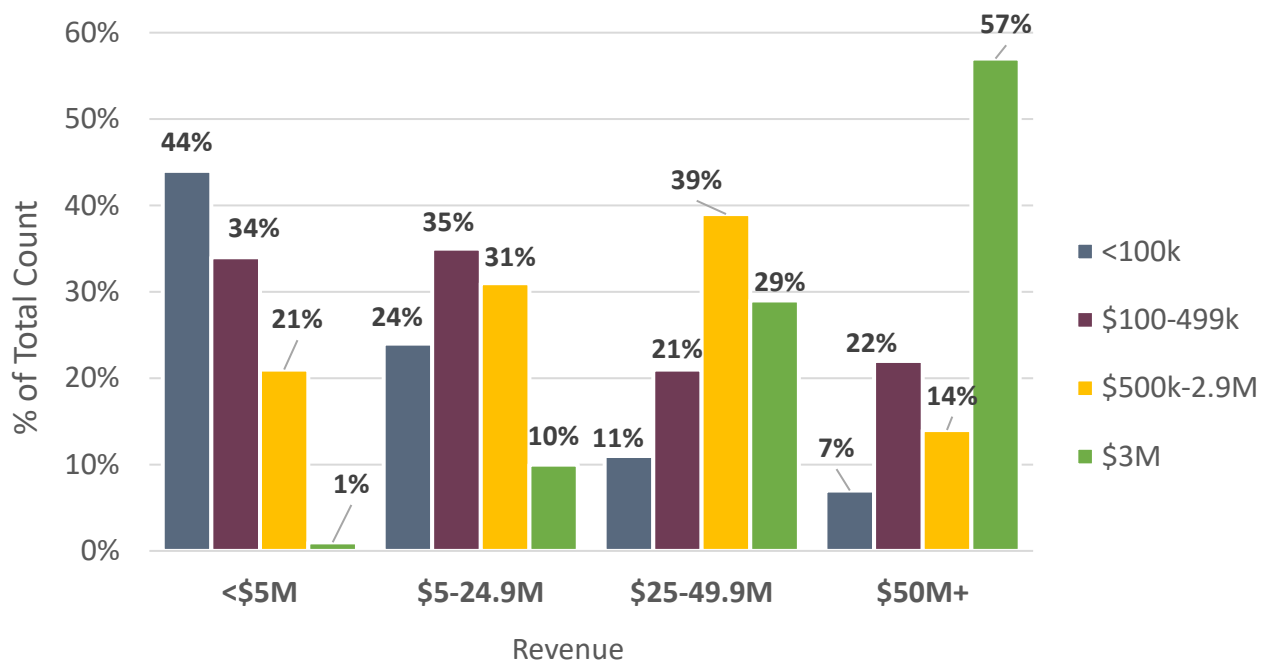
Most trade contractors in the survey own mobile equipment and use contractor's equipment coverage to insure it. The equipment they utilize in their projects and warehouses tends to be smaller and less expensive than a highway or underground contractor. Combining that fact with their smaller average size, the limits tend to be lower than for some other specialties.

We received data on the contractor's equipment coverage for 283 trade contractors. 64 percent of the trade contractors in our survey purchased contractor's equipment insurance with limits under \$500,000. 10 percent of the trade contractors in our survey purchased limits in excess of \$3 million.

Contractor's Equipment Limits by Revenue

Data sets were collected from 283 Trade businesses.

2022 Contractor's Equipment Coverage Limits by Revenue



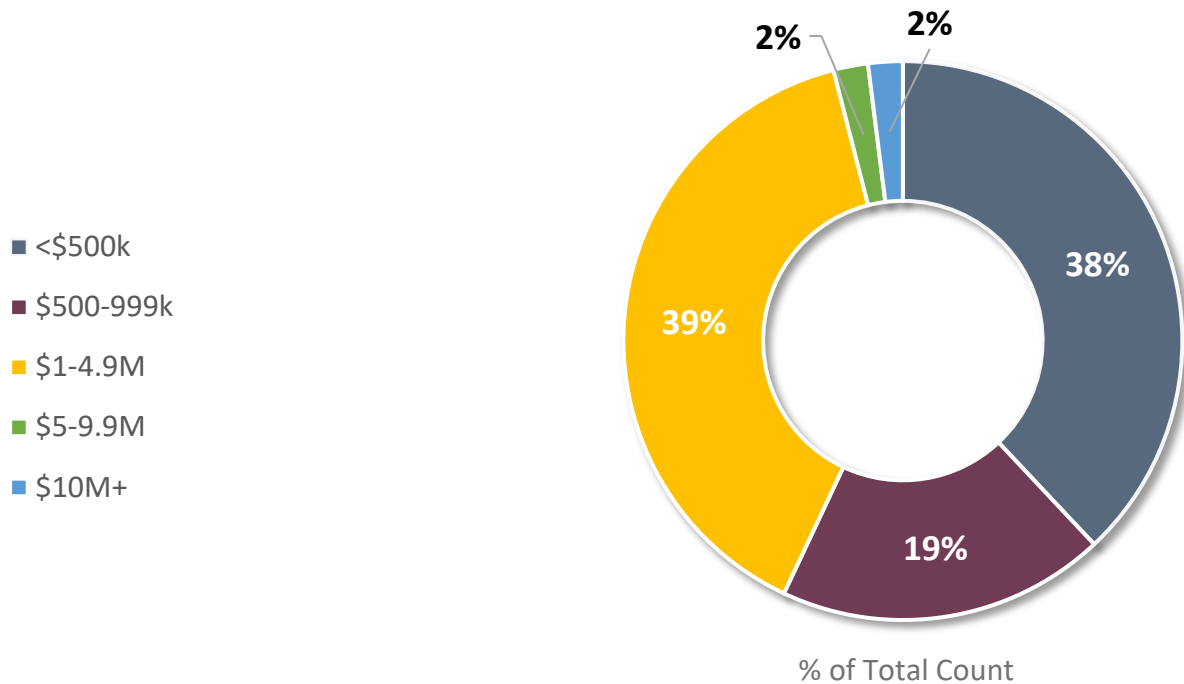
The last section confirmed that trade contractors purchase lower limits of contractor's equipment coverage than other types of contractors. Despite that, it is not surprising that as the size of a trade contractor increases, so does the amount of contractor's equipment insurance.

There is a direct relationship between trade contractor revenue and the amount of contractor's equipment they insure. We reviewed data regarding revenue and contractor's equipment limits from 283 trade contractors. 57 percent of the trade contractors with annual revenue greater than \$50 million have at least \$3 million of contractor's equipment coverage. 78 percent of trade contractors with less than \$5 million of annual revenue have less than \$500,000 of contractor's equipment. The results are relatively consistent with last year's survey.

Builder's Risk Limits

Data sets were collected from 52 Trade businesses.

2022 Builder's Risk Coverage Limits



Builder's risk coverage is typically purchased by owners and covers the work of all contractors working on a project. When the owner fails to purchase the coverage, it tends to be the province of general contractors, which is supported by our data. Installation floaters are a builder's risk type coverage which tends to be the province of the electrical/HVAC and other subtrade specialties.

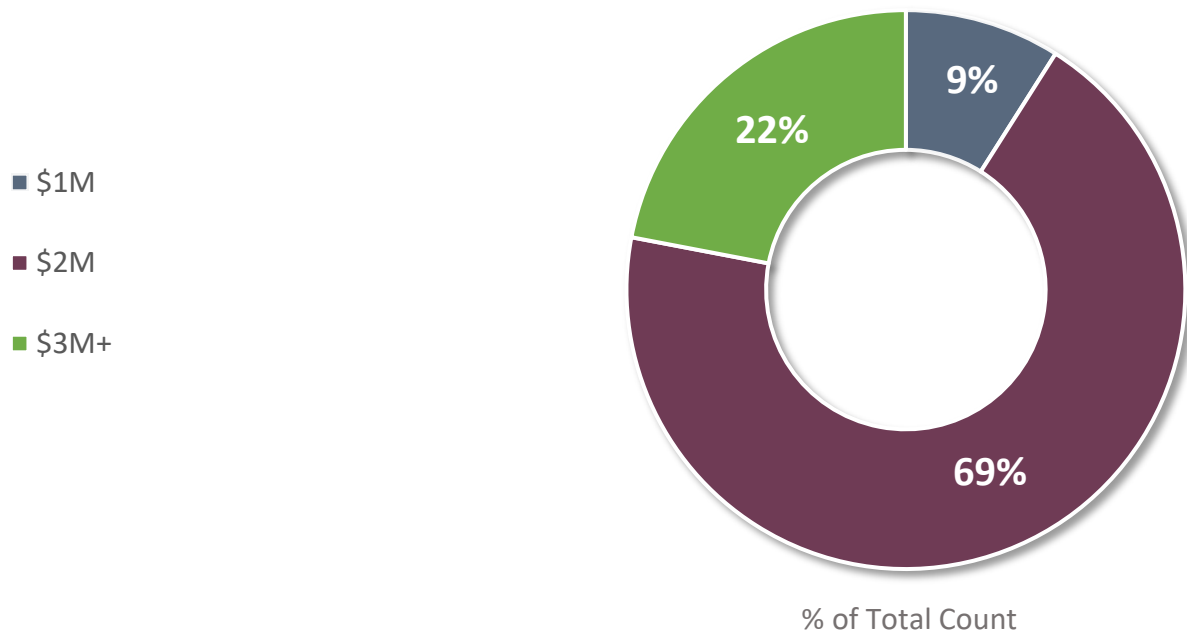
Builder's risk coverage is usually written on an individual project basis for the entire cost of the project, plus the economic impact of delays in the project completion data and associated "soft costs." As a result, the limits of builder's risk coverage purchased by trade contractors in our survey are relatively modest.

52 trade contractors or 12 percent of the total in our survey report purchasing builders risk type coverage. 57 percent of the trade contractors that purchased coverage bought minimum limits, i.e., under \$500,000. Only 4 percent of trade contractors purchased builder's risk limits of \$5 million or greater. We believe this is due to the coverage being on an installation floater form and limited to only the work performed by the trade contractor.

General Liability

Data sets were collected from 435 Trade businesses.

2022 General Liability Coverage Limits



General liability insurance is issued to provide protection from bodily injury and property damage arising from injury to third parties caused by the insured's negligence. It typically is purchased using a \$1 million per occurrence/\$2 million annual aggregate limit, although the shift toward purchasing higher limits, driven by the demands of excess liability insurers, appears to be accelerating somewhat.

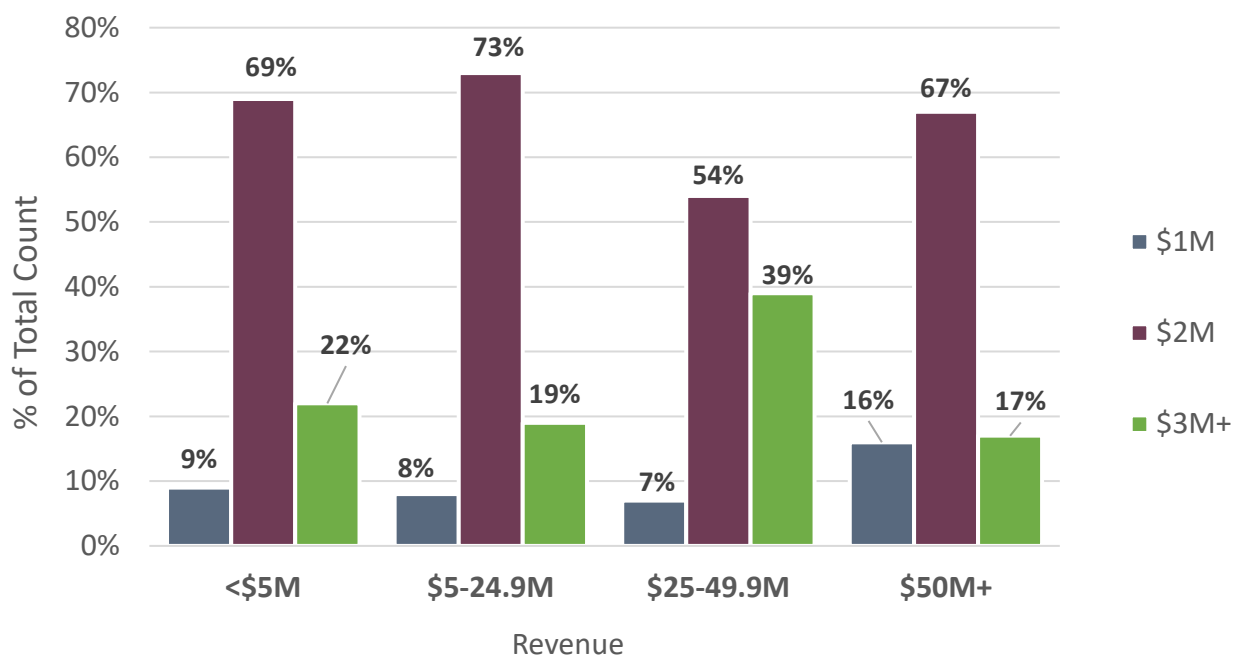
Data was collected from 435 trade contractors in our survey. This coverage is difficult to analyze since some firms report their occurrence limit, and others report their aggregate limit. The data reflects that 9 percent of general contractors purchase a standard \$1 million occurrence general liability limit. 69 percent of respondents to the survey indicate a \$2 million general liability limit. In reality, we believe that most are purchasing a \$1 million occurrence/\$2 million annual aggregate limit.

Organizations can purchase higher liability limits, and our survey shows that firms opt for higher limits. 22 percent are purchasing general liability limits greater than the standard, most reporting a \$4 million limit. This compares to 9 percent last year and likely reflects underwriting requirements from excess liability insurance carriers.

General Liability by Revenue

Data sets were collected from 435 Trade businesses.

2022 General Liability Coverage Limits by Revenue



In the prior section, we noted that some organizations report the general liability policy's occurrence limit, and others report the aggregate limit. In other words, we believe that most of the \$2 million limits reported are actually the aggregate limit of the general liability policy.

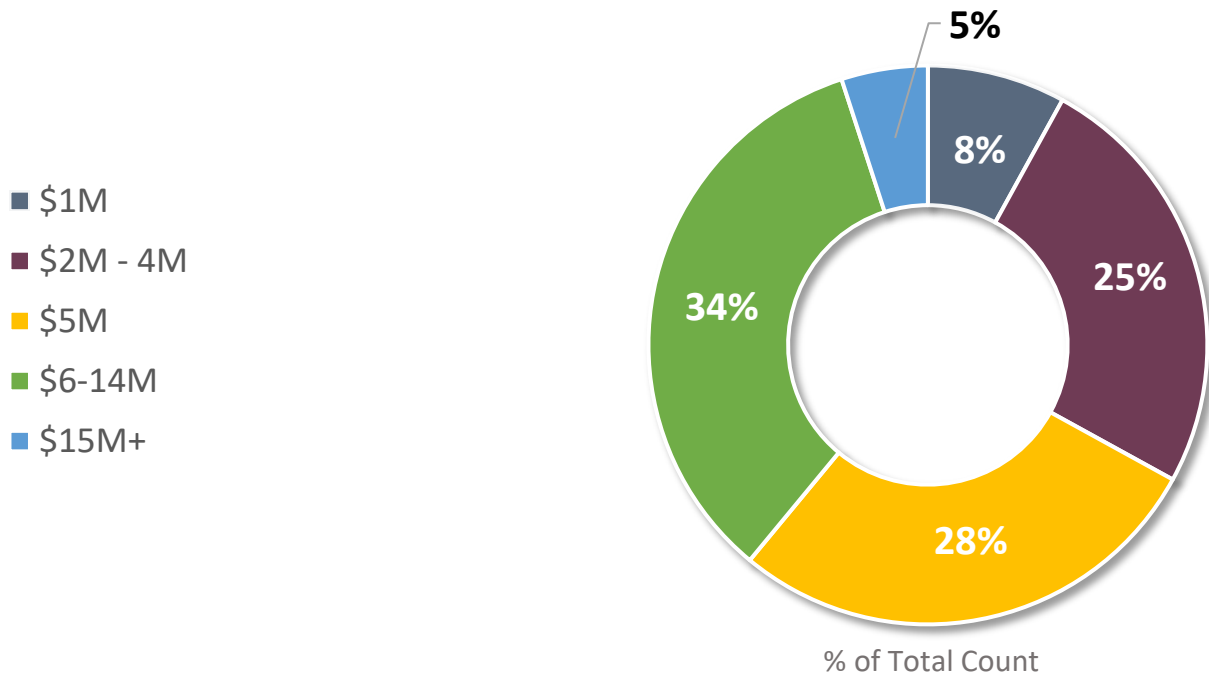
If this is true, then the vast majority of construction organizations in our survey purchase a standard \$1 million per occurrence/\$2 million aggregate limit of liability for their general liability policies, irrespective of their size. 78 percent of small organizations report either a \$1 million or \$2 million general liability limit, which is fairly consistent across all sizes of trade contractors.

We observed in the previous section that excess liability underwriters frequently require higher underlying limits in the general liability policy to support their coverage offer. As contractors grow in revenue size, they begin to purchase larger limits, usually a \$2 million per occurrence/\$4 million annual aggregate general liability limit. In the case of trade contractors in this year's survey, roughly 20 percent purchased higher general liability limits, regardless of size.

Excess Liability

Data sets were collected 278 Trade businesses.

2022 Excess Liability Coverage Limits



Excess liability policies provide larger limits over primary general liability, auto liability, and employers liability policies. Excess liability coverage provides protection for catastrophic liability. Construction is inherently dangerous and is subject to catastrophic loss.

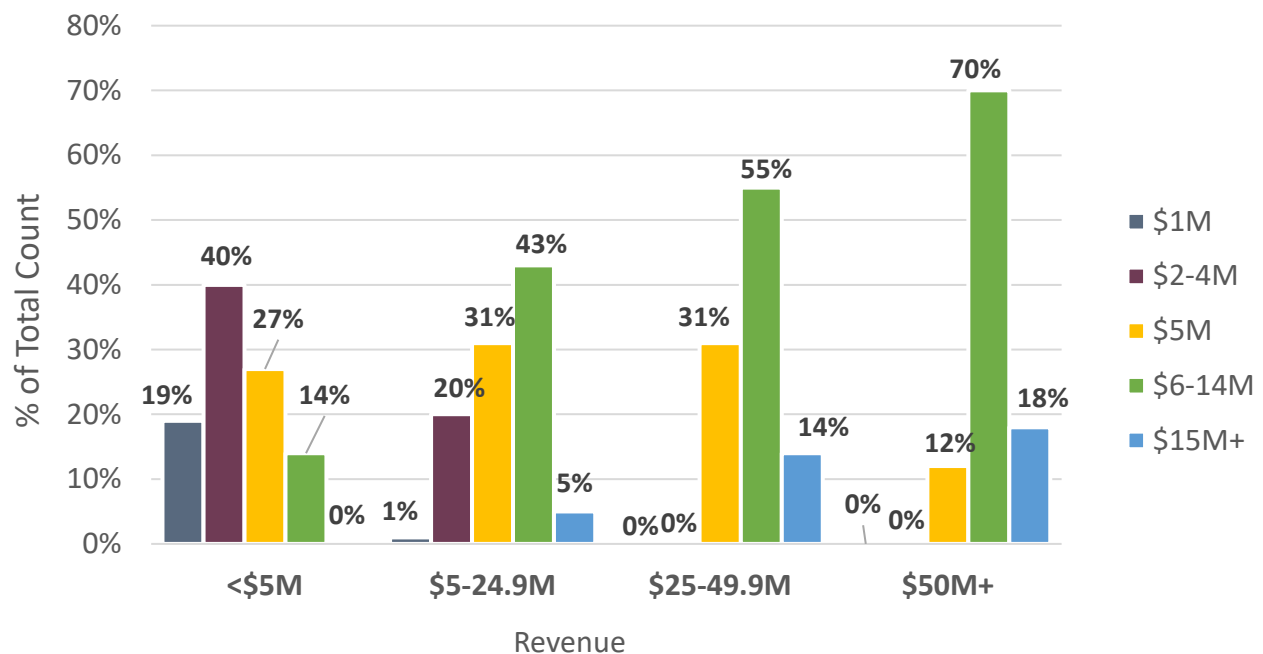
278 of the general contractors in our survey reported their purchase of excess liability insurance. Reported excess liability limits increased over last year's survey. 61 percent of the general contractors in the survey purchased \$5 million or less of excess liability limit compared to 51 percent last year. 34 percent of the contractors in the survey purchased between \$6 million and \$14 million of limit, the same percentage as last year. Only 5 percent carried a limit of \$15 million or greater, compared to 15 percent last year.

High limits of excess liability were typically layered, using several insurance carriers to build a tower in increments of \$10 million to \$25 million per layer.

Excess Liability by Revenue

Data sets were collected from 278 Trade businesses.

2022 Excess Liability Coverage Limits by Revenue



Cost is an important consideration during the risk management and insurance purchasing process. While excess liability insurance is relatively inexpensive compared to other types of insurance, it is often viewed as a “nice to have” by organizations with a more limited risk management budget.

Data was collected from 278 trade organizations. Compared to last year, trade contractors in our survey purchased somewhat larger excess liability limits.

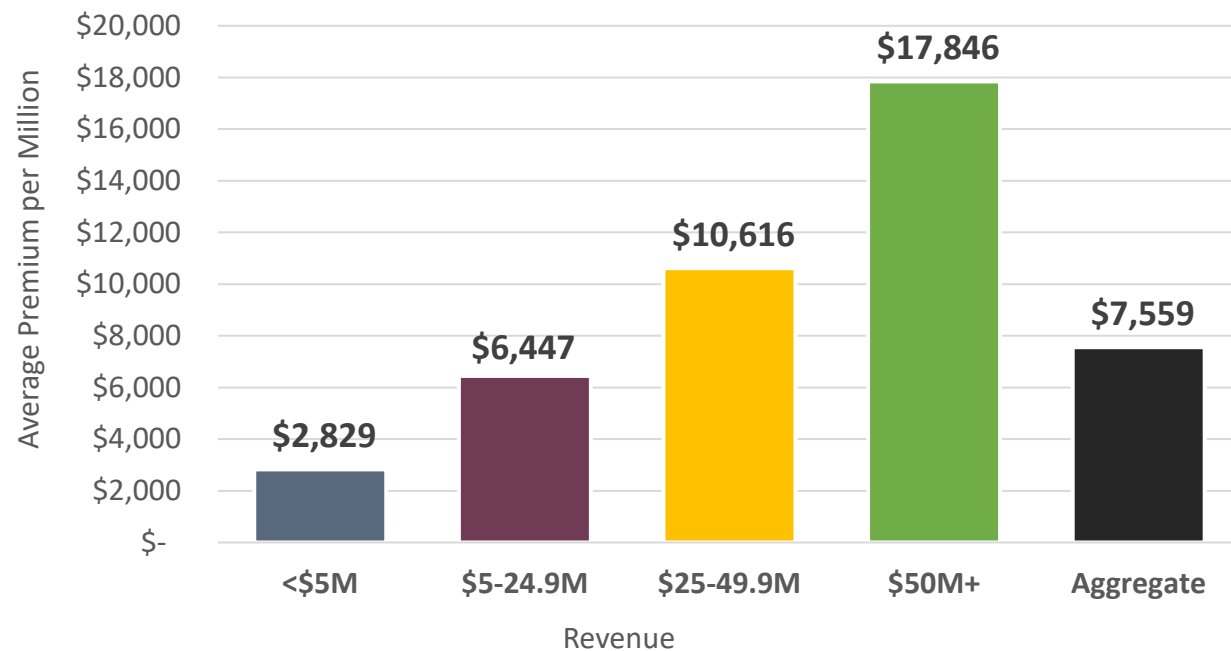
As we have seen with other specialties, the survey data demonstrates that as organizations increase in size, the amount of excess liability insurance they purchase increases. 59 percent of organizations with revenue less than \$5 million purchase excess liability limits under \$5 million. Only 14 percent of these organizations purchase limits of \$6 million or more.

By contrast, 100 percent of organizations with revenues greater than \$25 million purchase at least \$5 million of excess liability coverage. 18 percent of organizations with revenues greater than \$50 million purchase at least \$15 million of excess liability coverage.

Excess Liability Average Premium by Revenue

Data sets were collected from 261 Trade businesses.

2022 Excess Liability Premium per \$1 Million Limit by Revenue



The excess liability premium for an individual general contractor is a function of the underlying general liability, auto liability, and employers liability premiums. Those premiums are a function of the construction activities and characteristics of the individual contractor, including revenue size. The greater the size of the contractor, the greater their exposure to loss.

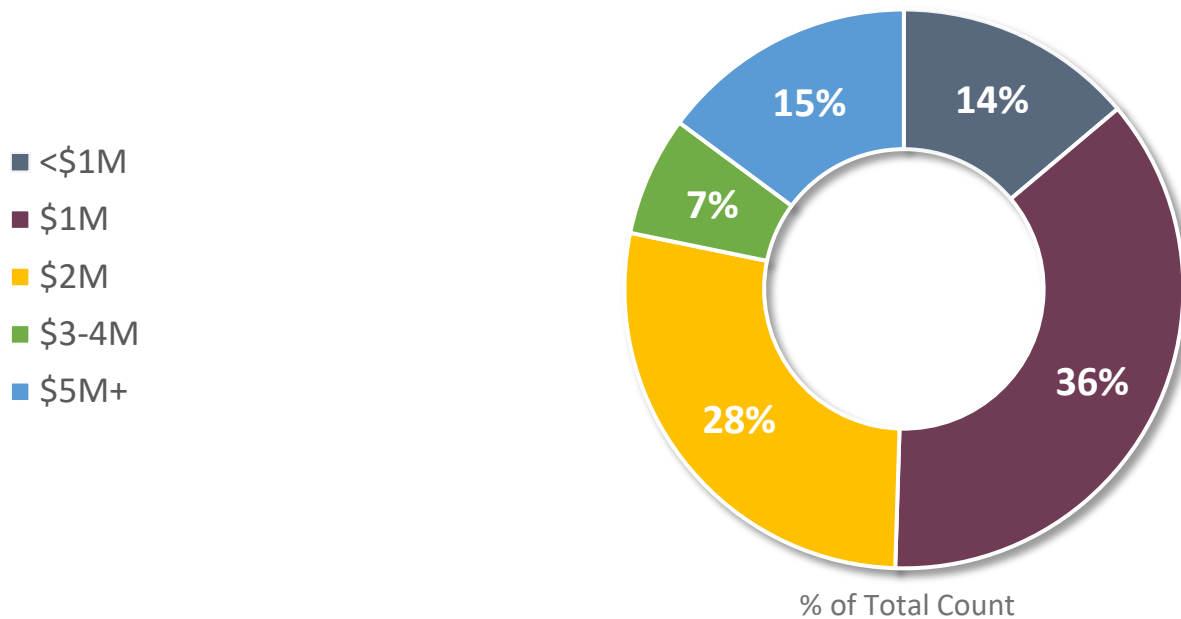
The information in this chart compares the average cost per million (regardless of the total limit purchased) of a trade contractor's excess liability program to their annual revenue. Unsurprisingly, the larger the contractor's revenue base, the more they pay per million of excess liability coverage.

Compared to last year, excess liability premiums have increased substantially. Trade contractors with revenue greater than \$50 million paid \$17,846 per million of limit compared to \$8,019 last year. Smaller contractors experienced more modest increases. Contractors generating less than \$5 million of revenue paid \$2,829 per million of excess liability limit, compared to \$2,648 last year. The average across all sizes of trade contractors this year was \$7,559 compared to \$5,947 last year.

Contractor's Professional Liability

Data sets were collected from 89 Trade businesses.

2022 Contractor's Professional Liability Coverage Limits



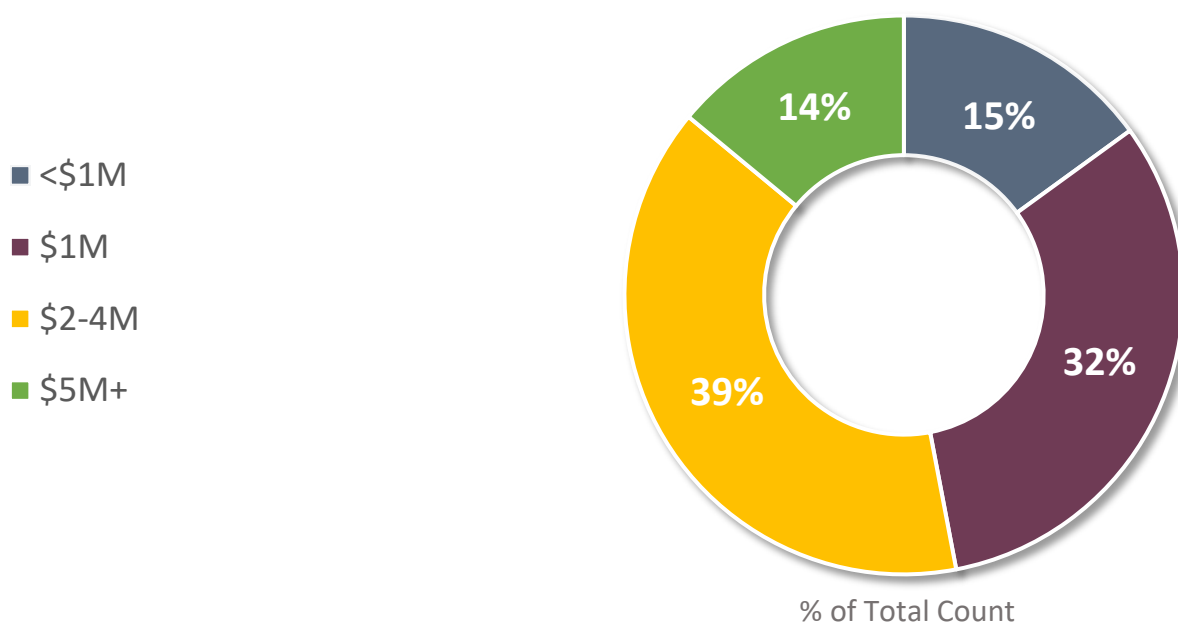
As other categories of 'contractor' increasingly become involved in design/build and construction management contracts, where they provide professional advice to owners, professional insurance has become more important. Trade contractors' need for contractor's professional liability insurance is correspondingly lower than for general, electrical, or HVAC contractors.

20 percent of the trade contractors in our survey report purchasing contractor's professional liability insurance, roughly the same as a year ago. The limits purchased tended to be somewhat larger than a year ago. 50 percent report purchasing a limit of \$1 million or less compared to 69 percent last year. 22 percent report purchasing a limit greater than \$3 million. 15 percent reported purchasing a limit of \$5 million, which was not purchased by any trade contractors a year ago.

Environmental Impairment

Data sets were collected from 92 Trade businesses.

2022 Environmental Impairment Coverage Limits



The purchase of environmental liability insurance is often driven by contractual requirements from owners, although many firms recognize their exposure and purchase insurance to protect against environmental losses.

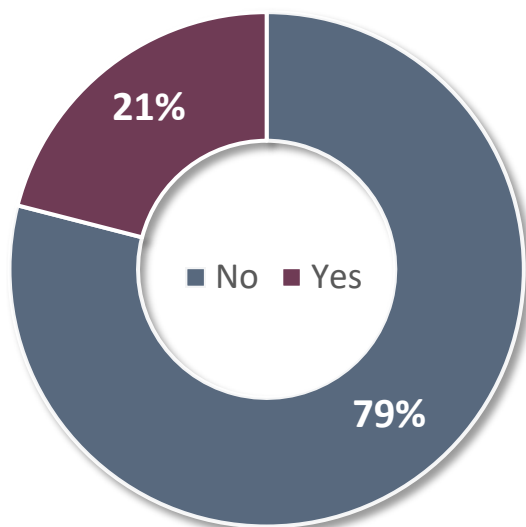
Just over 20 percent of the firms in our survey purchased environmental impairment liability insurance this year, which is greater than the 15 percent that purchased last year.

The limits purchased tend to be fairly modest, 86 percent of the coverage purchased having a limit less than \$5 million. 14 percent of policies had limits of \$5 million or greater. As with excess liability, the size of the limit purchased tends to increase as the size of the contractor increases.

Alternatives

2022 Owners and Contractors Protective

Data sets were collected from 219 Trade businesses.



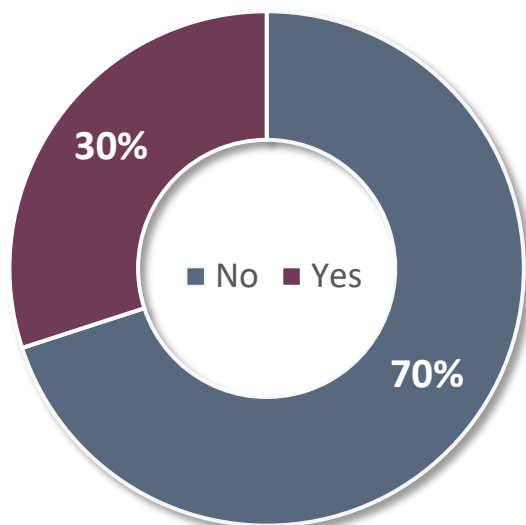
% of Total Count

Sometimes an owner will purchase liability insurance, covering itself and the contractors performing work on the project from damages caused by their negligence. This coverage eliminates the possibility of disputes between the owner and contractor caused by damage to a third party. This coverage used to be fairly routine for contractors performing work for railroads. While owners sometimes purchase this coverage, builders are sometimes required to purchase the coverage.

While relatively uncommon, 21 percent of the contractors in our survey report the purchase of an owners and contractors policy compared to 4 percent last year.

2022 Sub-Contractors Default

Data sets were collected from 177 Trade businesses.



% of Total Count

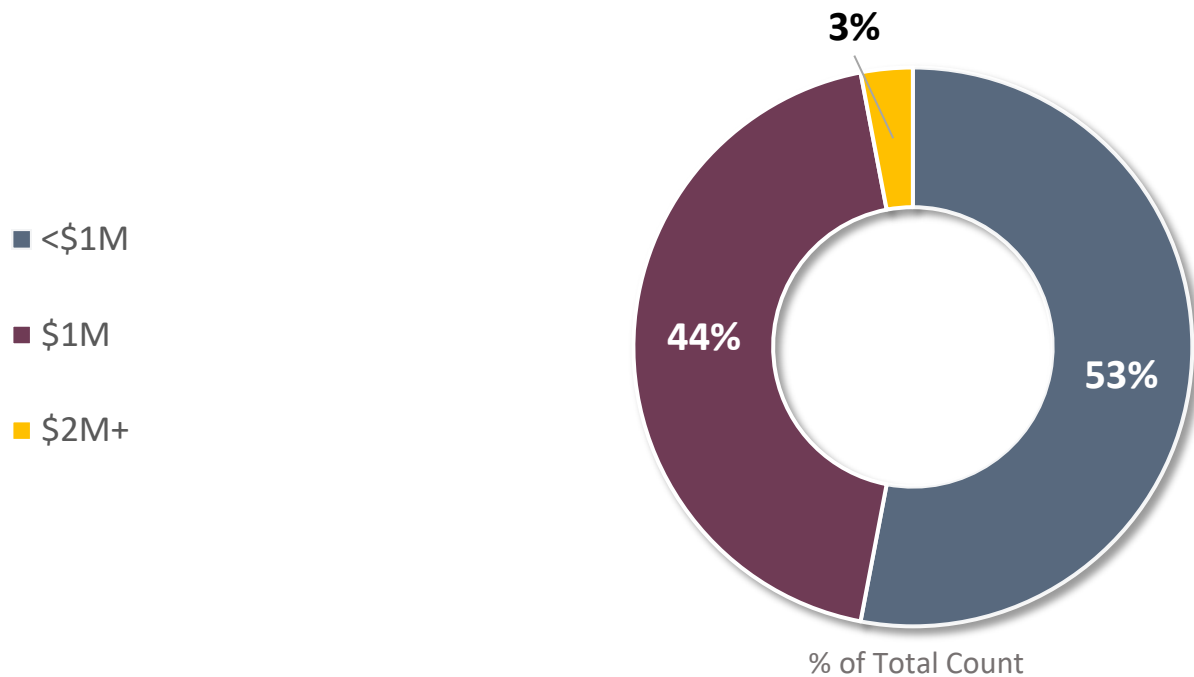
Construction projects are complex and often require the participation of several layers of subcontractors to complete the work. The financial failure of a key subcontractor can have a devastating impact on the financial wellbeing of a general contractor. Subcontractor default coverage provides money for the general contractor to bring in an alternative subcontractor in the event of their failure to perform.

We were somewhat surprised to see that 30 percent of the contractors in our survey were involved in the purchase of subcontractor default insurance, most likely by an owner or general contractor.

Cyber

Data sets were collected from 34 Trade businesses.

2022 Cyber Limits



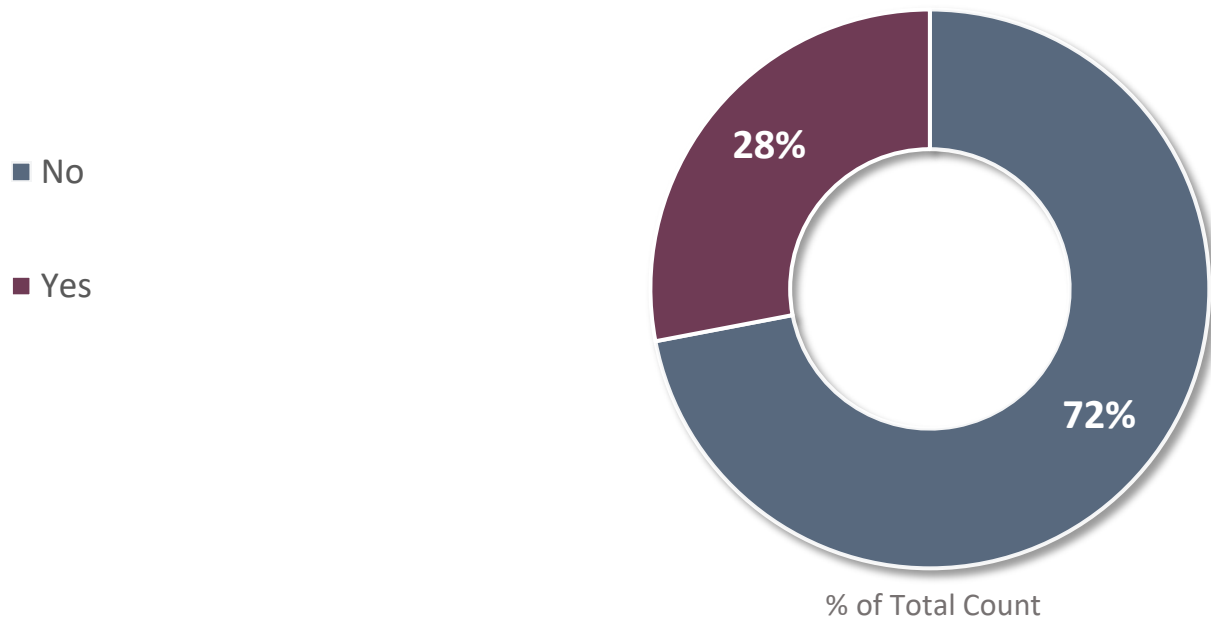
Cyber insurance, often referred to as privacy coverage, protects against internet-based risks, and more generally from risks relating to information technology infrastructure and activities. Risks of this nature are typically excluded from traditional commercial general liability policies or at least are not specifically defined in traditional insurance products. Policies may provide either first-party, which protects the contractor's own systems from damage, or third-party coverage, which protects against damage to others, or a combination of the two.

General contractors often store very valuable project and client data in their systems. Nonetheless, our data reflects that general contractors are less likely to purchase cyber insurance coverage than their more specialized counterparts. Less than 10 percent of trade contractors in our survey purchase some form of cyber insurance coverage.

Executive Risk — D&O Liability

Data sets were collected from 181 Trade businesses.

2022 Executive Risk — D&O Liability



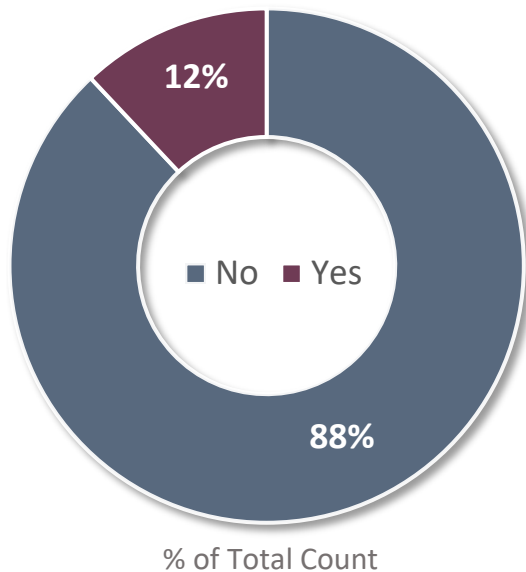
D&O liability insurance protects the individual members of the board of directors and management of a company from allegations that they mismanaged the company, resulting in adverse financial results. Construction companies tend to be privately held, although corporate ownership is not uncommon. It is generally perceived that directors and officers of public corporate entities are more at risk than their counterparts at private firms since shareholder suits constitute a major source of management liability claims. In addition to shareholders, however, management liability suits may come from employees, customers, competitors, creditors, retirement fund participants, and regulatory authorities.

We collected data from 181 trade contractors. 28 percent of the trade contractors surveyed purchased some form of D&O liability insurance, up from 21 percent a year ago. While this result is slightly lower than other construction segments we have surveyed, it likely reflects that D&O is a discretionary purchase, not typically required by outside parties.

Workers' Compensation

2022 Group Captive

Data sets were collected from 170 Trade businesses.

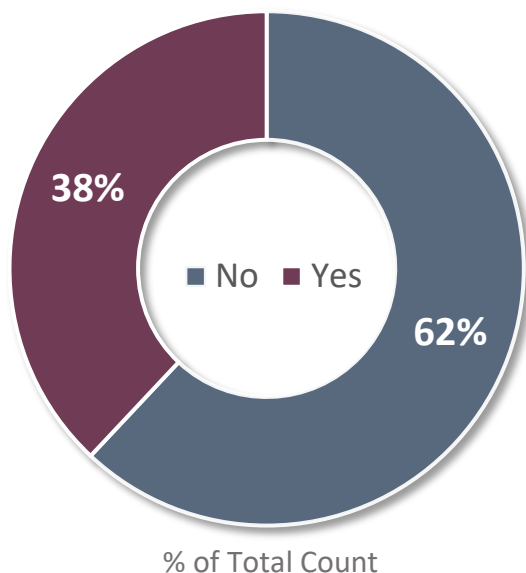


Workers' compensation costs are a significant line item on most contractors' income statement. One approach that some contractors pursue in controlling workers' compensation costs is to work with similar firms in a quasi-self-funding mechanism in the form of a group captive insurance company.

This approach is typically used by relatively large contractors. 12 percent of the firms in our survey report utilizing a group captive approach on their workers' compensation exposure.

2022 Workers' Compensation MOD over 1.0

Data sets were collected from 211 Trade businesses.



Another approach to controlling workers' compensation costs is to aggressively manage project safety and workers' compensation claims to drive down the experience modification used by insurance companies to compute premiums. A workers' compensation experience modification of 1.0 indicates average loss experience compared to other contractors. An experience modification greater than 1.0 reflects losses greater than average. An experience modification of less than 1.0 reflects losses less than average.

38 percent of the contractors in our survey had an experience modification greater than 1.0. 62 percent had an experience modification less than 1.0.

RESULTS

Other Specialties

Key Highlights

The other specialties category in our survey, based on NAICS code 2389XX, is an “all other category” and includes specialties like site preparation. It constituted about 18 percent of the sample. This category includes 297 firms, generating over \$2.7 billion in annual revenue. The largest firm in this category generates over \$250 million of annual revenue. The average firm in this specialty are generated just over \$9 million last year.

Much of the data conformed to our general expectations.

- The firms in this category were somewhat smaller than other segments.
- Builder’s risk/installation floater coverage was not frequently purchased.
- Property rates were less than most other segments.
- The rate per million of excess liability limit increased as the size of the contractor increased.

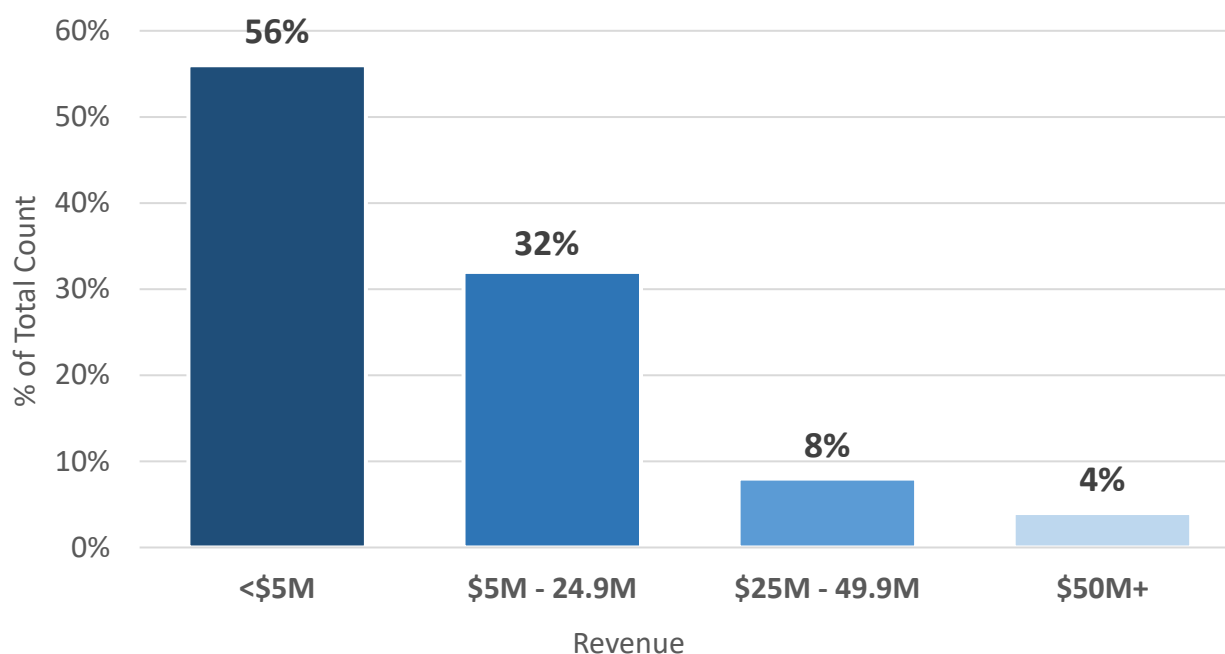
While much of the data conformed to our expectations, here are some items of note.

- The average property rate across all 154 other specialty contractors increased by almost 50 percent.
- Excess liability limits increased compared to last year.
- Excess liability rates increased for large other specialty contractors but decreased for small firms.
- Contractor’s equipment limits increased compared to last year.
- Other specialty contractors purchased higher excess liability limits than a year ago.
- The percentage of firms purchasing contractor’s professional liability was relatively modest.
- The percentage of firms purchasing environmental impairment liability coverage increased compared to last year.
- 69 percent of the other specialty firms have workers’ compensation experience modifications greater than 1.0, while only 6 percent are involved in any form of captive.

Business Count by Revenue

Data sets were collected from 297 Other Specialty businesses. The organizations represent over \$3.1 billion of revenue.

2022 Business Count by Revenue



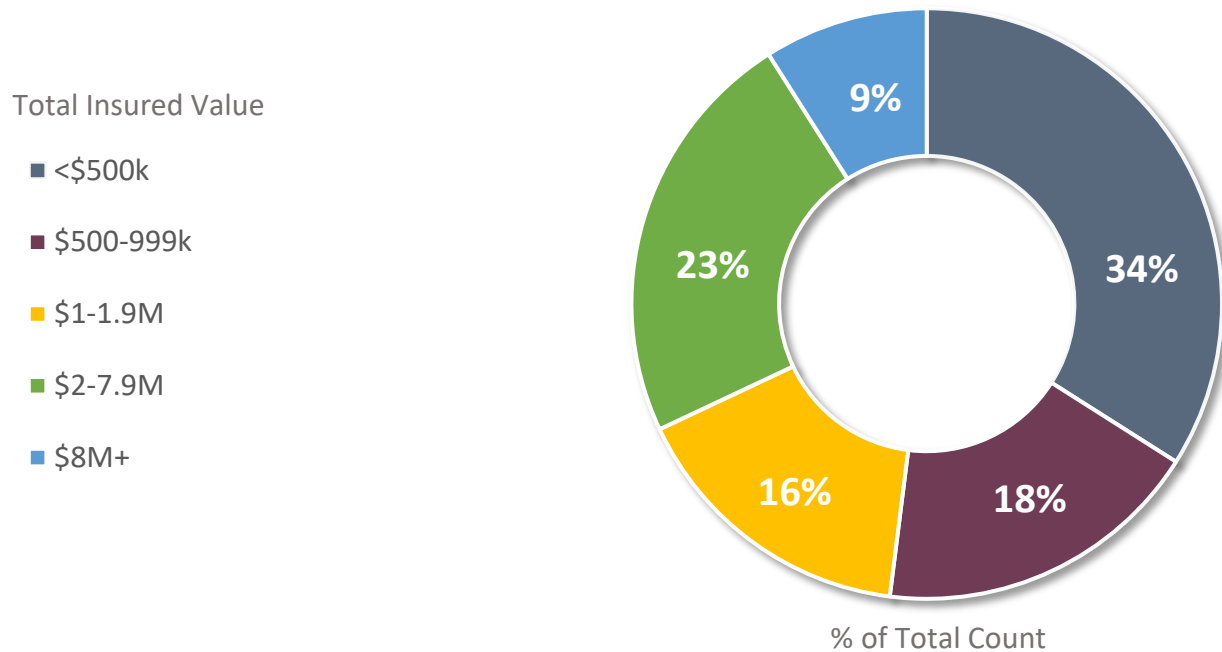
The other specialties category is a “catch-all” group for survey participants that do not fit neatly into other categories. They tend to be smaller than the contractors in other segments.

We collected revenue data from 297 other specialty businesses. The firms in this segment generated slightly less revenue compared to last year. 56 percent generate less than \$5 million of revenue per year. 88 percent generate less than \$25 million. Only 12 percent generate more than \$25 million, and only 4 percent generate more than \$50 million. The average revenue size for firms in this specialty area is just over \$9 million compared to \$10.8 million a year ago.

Property Total Insured Value (TIV)

Data sets were collected from 188 Other Specialty businesses. The organizations represent over \$697 million of TIV.

2022 Total Insured Value Breakdown by Business Count



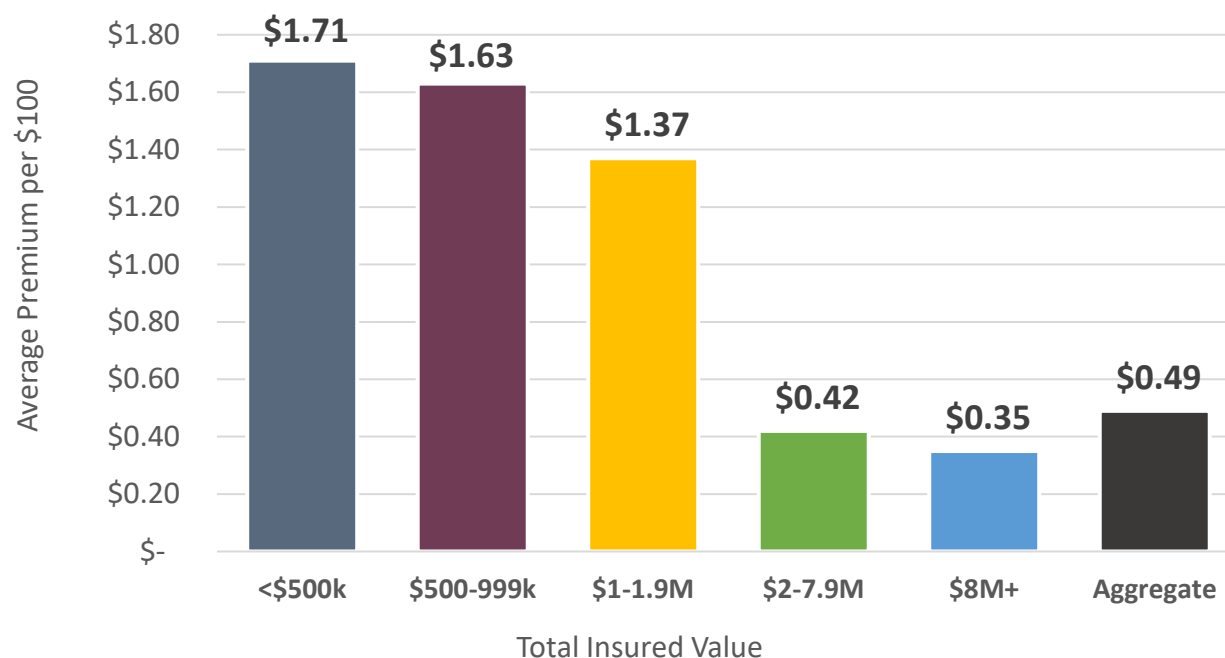
We received data on property total insured value from 188 other specialty contractors. As expected, given their smaller size, their owned property is smaller too. Given the catch-all nature of this category, it is difficult to draw conclusions in terms of the type of property they own.

Despite being somewhat smaller in revenue compared to last year, property values increased. 52 percent have total insured property values under \$1 million versus 57 percent last year. 31 percent have property values greater than \$2 million versus 25 percent last year. 9 percent have property values greater than \$8 million.

Property Total Insured Value (TIV) Rate per \$100

Data sets were collected from 154 Other Specialty businesses.

2022 Average Rate Per \$100 of Total Insured Value



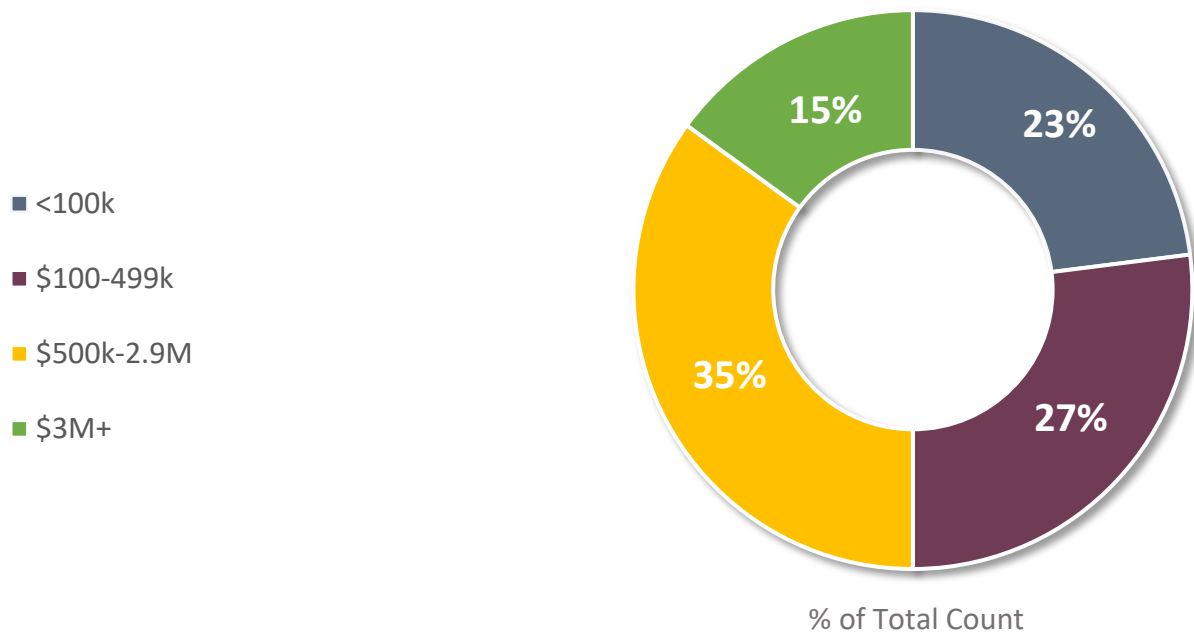
The data from 154 other specialty construction organizations allowed us to calculate average property rates. The average rate per \$100 of total insured value decreases as the size of the property portfolio increases. That is usually a reflection of increased fire resistiveness in the construction and increased protections against loss.

Organizations with the highest property rate of \$1.71 have less than \$500,000 of total insured value and saw their rate increase from \$0.95 last year. The rate drops sharply for organizations with over \$2 million in total insured value. While the rate continues to decrease to \$0.35 for organizations with a total insured value of over \$8 million, the rate for this total insured value was \$0.24 last year. The average rate across all 154 other specialty contractors increased from \$0.30 to \$0.49.

Contractor's Equipment Limits

Data sets were collected from 178 Other Specialty businesses.

2022 Contractor's Equipment Coverage Limits



Given the lack of homogeneity in their operations, it is difficult to draw firm conclusion on the purchase of contractor's equipment coverage for other specialty organizations. The contractors in this category tend to purchase lower contractor's equipment limits than other specialties.

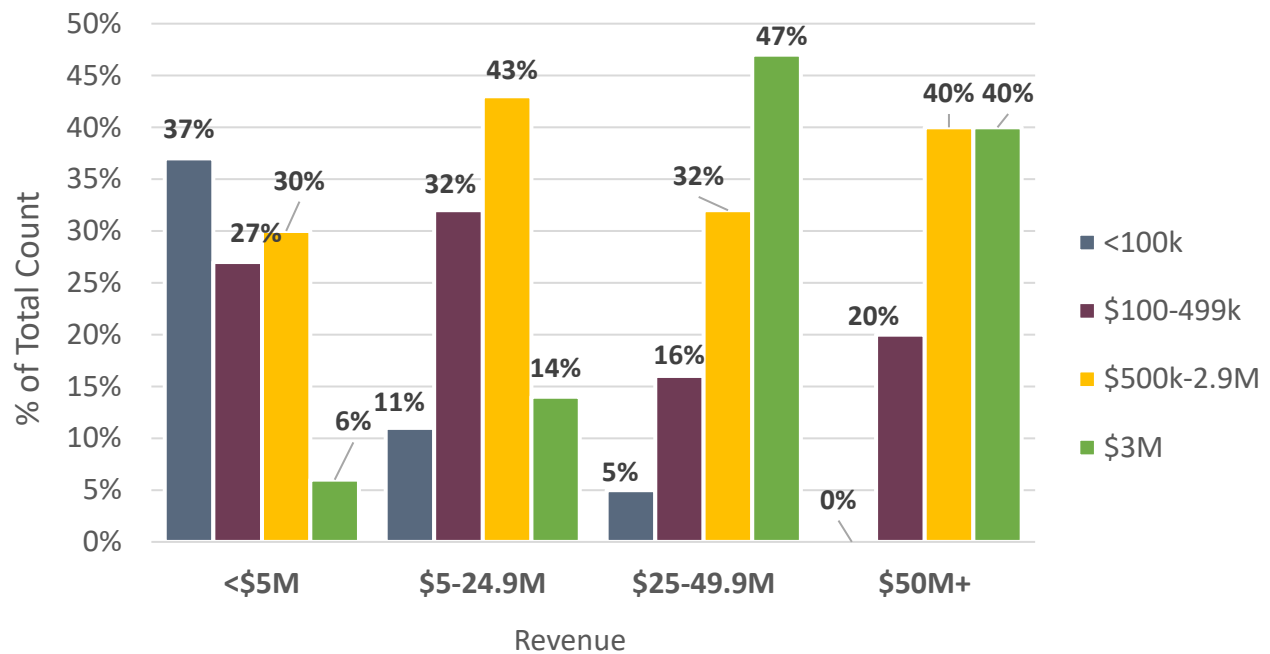
Contractor's equipment limits increased in this year's survey. We received data on the contractor's equipment coverage for 178 other specialty contractors. 50 percent of the other specialty contractors in our survey purchased contractor's equipment insurance with limits under \$500,000 compared with 63 percent last year. 85 percent of the other specialty contractors in our survey purchased limits less than \$3 million compared to 90 percent last year. 15 percent purchased limits greater than \$3 million compared to 10 percent last year.

We believe that the inclusion of site preparation contractors into this category influenced the unexpected number of contractors purchasing larger limits.

Contractor's Equipment Limits by Revenue

Data sets were collected from 178 Other Specialty businesses.

2022 Contractor's Equipment Coverage Limits by Revenue



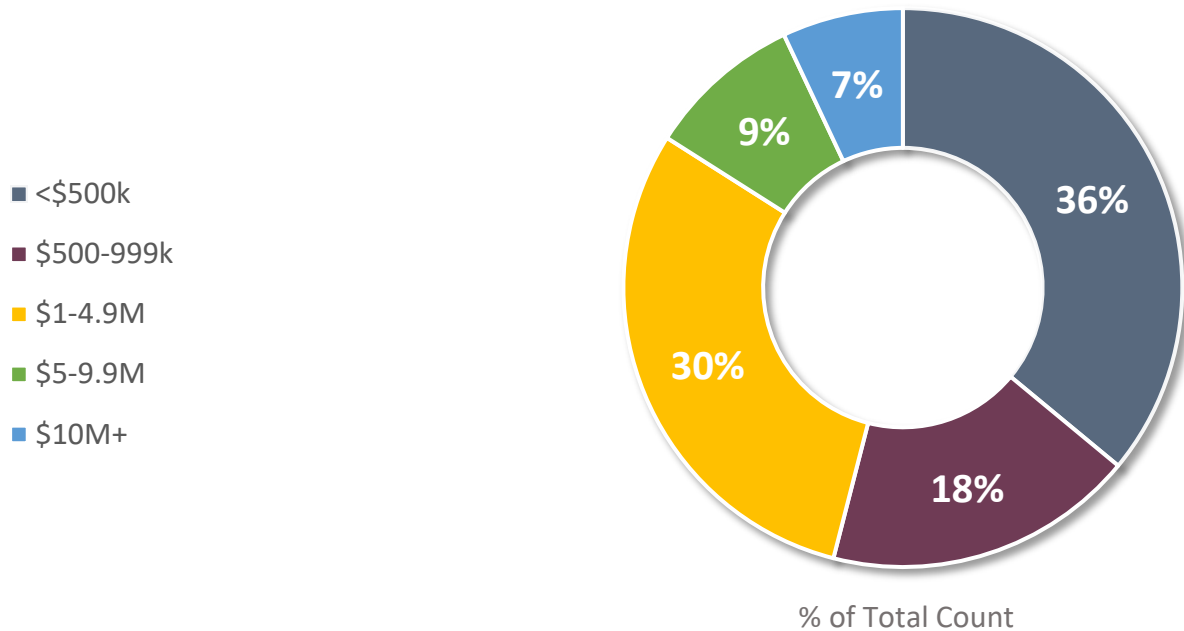
As expected, as the revenue size of other specialty contractors increases, so does the amount of contractor's equipment insurance.

We received adequate data to match revenue and contractor's equipment limits from 92 specialty contractors. The percentage of other specialty contractors purchasing less than \$500,000 of contractor's equipment coverage decreases from 64 percent in the smallest revenue band to 43 and then 21 percent in the next two bands. The percent of contractors purchasing over \$3 million of contractor's equipment increases through the first three revenue bands but then levels out.

Builder's Risk Limits

Data sets were collected from 44 Other Specialty businesses.

2022 Builder's Risk Coverage Limits



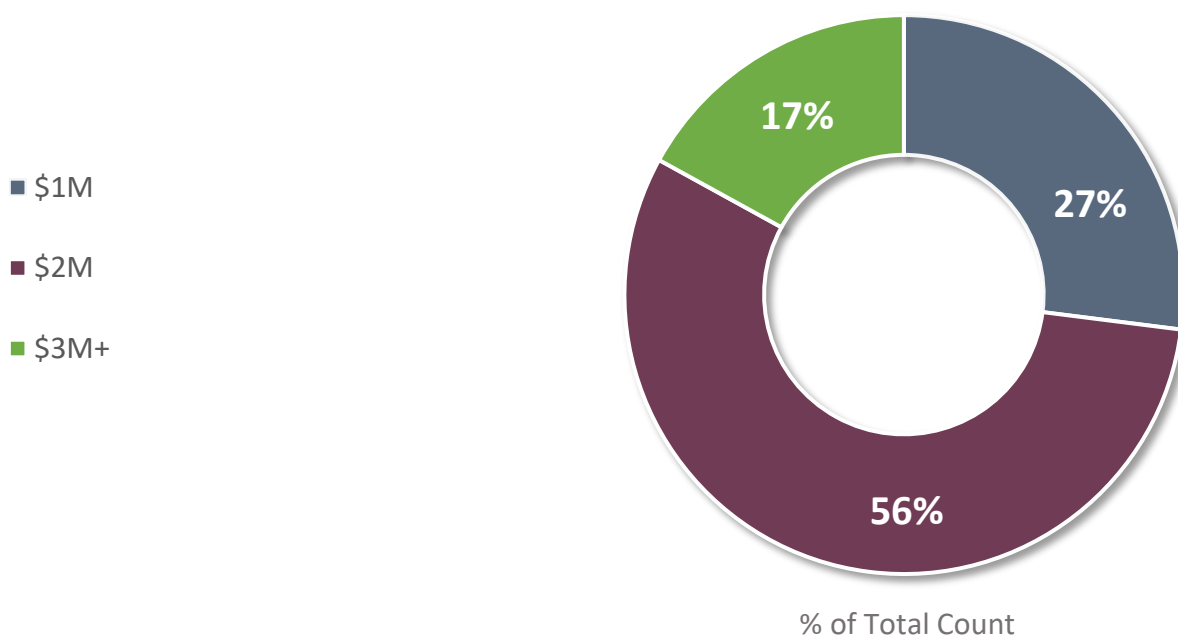
Builder's risk coverage is typically purchased by owners and covers the work of all contractors working on a building project. When the owner fails to purchase the coverage, it tends to be the province of general contractors, which is supported by our data.

Builder's risk coverage is usually outside of the bailiwick of other specialty contractors. Only 15 percent of other specialty contractors in our survey reported purchasing builder's risk coverage, compared to 50 percent of general contractors. 7 percent of other specialty contractors that purchase the coverage reported purchasing a limit greater than \$10 million. 88 percent reported purchasing a builder's risk limit of less than \$5 million.

General Liability

Data sets were collected from 281 Other Specialty businesses.

2022 General Liability Coverage Limits



General liability insurance is issued to provide protection from bodily injury and property damage arising from injury to third parties caused by the insured's negligence. It typically is purchased using a \$1 million per occurrence/\$2 million annual aggregate limit, although the shift toward purchasing higher limits, driven by the demands of excess liability insurers, appears to be accelerating somewhat.

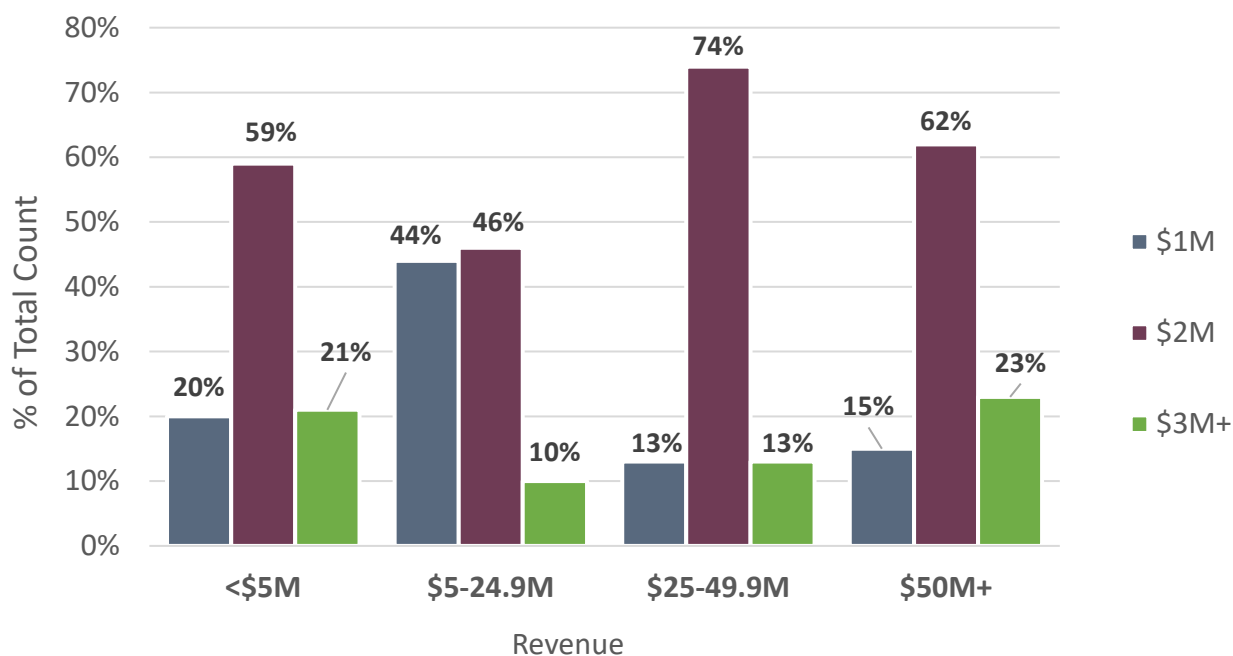
Data was collected from 281 other specialty contractors in our survey. This coverage is difficult to analyze since some firms report their occurrence limit, and others report their aggregate limit. The data reflects that 27 percent of other specialty contractors purchase a standard \$1 million occurrence general liability limit. 56 percent of respondents to the survey indicate a \$2 million general liability limit. In reality, we believe that most are purchasing a \$1 million occurrence/\$2 million annual aggregate limit.

The purchase of higher general liability limits has increased in the last year like the other specialty areas. Our survey shows that 17 percent are purchasing general liability limits greater than the standard, most reporting a \$4 million limit. This compares to 7 percent last year and likely reflects underwriting requirements from excess liability insurance carriers.

General Liability by Revenue

Data sets were collected from 281 Other Specialty businesses.

2022 General Liability Coverage Limits by Revenue



In the prior section, we noted that some organizations report the general liability policy's occurrence limit, and others report the aggregate limit. In other words, we believe that most of the \$2 million limits reported are actually the aggregate limit of the general liability policy.

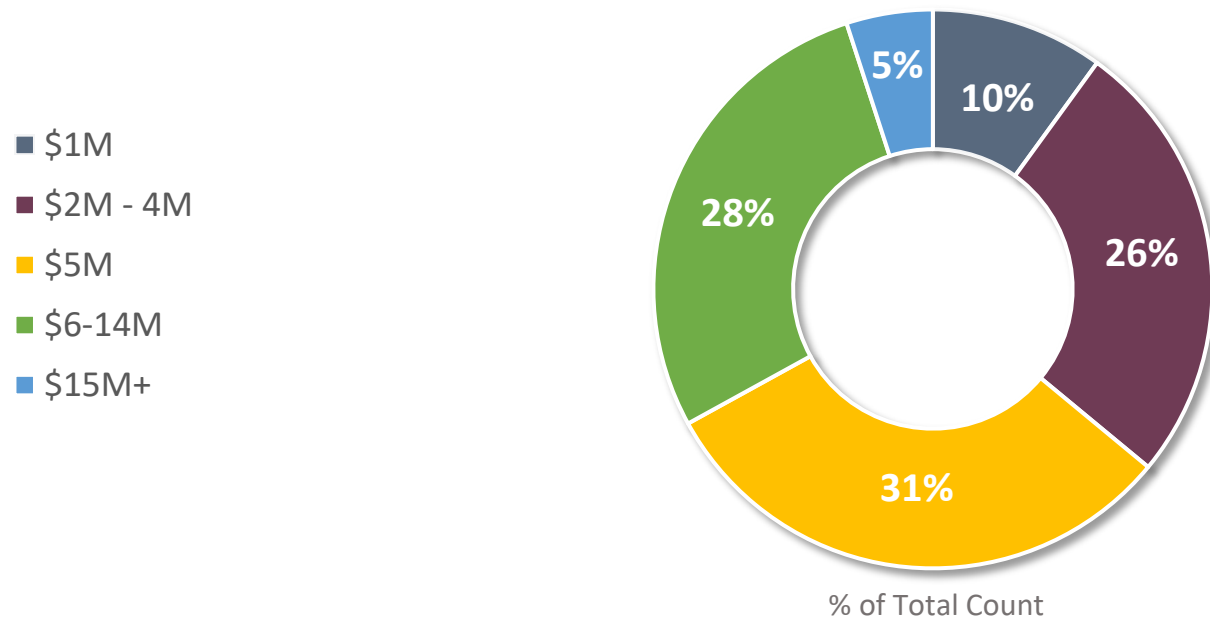
If this is true, then the vast majority of construction organizations in our survey purchase a standard \$1 million per occurrence/\$2 million aggregate limit of liability for their general liability policies, irrespective of their size. 89 percent of small organizations report either a \$1 million or \$2 million general liability limit. This phenomenon is replicated across all revenue sizes surveyed.

We observed in the previous section that excess liability underwriters frequently require higher underlying limits in the general liability policy to support their coverage offer. As noted in the previous section, the percentage of other specialty contractors purchasing higher limits has increased this year.

Excess Liability

Data sets were collected 193 Other Specialty businesses.

2022 Excess Liability Coverage Limits



Excess liability policies provide larger limits over primary general liability, auto liability, and employers liability policies. Excess liability coverage provides protection for catastrophic liability. Construction is inherently dangerous and is subject to catastrophic loss.

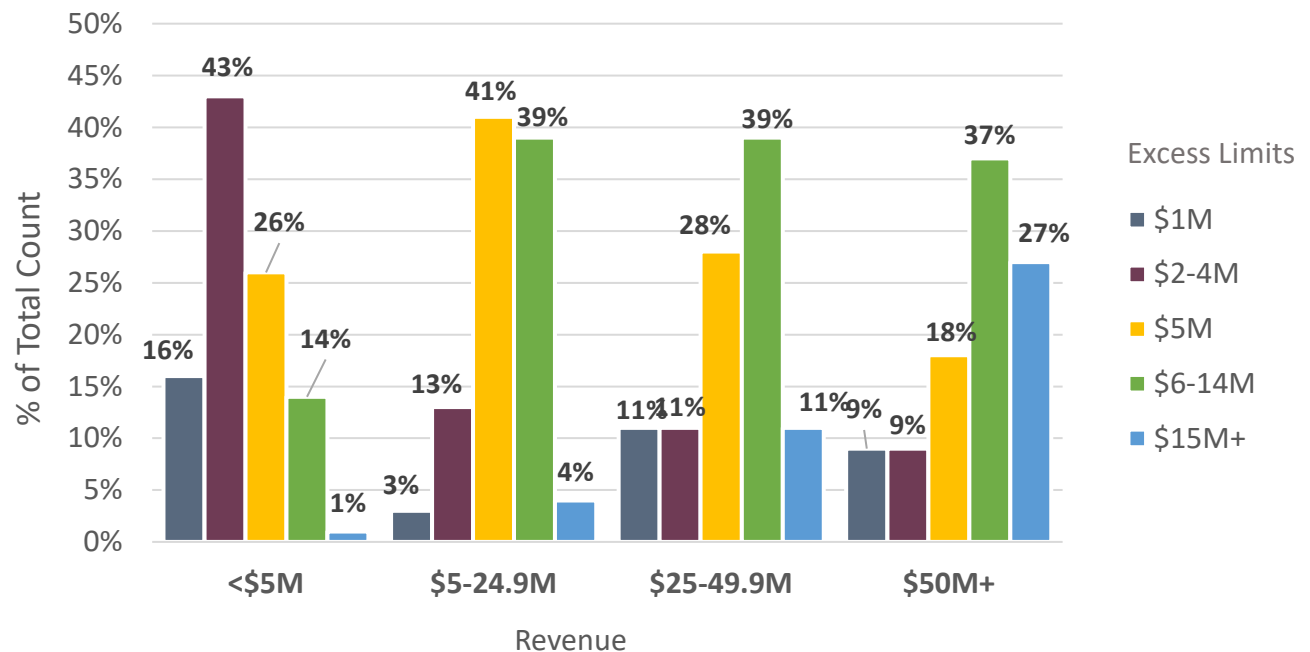
193 of the other specialty contractors in our survey reported their purchase of excess liability insurance. Reported excess liability limits increased over last year's survey. 10 percent of the other specialty contractors in the survey purchased \$1 million or less of excess liability limit compared to 28 percent last year. 28 percent of the other specialty contractors in the survey purchased between \$6 million and \$14 million of limit compared to 18 percent last year. 5 percent carried a limit of \$15 million or greater, compared to 4 percent last year.

High limits of excess liability were typically layered, using several insurance carriers to build a tower in increments of \$10 million to \$25 million per layer.

Excess Liability by Revenue

Data sets were collected from 193 Other Specialty businesses.

2022 Excess Liability Coverage Limits by Revenue



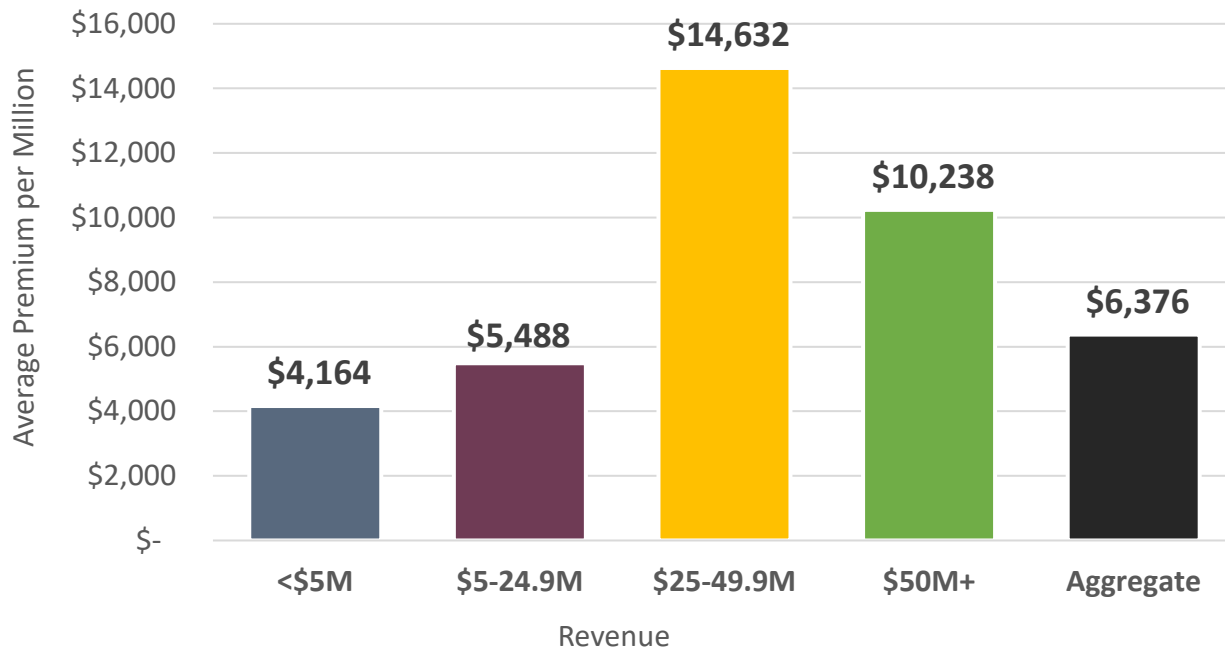
Excess liability policies provide larger limits over primary general liability, auto liability, and employers liability policies. Excess liability coverage provides protection for catastrophic liability.

We received adequate data to compare revenue and excess liability limits from 193 other specialty contractors in our survey. As we have seen elsewhere in this report, excess liability limits tend to increase as revenue increases. 59 percent of contractors generating of less than \$5 million of revenue purchase excess liability limits less than \$5 million. 64 percent of the largest other specialty contractors in our survey purchase at least \$6 million of excess liability coverage, and 27 percent purchase over \$15 million in limits.

Excess Liability Average Premium by Revenue

Data sets were collected from 175 Other Specialty businesses.

2022 Excess Liability Premium per \$1 Million Limit by Revenue



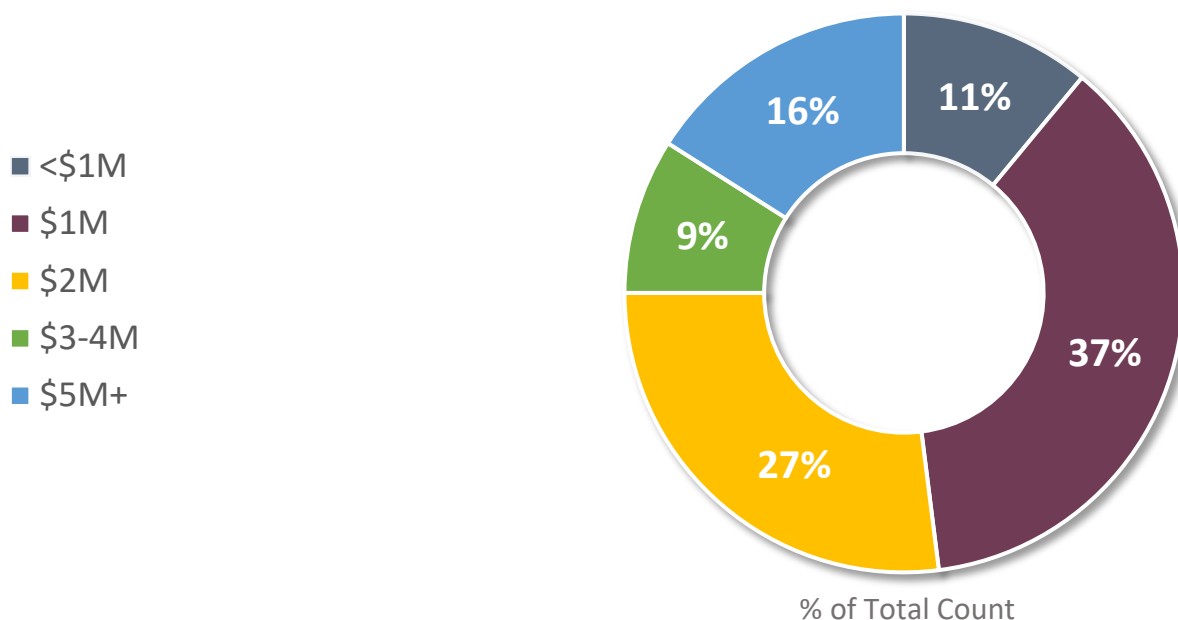
The excess liability premium for an individual contractor is a function of the underlying general liability, auto liability, and employers liability premiums. Those premiums are a function of the construction activities and characteristics of the individual contractor, including revenue size. The greater the size of the contractor, the greater their exposure to loss. It should be noted that the contractors in the other specialty category are paying substantially greater excess liability rates than the rates for other categories of contractor. This most likely reflects the hazardous nature of the construction activities performed in this category.

This chart compares the average cost per million (regardless of the total limit purchased) of any other specialty contractor's excess liability program to their annual revenue. Excess liability rates for contractors generating more than \$50 million of revenue increased by 43 percent compared to last year to \$14,632 per million of excess liability limit. Small contractors saw decreases in cost compared to last year. Other specialty contractor firms generating less than \$5 million of revenue saw their cost per million decrease from \$5,330 to \$4,164 per million of limit.

Contractor's Professional Liability

Data sets were collected from 44 Other Specialty businesses.

2022 Contractor's Professional Liability Coverage Limits



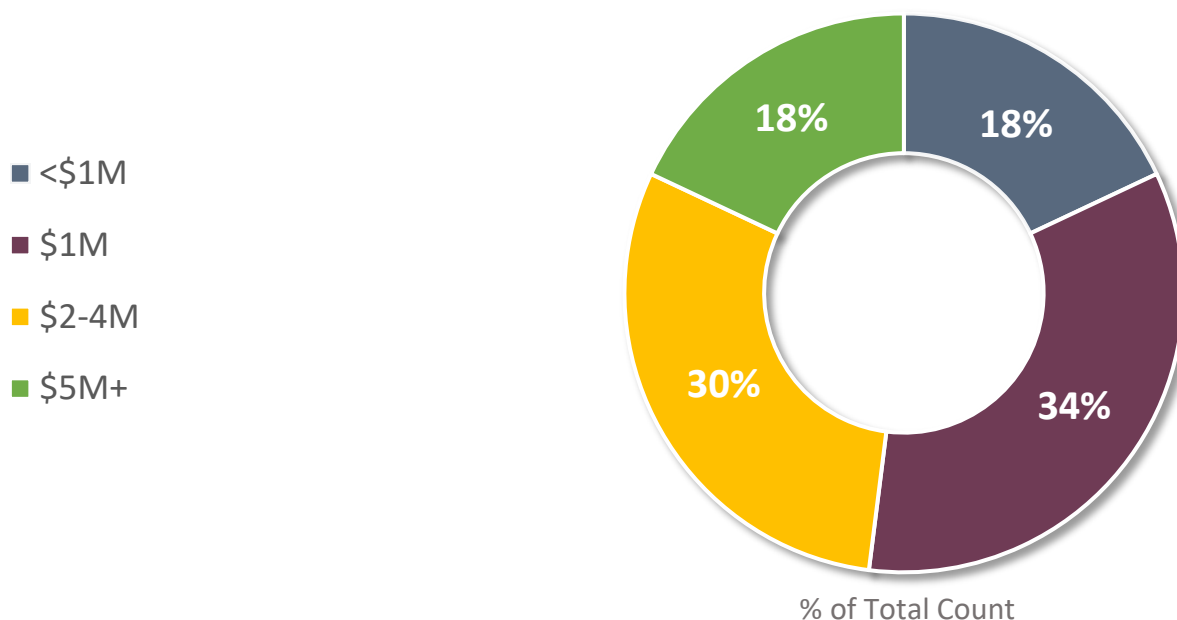
With contractors increasingly involved in design/build and construction management contracts, where they provide professional advice to owners, professional insurance has become more important. This year's survey indicates that about 15 percent of other specialty contractors carry contractor's professional liability coverage compared to approximately 13 percent of the organizations in the survey overall.

Most of the other specialty firms purchasing the coverage perceive their professional liability exposure to be limited, hence they tend to purchase lower limits than for other liability exposures. 84 percent of the other specialty contractors in our survey that purchase contractor's professional liability cover purchase a limit of \$5 million or less. 16 percent perceive a greater need and purchase limits of \$5 million or more.

Environmental Impairment

Data sets were collected from 61 Other Specialty businesses.

2022 Environmental Impairment Coverage Limits



The purchase of environmental liability insurance is often driven by contractual requirements from owners, although many firms recognize their exposure and purchase insurance to protect against environmental losses. We were surprised to see so many contractors purchasing this coverage on last year's survey.

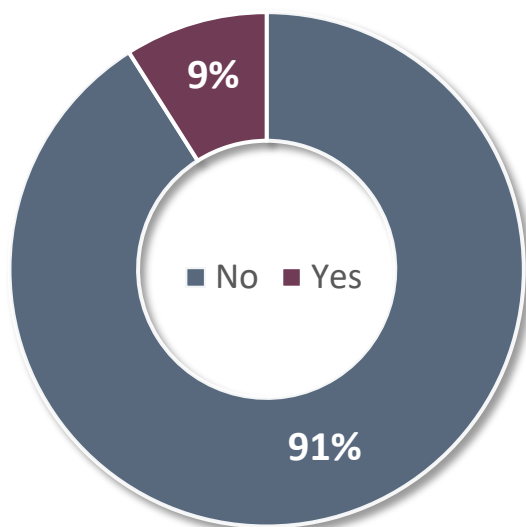
Much like what we observed with contractor's professional coverage, the results for EIL are more in line with our expectations, with 20 percent of the firms in our survey showing the purchase of environmental impairment liability insurance compared with 10 percent last year.

The limits purchased tend to be fairly modest, 82 percent of the coverage purchased having a limit of less than \$5 million. 18 percent of policies had limits of \$5 million or greater. As was the case with excess liability, the size of the limit purchased tends to increase as the size of the contractor increases.

Alternatives

2022 Owners and Contractors Protective

Data sets were collected from 208 Other Specialty businesses.



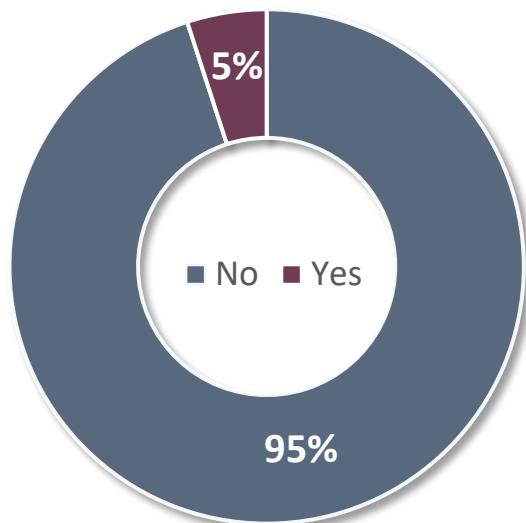
% of Total Count

Sometimes an owner will purchase liability insurance, covering itself and the contractors performing work on the project from damages caused by their negligence. This coverage eliminates the possibility of disputes between the owner and contractor caused by damage to a third party. This coverage used to be fairly routine for contractors performing work for railroads. While owners sometimes purchase this coverage, builders are sometimes required to purchase the coverage.

Our results show that this coverage is fairly rare in the experience of most of the contractors in our survey. 9 percent of the other specialty contractors in our survey report the purchase of an owners and contractors policy.

2022 Sub-Contractors Default

Data sets were collected from 194 Other Specialty businesses.



% of Total Count

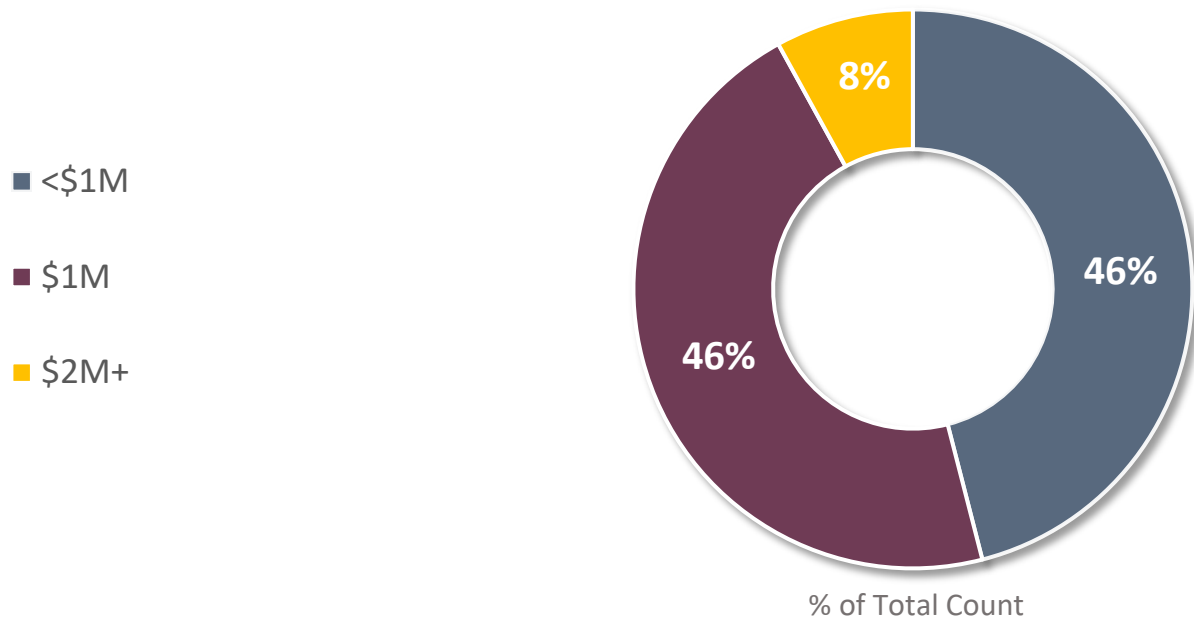
Construction projects are complex and often require the participation of several layers of subcontractors to complete the work. The financial failure of a key subcontractor can have a devastating impact on the financial wellbeing of a general contractor. Subcontractor default coverage provides money for the general contractor to bring in an alternative subcontractor in the event of their failure to perform.

Only 5 percent of the other specialty contractors in our survey were involved in purchasing subcontractor default insurance.

Cyber

Data sets were collected from 52 Other Specialty businesses.

2022 Cyber



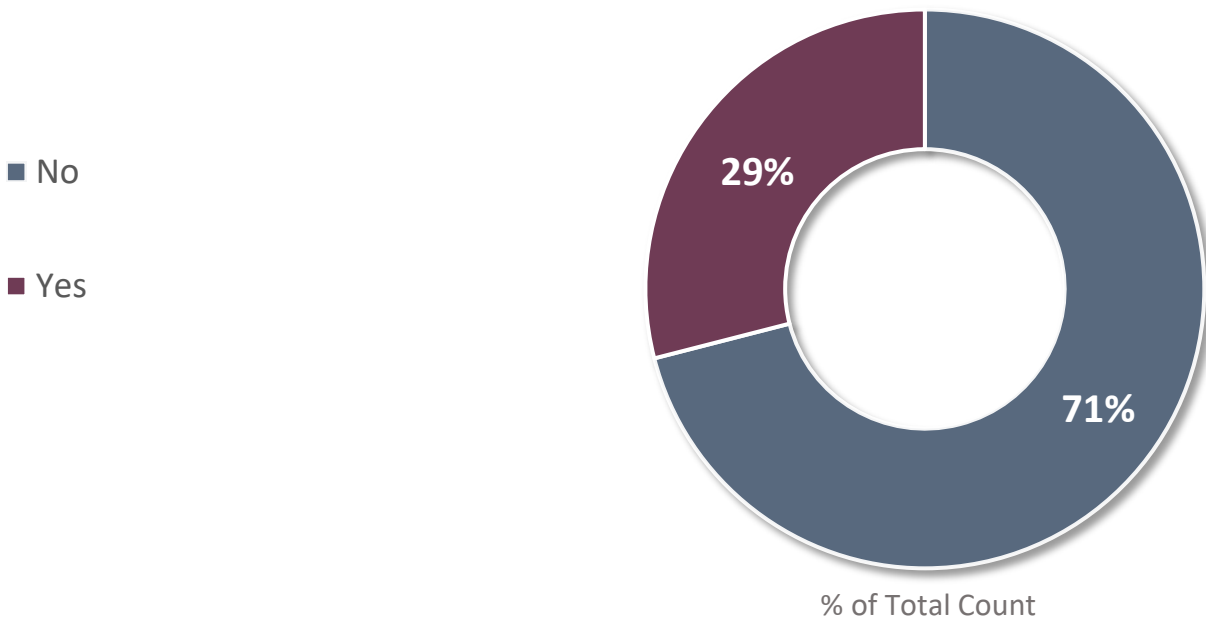
Cyber insurance, often referred to as privacy coverage, protects against internet-based risks, and more generally from risks relating to information technology infrastructure and activities. Risks of this nature are typically excluded from traditional commercial general liability policies or at least are not specifically defined in traditional insurance products. Policies may provide either first-party, which protects the contractor's own systems from damage, or third-party coverage, which protects against damage to others, or a combination of the two.

Nonetheless, our data reflects that other specialty contractors are less likely to purchase cyber insurance coverage than their more specialized counterparts. We collected data from 52 other specialty contractors. 14 percent purchase some form of cyber insurance coverage. 92 percent purchase limits of \$1 million or less.

Executive Risk — D&O Liability

Data sets were collected from 196 Other Specialty businesses.

2022 Executive Risk — D&O Liability



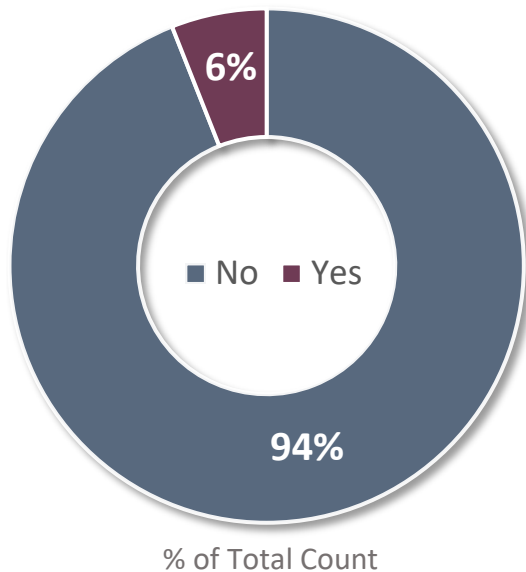
D&O liability insurance protects the individual members of the board of directors and management of a company from allegations that they mismanaged the company, resulting in adverse financial results. Construction companies tend to be privately held, although corporate ownership is not uncommon. It is generally perceived that directors and officers of public corporate entities are more at risk than their counterparts at private firms since shareholder suits constitute a major source of management liability claims. In addition to shareholders, however, management liability suits may come from employees, customers, competitors, creditors, retirement fund participants, and regulatory authorities.

We collected data from 196 other specialty contractors regarding the purchase of D&O liability coverage. The survey data demonstrated that 29 percent of the contractors surveyed purchased some form of D&O insurance compared to 24 percent last year. This compares very closely with the 31 percent of contractors overall that purchase this coverage.

Workers' Compensation

2022 Group Captive

Data sets were collected from 195 Other Specialty businesses.

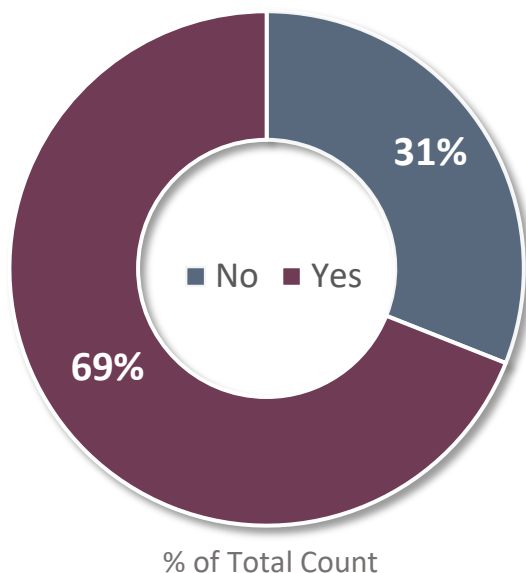


Workers' compensation costs are a significant line item on most contractors' income statement. One approach that some contractors pursue in controlling workers' compensation costs is to work with similar firms in a quasi-self-funding mechanism in the form of a group captive insurance company.

This approach is typically used by relatively large contractors. Only 6 percent of the other specialty firms in our survey report utilizing a group captive approach on their workers' compensation exposure.

2022 Workers' Compensation MOD over 1.0

Data sets were collected from 67 Other Specialty businesses.



Another approach to controlling workers' compensation costs is to aggressively manage project safety and work comp claims to drive down the experience modification used by insurance companies to compute premiums. A workers' compensation experience modification of 1.0 indicates average loss experience compared to other contractors. An experience modification greater than 1.0 reflects losses greater than average. An experience modification of less than 1.0 reflects losses less than average.

69 percent of the other specialty contractors in our survey had an experience modification greater than 1.0. 31 percent had an experience modification less than 1.0.

EMPLOYEE BENEFITS

Construction

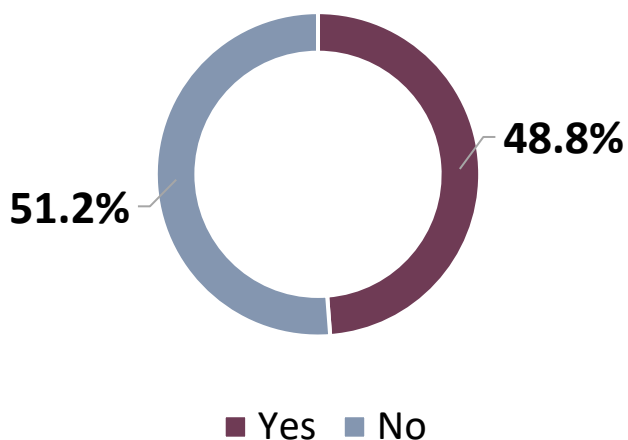
Inflation and the Impact on 2023 Insurance Purchasing

Inflation continues to be an issue for many Americans. High prices are impacting their wallet in several areas. As we near annual enrollment time, inflation fears may impact what and how employees purchase insurance coverage through their employer. In May, we asked businesses if their workers were having a more difficult time affording their benefits than two years ago. Over 47% confirmed their workforce was struggling.

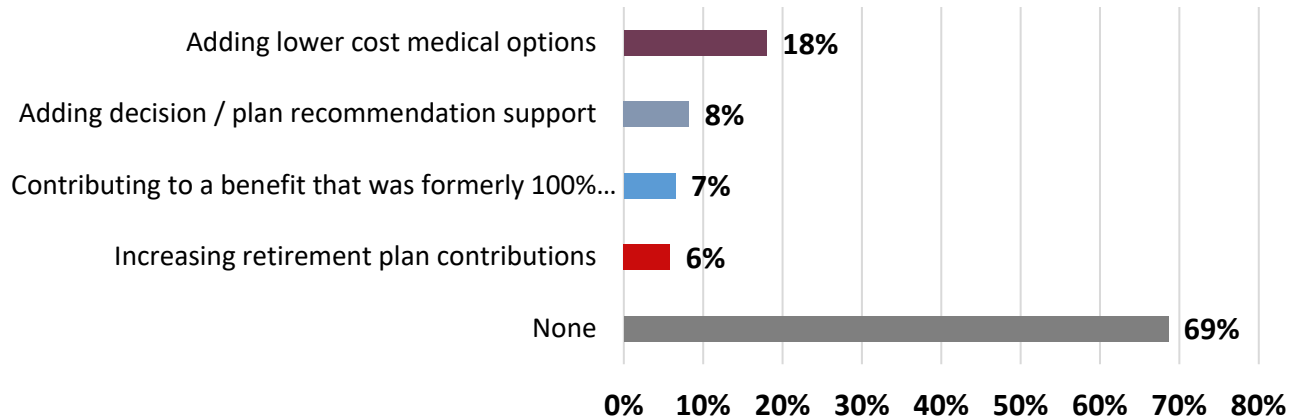
Now, as employers plan their communications for the 2023 benefits year, almost half say they are concerned that the economy will cause employees to reduce the insurance they purchase this year. We conducted a poll during a webcast on September 22 to get a glimpse of employers' perspectives on how they feel employees will change buying habits and how they may help alleviate some of the stress. The results are in the charts below.

All results based on 175 employer respondents (allowed to select multiple responses)





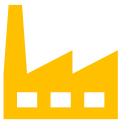

Are you concerned that inflation will cause employees to scale back the insurance they purchase this year?



What changes(s) is your company making to help employees who are concerned about insurance costs during this inflationary period?



Industry-Specific: Percent of employers by industry that are concerned inflation will cause their employees to scale back the insurance they purchase in 2023

<p>Health Care</p>  <p>78%</p>	<p>Non-Profit</p>  <p>67%</p>	<p>Construction</p>  <p>58%</p>
<p>Education</p>  <p>50%</p>	<p>Manufacturing</p>  <p>39%</p>	<p>Tech/Life Sciences</p>  <p>11%</p>

Key Findings

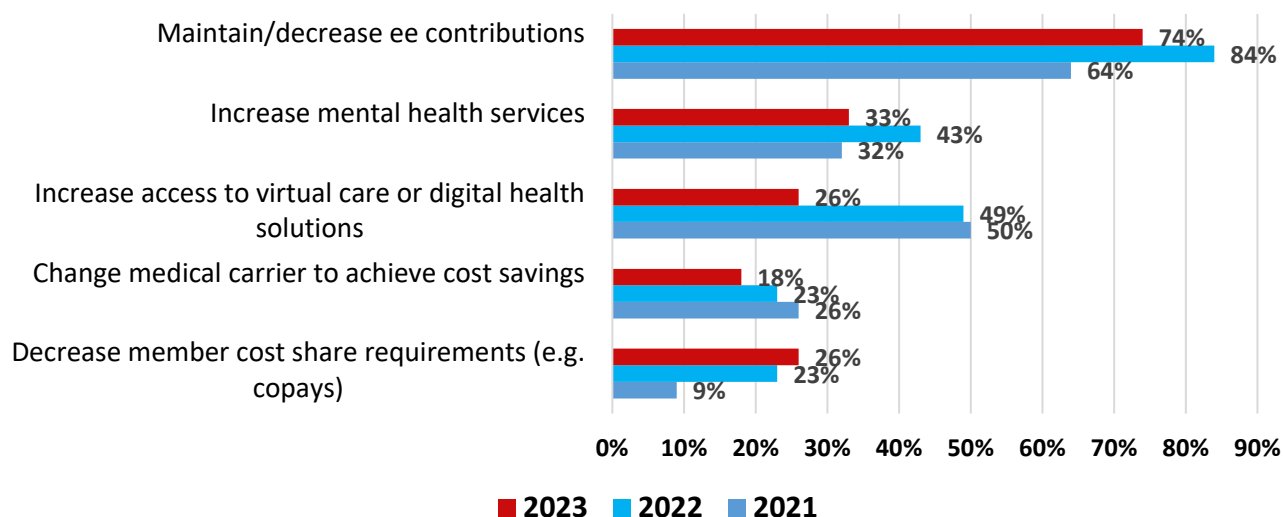
It is evident from the data above and our prior surveys that there is enough concern amongst business leaders around this issue. In August, companies told us the top priority for their medical offering was focused on limiting the employee’s financial exposure. Employers that limit contribution and deductible increases may avoid having their workforce become underinsured.

Each employee's insurance needs will be unique. It is more important than ever to provide year-round communication on the employee benefits package to ensure employees are maximizing their coverage. Employers that can provide plan options, resources, and decision-making support will be better positioned to have a workforce that feels secure in the coverage it purchases. A workforce that is confident with its insurance protection is a workforce that is more resilient, more productive, and more satisfied.

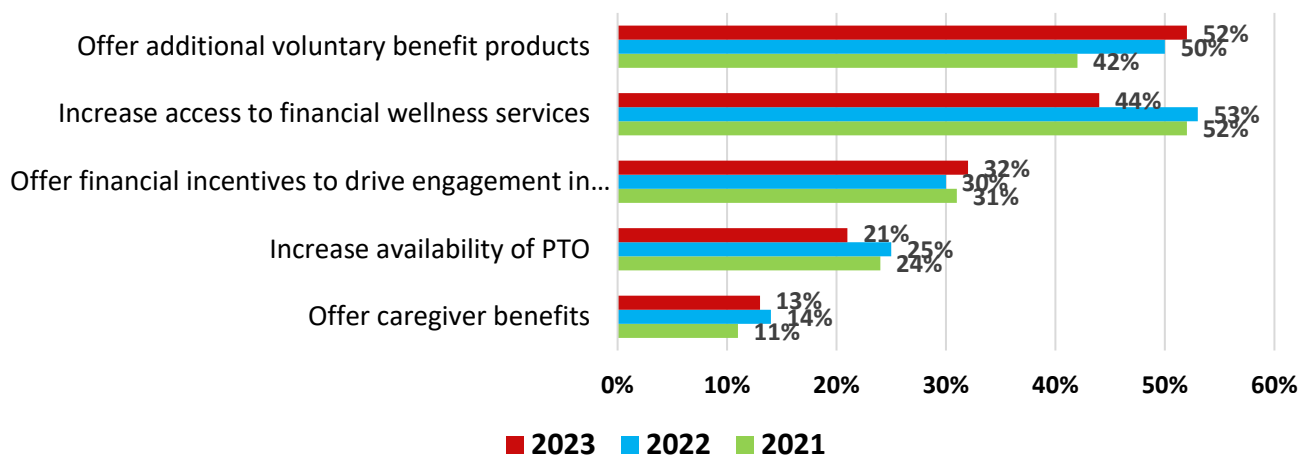
2023 Employee Health and Well-Being Strategies

Employers looking ahead to 2023 continue to explore ways to expand and enhance their benefits program while balancing healthcare costs. Employee engagement and total well-being remain a top priority for employers across the country. Thus, many continue to adopt additional products, limit financial burdens, and expand access to resources necessary to support their workforce and ensure they remain an employer of choice. We conducted a poll during a webcast on August 25 to see employers' plans for the following year. We compare these results against responses taken from the same poll in August 2020 and 2021. The results are in the charts below.

Employer Medical Strategies



Non-Medical Strategies



August results based on 156 employer respondents (allowed to select multiple answers)

Key Findings

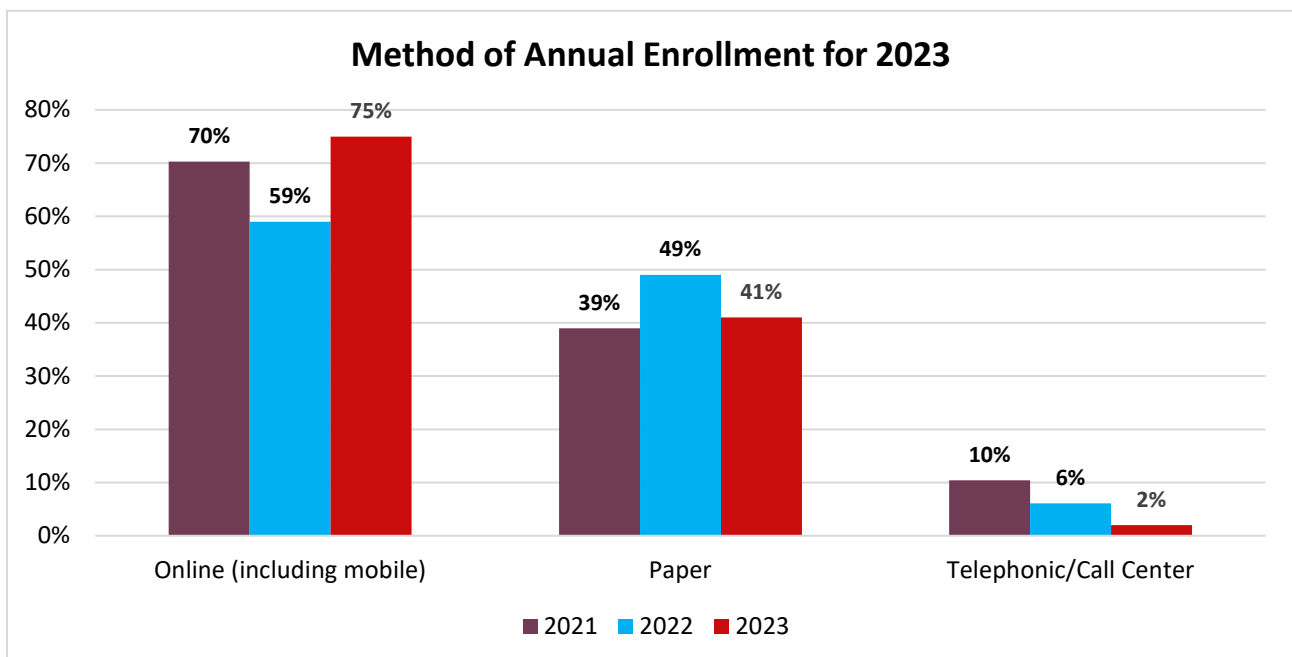
The top priority around the medical offering is focused on limiting the employee's financial exposure, either through the payroll contribution or by reducing the plan's cost-sharing requirements. This trend appears to be a direct response to the inflationary issues impacting most workers today and for the foreseeable future. It may also be a function of the labor market. Employers are concerned with affordability, but to continue bearing much of the premium, employers will need other strategies to help bend the cost curve.

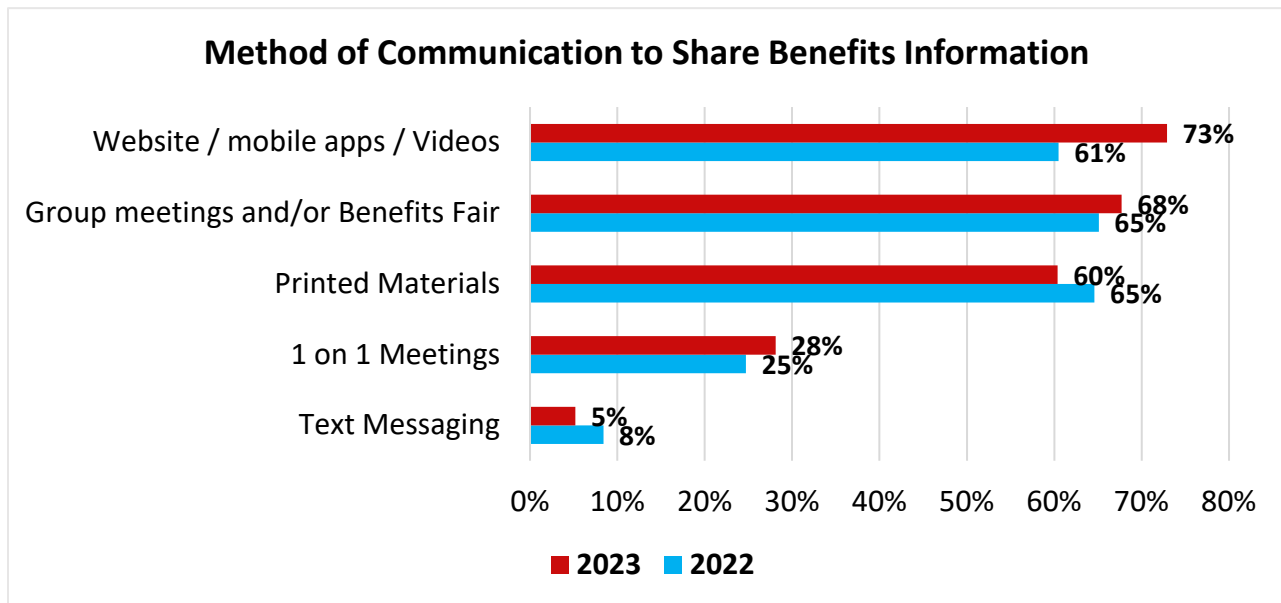
On the non-medical side, over half of respondents indicated they intend to add voluntary products to the benefits plan to fill gaps in their current benefits offering and meet employees in their various life stages. Interestingly, the focus on access to financial wellness programs dropped from the prior two years. Given the issues with medical debt, budgeting, and saving, employers may want to revisit their approach in this field.

2023 Annual Enrollment Methods

Annual enrollment season is on the horizon again for many employers and employees. This time of year can cause stress and anxiety for human resources staff and the general workforce. Annual enrollment is a critical part of a company's benefits strategy. Still, many employees remain confused by the offerings available and the enrollment process and do not spend an appropriate amount of time reviewing their options. Employees will also be challenged this year with higher inflation impacting their insurance purchasing decisions.

We conducted a poll during a webcast on October 20, 2022 to gain insight into employers' plans for the following year. We compare these results against responses taken from the same poll in October 2020 and 2021. The results are in the charts below.

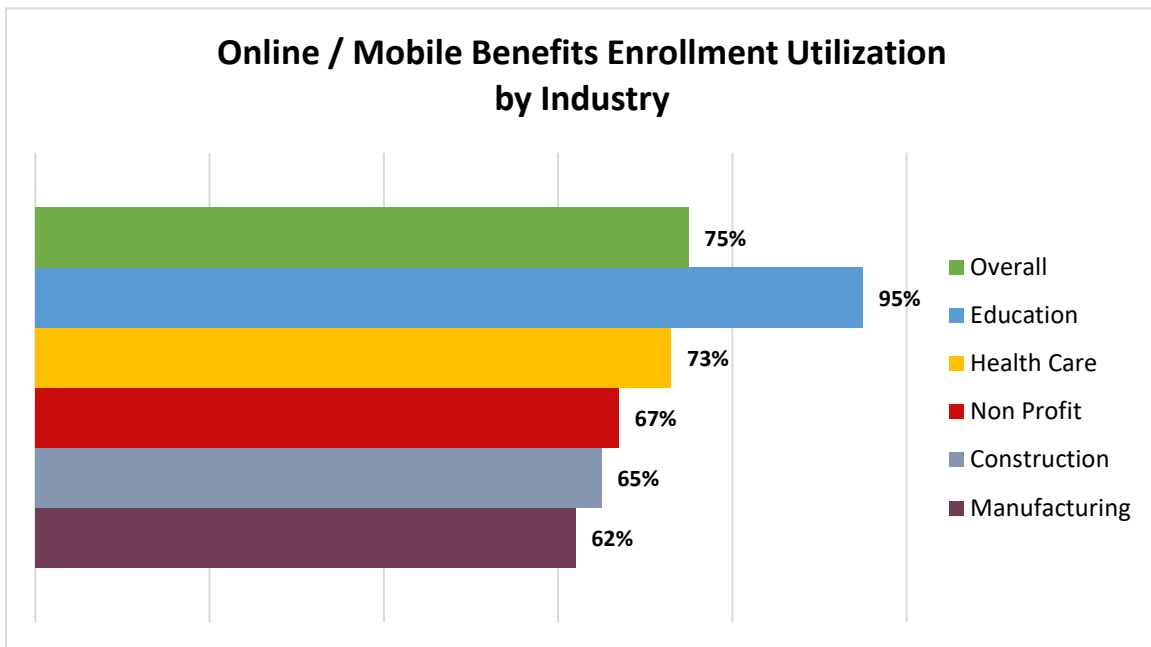








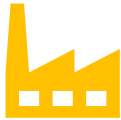
2023 results based on 233 employer respondents (allowed to select multiple responses)

Industry Spotlight

Embracing different methods of benefits communication and enrollment will vary by employer industry. We found employers in the education industry are far and away the highest utilizers for online/mobile as their main enrollment vehicle, with 95% doing so. Conversely, employers in the construction, manufacturing, and non-profit sectors are less likely to use technology, and printed methods are still a prominent enrollment method in those industries.



While website/mobile apps are the #1 method for communicating benefits overall, we found variation when looking at the data by industry:

<p>Health Care</p>  <p>Website/mobile apps</p>	<p>Non-Profit</p>  <p>Group Meetings/Benefit Fairs</p>	<p>Construction</p>  <p>Group Meetings/Benefit Fairs</p>
<p>Education</p>  <p>Website/mobile apps</p>	<p>Manufacturing</p>  <p>Website/mobile apps</p>	

Key Findings

We observed a significant increase in the percentage of employers using digital tools to communicate. While that is not a surprise, especially for those dealing with a remote/hybrid workforce, there remains a high percentage of employers relying on paper materials during annual enrollment, particularly in certain industries. Printed resources can be an option but should not be the only channel. Embracing technology allows employers to reach all segments of their workforce more meaningfully.

Companies that provide robust employee education and a smooth enrollment experience are rewarded with higher employee confidence, satisfaction, and greater engagement with the benefits program. Further, employers who leverage technology solutions are rewarded with less administrative work for their HR teams, fewer errors, and easy access to enrollment metrics and data. Utilizing multiple channels will assist with additional company messaging post-enrollment.

Regardless of how you communicate your benefit options, be clear, concise, and frequent. A well-thought-out enrollment strategy can assist an employer in achieving its employee benefit goals.

CONCLUSION

Conclusion

We developed this report to assist construction company insurance buyers in the purchase of property, casualty, and specialty lines of insurance. The report provides the buyer with peer-related data, so that they can compare their decisions with those of their contemporaries.

This report is not all encompassing, and we have tried to focus it on the insurance issues that construction company business owners, risk managers, and financial officers find the most challenging. We have not tried to differentiate between insurance policy forms or explain the varying terms and conditions of the specific insurance policies involved in the report.

Risk management and insurance purchasing are complex decisions. Your local Assurex Global Partner possesses the technical expertise and insurance company connections to help you through that process, and we encourage you to reach out to them with questions.

We would like to thank the Assurex Global Partners that participated in this report. It takes significant effort to pull together the data from hundreds of clients into a useable format. Without the assistance of each of those Partners, this report would not exist.

ABOUT / CONTACT INFORMATION

About The Mahoney Group/Contact Information

We recognize our success comes from a dedication and commitment to serve the communities in which we do business.

That's why the Mahoney Group, which traces its roots to 1915, is today one of the largest independent insurance and benefits brokerages in the U.S.

As a risk management, insurance and employee benefits brokerage, our focus includes a number of specialties including Real Estate, Construction, Tribal, Human Services, Homeowners' Associations, Self-Storage Facilities, Intermodal Trucking and Pest Control programs.

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Founded in 1954, Assurex Global is an exclusive partnership of the most prominent independent agents and brokers in the world. With \$35 billion in annual premium volume and more than 630 partner offices, Assurex Global is the world's largest privately held commercial insurance, risk management, and employee benefits brokerage group.

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