

Arch Construction Risk Report 2026

The Future of Construction Risk, Insurance and Resilience





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Introduction

Welcome to the inaugural *Arch Construction Risk Report*, based on insights from leading practitioners across the global construction industry.

The report examines the trends reshaping project delivery, risk management and insurance across the sector.

Construction risks are becoming increasingly interconnected. Geopolitical instability, climate change, supply chain disruption, modern methods of construction and sustainability-driven innovation are combining to create more complex loss scenarios, requiring a more forward-looking approach to risk assessment and resilience.

The ripple effect

Geopolitical volatility is a primary concern for respondents. Its effects ripple across global supply chains, driving material cost inflation and increasing uncertainty around trade routes, sanctions, and the availability of critical equipment and materials.

In an increasingly volatile climate, flooding has emerged as the most significant weather-related risk. Five to ten years ago, flooding was not considered a key issue for many construction projects, however, flood-related losses have increased in frequency and severity, driven by more regular flash flooding and intense rainfall.

Construction is also undergoing technological and environmental transformation. Modern methods of construction bring several benefits, however, greater modularisation and repeatable design can also create new forms of repeat-loss exposure.

Similarly, the encouraging transition to net zero is accelerating the adoption of new materials and construction techniques. Yet, many innovations have limited long-term performance data, introducing uncertainties not reflected in historical loss experience.

Embedding resilience

These developments reinforce the need for resilience throughout project planning, procurement and delivery. Insurers have an important role to play, supporting stronger risk assessment and helping clients better understand evolving exposures before they become losses.

Recent supply chain disruptions have demonstrated the importance of supplier diversification, improved supply chain visibility and earlier procurement of critical equipment. Concurrently, organisations are strengthening project risk management, extending the time periods for pre-construction weather-related risk assessments, adopting more resilient supply chain strategies and allocating contingencies to counteract volatility.

Closer collaboration

As construction risks become more complex, insurers, brokers and clients should engage earlier in the project lifecycle to identify vulnerabilities, improve resilience and influence critical decisions.

Anticipating vulnerabilities through scenario analysis, technical expertise and resilience planning is increasingly essential, rather than relying solely on historical claims data. Risk registers developed during early project planning and updated during construction periods are an essential part of effective risk management.

The research also highlights the value of greater transparency between stakeholders. Sharing risk management information, openly discussing emerging risks, and collaborating on mitigation strategies contribute to a more informed understanding of project risk. Encouragingly, many respondents appear increasingly willing to share data where they see value, enabling better underwriting decisions and targeted risk management support.

As the risk landscape continues to evolve, closer collaboration is critical to successfully navigate uncertainty. With earlier engagement and embedding resilience into every stage of project planning and delivery, the industry can continue to adapt, embrace innovation and build a more robust future.

Methodology

This Arch Construction Risk Report 2026 is based on findings from a comprehensive online survey conducted between April and May 2026.

The survey explored industry perspectives across six key risk areas affecting the construction sector:

- Geopolitical landscape and political instability.
- Weather and climate-related events.
- Emerging risks and advanced construction techniques.
- Supply chain.
- Funding and inflation.
- The drive to net zero and emerging technologies.

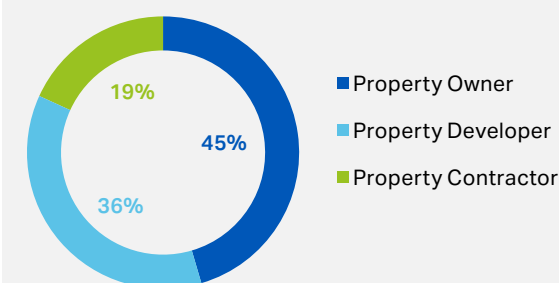
The analysis is based on responses from 44 organisations operating within the global construction sector.

Range of respondents

Respondents represented a broad cross-section of the industry.

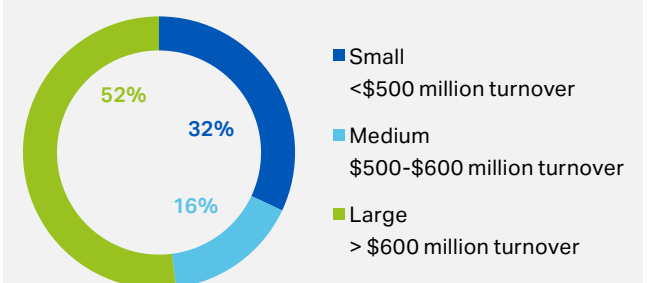
Type of Organisation

What type of organisation do you work for?



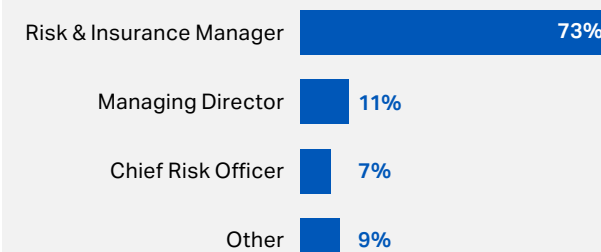
Size of Organisation

What is the size of your organisation?



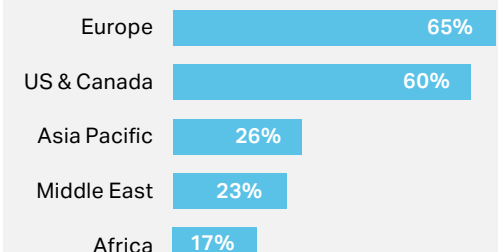
Role in Organisation

Which best describes your role?



Location of Operations

Where does your organisation operate?
Please select all that apply.



Executive Summary

Rising risk exposure and evolving priorities

The survey findings reveal a global construction sector operating in an increasingly complex and challenging risk environment.

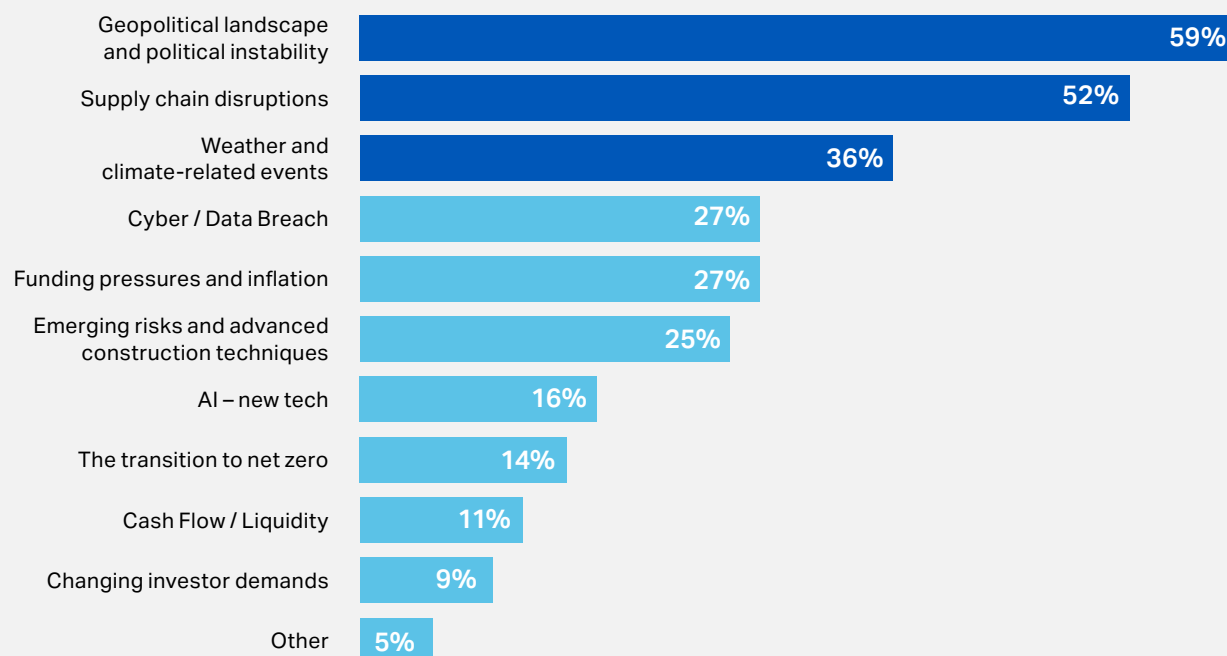
Approximately 85% of organisations reported at least a moderate increase in risk exposure over the past 12 months, driven by multiple factors including geopolitical uncertainty, supply chain pressures, climate-related concerns, financial challenges, and emerging technological risks. Significantly, no respondents indicated that risk had reduced, suggesting a consistent market perception that conditions have deteriorated and the operating environment has become more demanding.

Primary risk drivers

Geopolitical instability emerged as the dominant concern when respondents were asked to identify the most significant risks facing their organisations. Nearly six in ten respondents identified this as a key risk factor, making it the most frequently cited issue in the survey.

Top risks facing the construction sector

Which of the following do you consider to be the top three risks facing your sector? Please select up to 3.



Larger organisations in the survey are particularly focused on the implications of geopolitical developments on their supply chains, investment decisions, and project delivery, with greater exposure to international markets and complex procurement networks.

Supply chain disruption also appears as a major challenge despite some easing of pandemic-era pressures. More than half of respondents continue to view procurement uncertainty, material availability, and supplier reliability as significant risk factors. Building supply chain resilience remains a critical area of focus across the sector.

Differing perspectives of large and small organisations

Notable differences were revealed in risk perception between larger and smaller organisations.



Larger organisations are more likely to focus on:

- Geopolitical landscape and political instability.
- International supply chain disruption.
- Government policy uncertainty.



Smaller organisations are more likely to focus on:

- Funding pressures and access to finance.
- Inflation and rising operating costs.
- Emerging construction techniques and technologies.

These differences likely reflect varying levels of organisational resilience and resources. Smaller turnover businesses appear to be experiencing the increase in risk exposure more acutely. These firms often have less capacity to absorb cost increases, project delays, or financing challenges, making them particularly vulnerable during periods of economic uncertainty.

Climate and technology risks prominent

Environmental and technology-related risks are becoming increasingly embedded within the sector’s risk landscape. More than one-third of respondents identified climate and weather-related events as a significant concern, reflecting the increasing impact environmental events including flooding, storms and extreme temperatures are having on project delivery and operational continuity.

Similarly, cybersecurity is rising in importance. More than a quarter of respondents identified cyber and data breach risks as a key concern, highlighting the growing reliance on digital systems, connected technologies, and cloud-based project management platforms.

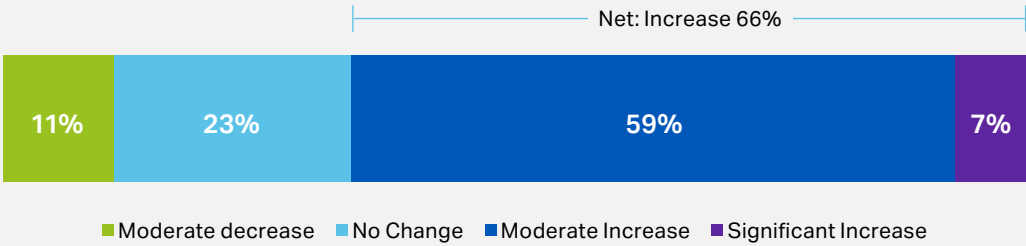
A quarter of respondents identified emerging risks and advanced construction techniques among their top three concerns, with AI and new technologies ranking close behind. While these risks currently sit below more immediate operational and economic challenges, the findings suggest that organisations are increasingly recognising compliance and operational implications associated with the adoption of new technologies, materials, and construction methods.

Rising exposure driving increased resilience investment

Organisations that completed the survey are responding proactively to the changing risk environment. Around two-thirds of respondents reported increasing their risk and insurance expenditure during the past year.

Level of risk and insurance spend change in last 12 months

How has your organisation’s risk and insurance spend changed over the past 12 months?



The fact that the majority noted a moderate increase suggests a measured response to the current risk environment rather than widespread concern requiring major changes to risk financing strategies. Organisations appear to be strengthening resilience through incremental investment in insurance and risk control measures in order to manage a more complex and uncertain operating environment.

Key Findings



85%

of respondents reported an increase in risk levels over the last 12 months.



59%

identified the geopolitical landscape and political instability as the top risk facing the construction sector.



52%

identified supply chain disruptions as a top risk facing the sector.



82%

identified flooding as the climate-related peril posing the greatest risk to their projects.



91%

agreed that skilled labour shortages are creating significant operational risk to their business.



66%

reported increasing their risk and insurance expenditure during the past year.



72%

increased their project contingency allowances during the past five years.



54%

reported that they are considering self-insuring a greater proportion of their risks.



78%

described insurance availability as influential in driving access to external funding.



71%

would be willing to share due diligence reports and Technology Readiness Levels in exchange for improved insurance availability.

Geopolitical Landscape & Political Instability

SECTION SUMMARY

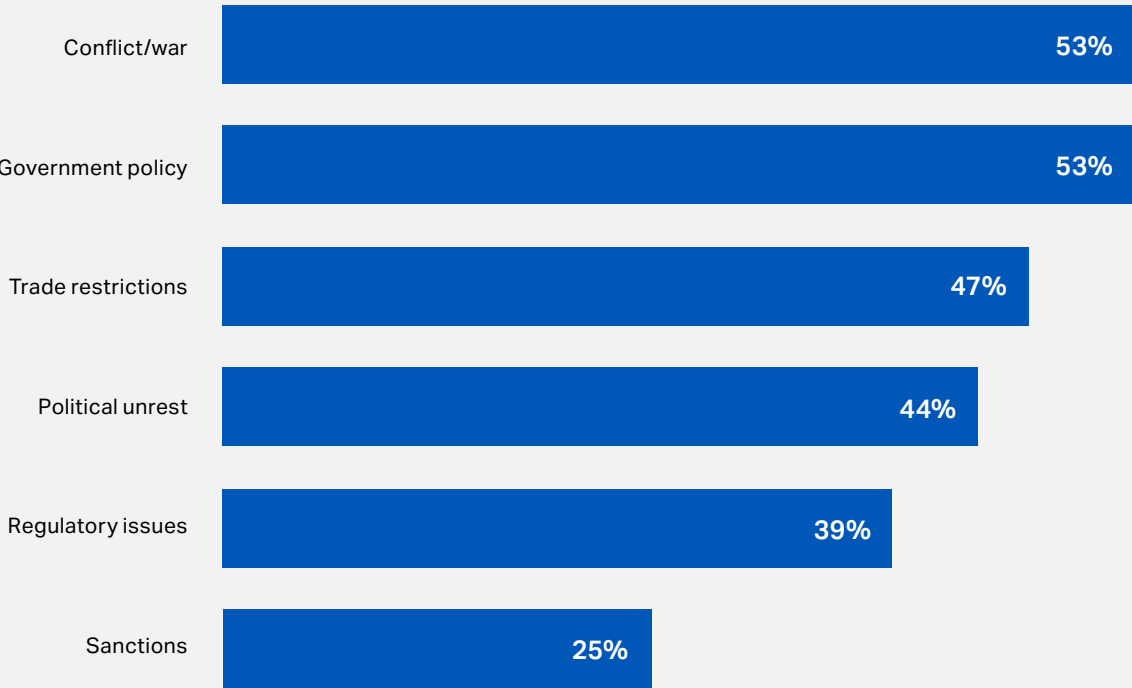
The findings point to a construction sector adapting to a more uncertain geopolitical environment. Rising volatility in supply chains, markets, and investment decisions is encouraging organisations to strengthen contingency planning, adopt more conservative budgeting assumptions, and build greater resilience into project delivery strategies.

Geopolitical risk has become a significant and increasingly tangible challenge for the construction sector, with geopolitical developments directly influencing procurement decisions, project planning, budgeting, and investment strategies across the industry.

Consistent with earlier findings that the geopolitical instability is the sector’s leading overall risk, respondents identified conflict or war and government policy changes as the most material geopolitical threats facing their organisations.

Most material geopolitical risks

Which of the following geopolitical risks are currently most material to your organisation? Please select up to 3.



For construction firms, conflict or war can cause disruption across a variety of areas ranging from supply chains and energy availability to international investments and workforce mobility. Conflict or war was considered less of a risk for smaller organisations and higher risk for those operating in Europe and North America.

Government policy is equally important as construction is heavily influenced by factors such as infrastructure spending decisions, planning and development regulations, taxation and procurement policies, as well as environmental and sustainability requirements.

Nearly half of respondents also identified trade restrictions as a material concern. Construction projects often depend on globally sourced materials such as steel, timber, cement products, and mechanical and electrical components. Trade barriers, tariffs, import controls, or customs delays can increase costs and cause project delays.

A volatile operating environment

The impact of geopolitical uncertainty is particularly evident within supply chains.

With more than three-quarters of respondents reporting increased volatility in material sourcing as a result of geopolitical developments, organisations are continuing to face challenges around material availability, procurement costs, lead times, and supplier reliability.

Beyond supply chains, geopolitical events are also contributing to broader market uncertainty. Three-quarters of respondents reported increased volatility in the markets in which they operate, highlighting growing concerns around inflation, investment confidence and financing conditions, project pipelines and long-term business planning. This volatility was felt more by organisations operating in Europe compared with those operating in North America.

Impact on strategic investment decisions

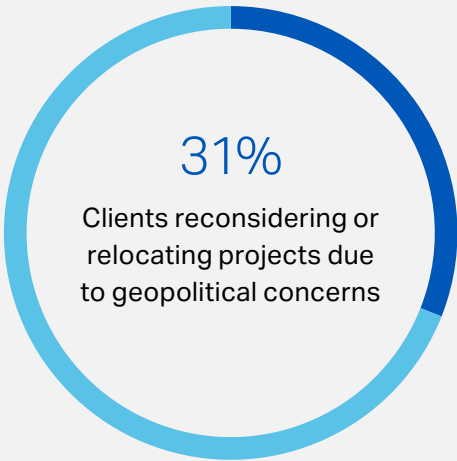
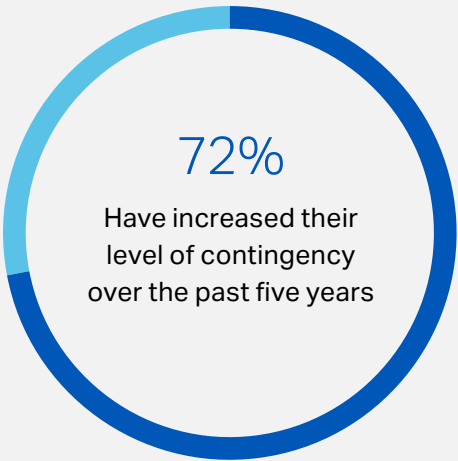
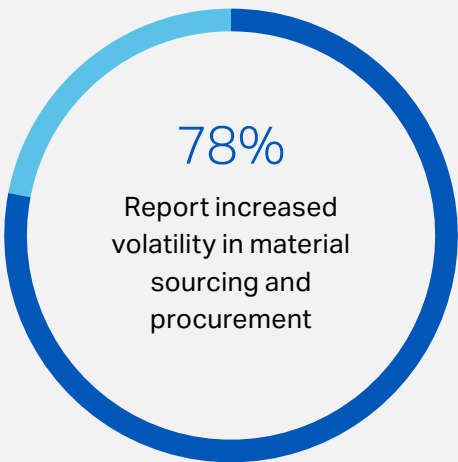
The findings also reveal evidence that geopolitical considerations are beginning to affect strategic investment decisions. Nearly one-third of respondents reported instances of clients shifting project locations due to geopolitical concerns. While this is not yet a dominant trend, the findings demonstrate that geopolitical risks are increasingly being factored into decisions around where projects are developed and capital is deployed.

Unsurprisingly, organisations appear to be responding by adopting more cautious and resilient planning approaches. Almost three-quarters of respondents have increased project contingency allowances during the past five years, with the most common adjustment being an increase of between 5% and 10%. This suggests that businesses are increasingly embedding uncertainty into project budgets and forecasts rather than treating disruption as an exceptional event.

“Although geopolitical instability has not yet driven a significant increase in construction-related insurance claims, its influence is being felt across the industry through inflationary pressures, procurement challenges and supply chain disruption. Conflicts such as those in Iran and Ukraine serve as a stark reminder of just how suddenly these events can materialise and how quickly their impact can be felt across global markets, often overnight. As the results show, the potential impacts for the construction market are widespread, making proactive planning and diversification of suppliers increasingly important risk management priorities.”

– Stephen Convery, Senior Construction Underwriter

Key impacts include:



Weather & Climate-Related Events

SECTION SUMMARY

The influence of climate-related risks on the construction sector is on the rise, with more than three-quarters of organisations reporting increased exposure to extreme weather events over the past five years. Flooding has emerged as the most significant climate-related threat, while weather-related project delays are becoming increasingly common.

In response, some organisations are adopting longer-term approaches to climate risk assessment and resilience planning. Although insurance capacity remains available, higher deductibles and increased retentions suggest that many organisations are retaining more climate risk themselves.

Climate-related risks are becoming an increasingly significant factor in the construction sector's overall risk profile.

Organisations are reporting higher exposure to extreme weather events and increasing levels of project disruption. At the same time, the research reveals important shifts in how organisations assess future weather risks and how insurance markets are responding to changing environmental conditions.

Climate risk is not viewed as an emerging issue for the sector, but as a distinct operational and financial challenge that is directly influencing project delivery, risk management practices, and insurance purchasing decisions.

Exposure to climate-related risks continues to rise

More than three-quarters (77%) of respondents reported that their exposure to extreme weather and climate-related events has increased over the past five years, indicating that climate-related risks are progressively affecting organisations regardless of size, geography, or business model.

Key findings include:

- 77% of organisations have experienced increased exposure to weather and climate-related events over the past five years.
- Nearly one-third (31%) report that exposure has increased substantially.
- Climate-related risks are now directly influencing operational and financial performance.
- Smaller organisations appear to be experiencing the greatest increases in exposure.

The survey also highlights differences in vulnerability across the market. Smaller-turnover organisations appear to be experiencing the greatest increase in exposure. This may reflect their greater reliance on individual projects, reduced geographic diversification, and more limited resources to invest in adaptation measures, resilience planning, and recovery following major weather events.

"Climate change is undoubtedly influencing the frequency and severity of weather-related losses, but it is only part of the story. Growing urbanisation, increasing population density and the concentration of high-value assets mean that when an extreme event occurs, the financial and societal impacts are often far greater than they would have been several decades ago."

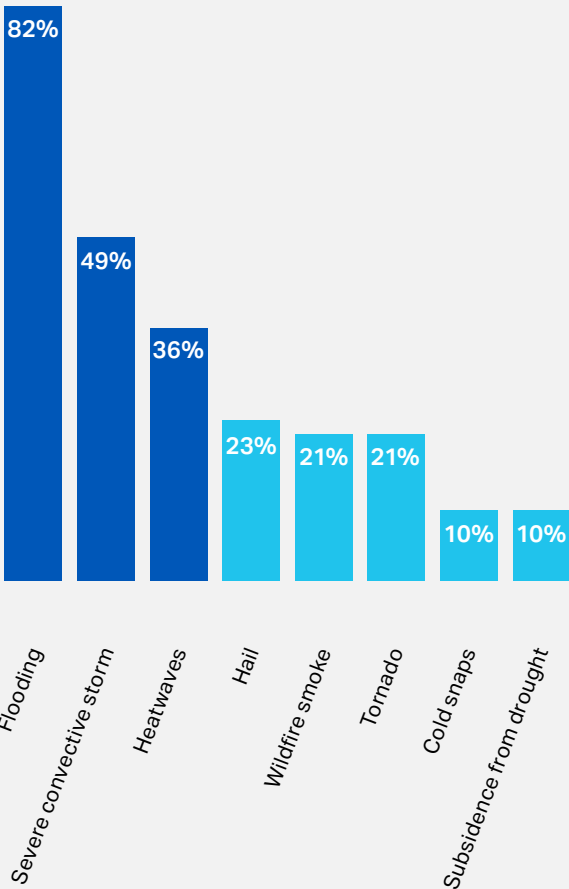
– Tim Chapman, Head of Construction

Flooding emerges as the dominant climate threat

When respondents were asked to identify the climate-related perils posing the greatest risk to their projects, flooding emerged as the clear and overwhelming concern, with 82% citing it as the dominant peril. Severe convective storms and heatwaves rank as the second and third most significant perils respectively.

Perils posing greatest risks to construction projects

Which of the following weather/climate-related perils currently pose the greatest risk to your projects? Please select up to 3 you believe pose the greatest risk.



The rapid pace of urbanisation has intensified flood risk worldwide, placing buildings and infrastructure in densely populated cities under growing threat. With the ability to affect virtually every aspect of project delivery, flood events can delay construction schedules, damage partially completed works, disrupt access to sites, impact workforce safety, and generate substantial additional costs. They can also have long-term implications for asset resilience, insurance pricing, and project viability.

“Flood risk has undergone a fundamental shift in recent years. What was once considered a secondary concern for many construction projects has become a core underwriting issue, driven by more frequent extreme rainfall events, flash flooding and a growing number of loss incidents. The industry is increasingly recognising that flood exposure is no longer confined to projects located near rivers or coastlines. Intense rainfall and surface water flooding are creating risks in locations that may previously have been considered relatively low hazard. As a result, insurers are placing greater emphasis on robust flood risk assessments, mitigation planning and project-specific resilience measures as part of the overall risk evaluation process.”

– Tim Chapman, Head of Construction

Beyond flooding, the data also reveals important regional and sector-specific differences in climate risk profiles. For organisations operating in North America, tornadoes replace heatwaves among the top three climate threats, reflecting local weather patterns and exposures. Meanwhile, among large-scale property owners, wildfire emerges as a more prominent concern than heatwaves.

Organisations extending their planning horizons

The research provides insight into how organisations are assessing future weather and climate-related risks during the pre-construction phase.

While historically, construction risk assessments have often focused on short-term weather variability and immediate project conditions, the findings suggest that increasingly organisations are focusing on longer term climate trends.

The most common modelling horizon remains relatively short-term, with 41% of organisations assessing weather risks up to two years into the future. This perhaps reflects the influence of typical project lifecycles, budgeting processes, and commercial decision-making timeframes.

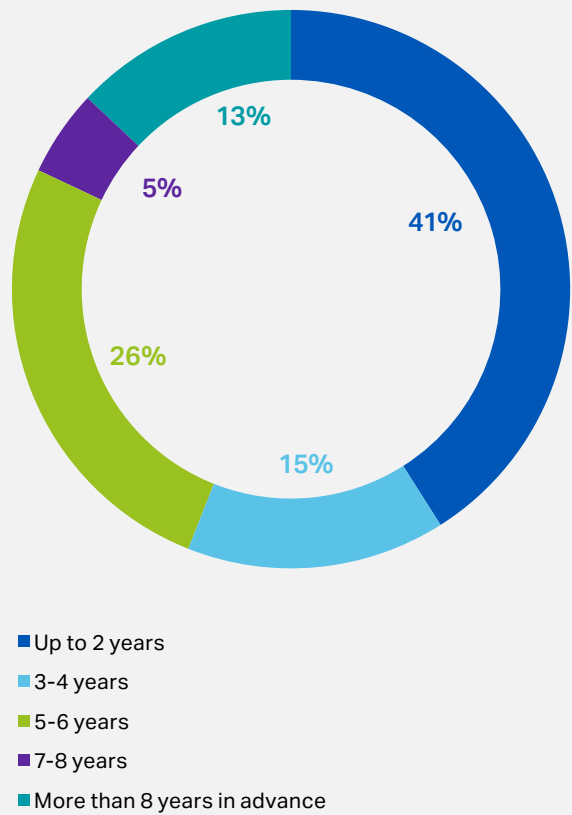
However, a substantial proportion of respondents are now modelling climate risks over much longer periods. Almost half of respondents are assessing weather and climate risks at least five years into the future. This suggests growing recognition that historical weather patterns alone may no longer provide a reliable guide to future risk conditions.

The distribution of responses also indicates that there is currently no universally accepted industry standard. Some organisations continue to prioritise immediate operational risks, while others are incorporating longer-term climate trends into project planning and investment decisions.

As climate-related disruption becomes more severe and frequent, longer planning horizons may become an increasingly important component of effective risk management.

Climate risk assessment horizons

When using predictive modelling for pre-construction weather risk assessments, how far in advance do you usually model?



“Climate resilience increasingly begins at the planning stage, long before an extreme weather event occurs. Decisions around site selection, development density and the protection of natural drainage systems can have a profound influence on future risk exposure. As climate pressures continue to evolve, there is growing recognition that planning frameworks must take a longer-term view, ensuring that new developments are designed with future environmental conditions and resilience requirements firmly in mind.”

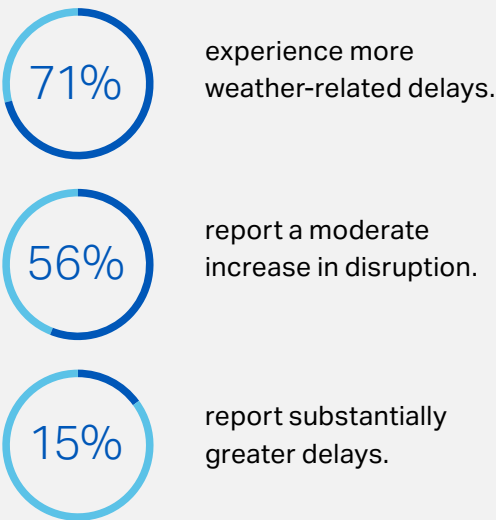
– Tim Chapman, Head of Construction

Weather-related delays becoming more common

The survey provides further evidence that climate-related risks are having a direct and measurable impact on project delivery.

More than seven in ten organisations (71%) report experiencing more weather and climate-related delays than they did five years ago, suggesting a gradual deterioration in project delivery conditions rather than isolated large-scale disruption.

Project delay trends over the past five years



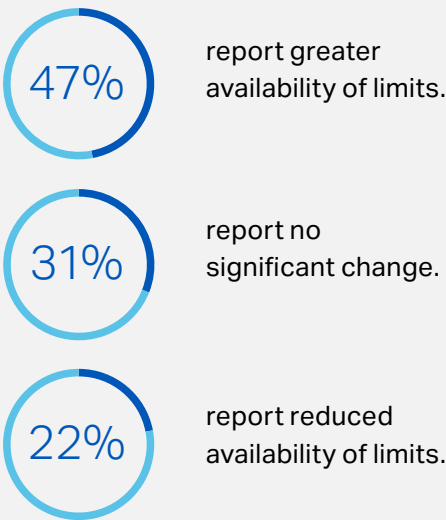
As with several other findings throughout the survey, smaller organisations appear to be more affected. Such organisations may be less able to absorb delays and associated cost increases due to more limited contingency resources, reduced operational flexibility, and a greater dependence on individual projects.

Insurance capacity remains resilient

Despite rising climate exposures and increasing disruption, the survey suggests that insurance markets have continued to support the construction sector.

Nearly half of respondents (47%) report that insurance limits are more available today than they were five years ago, while a further 31% indicate that availability has remained broadly unchanged.

Changes in insurance limit availability show that:



These results indicate that almost four out of five organisations believe insurance capacity has either improved or remained stable despite a more challenging risk environment.

This suggests that insurers have largely maintained their willingness to deploy capital within the sector, even as climate-related exposures have increased. Rather than withdrawing capacity, insurers are managing risk through more targeted underwriting, pricing adjustments, and policy structure changes.

"The risk profile of construction projects is fundamentally reshaping, as losses from secondary perils outpace those from primary perils. The insurance industry's ability to effectively recalibrate its approach to risk assessment and pricing through the use of new models and assessment tools in a world where the underlying conditions have shifted is key."

– Tim Chapman, Head of Construction

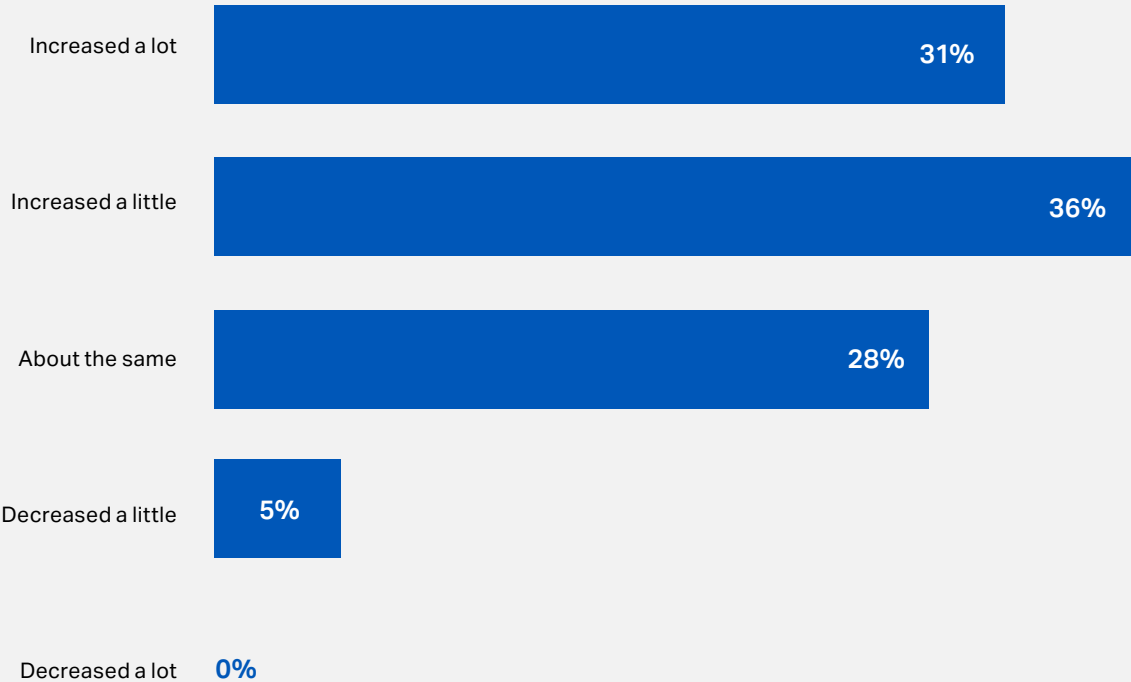
Organisations are retaining more risk

While insurance capacity remains broadly available, the survey also suggests that organisations are increasingly retaining more risk themselves as insurers manage climate-related exposures through more disciplined pricing, deductibles and tighter coverage terms.

A total of 67% of respondents reported that deductibles or self-insured retention levels have increased over the past five years. Construction organisations are not only facing an increased level of risk but are absorbing a larger proportion of potential losses themselves.

Change in amount of deductibles or self-insured retention levels

Still thinking about weather and climate-related events, what changes have you seen in the last 5 years in the amount of deductibles or self-insured retention levels?



Emerging Risks & Advanced Construction Techniques

SECTION SUMMARY

The findings highlight a sector undergoing significant change, where labour shortages, supply chain disruption, climate risks, and technological transformation are reshaping risk priorities.

Modern methods of construction are becoming increasingly common, offering productivity and efficiency benefits while introducing new operational and insurance challenges.

At the same time, growing ESG expectations and evolving insurance market conditions are prompting organisations to reassess how risks are managed and financed.

Collectively, the results suggest that construction organisations are balancing the opportunities presented by innovation with the need to strengthen resilience against a rapidly evolving risk landscape.

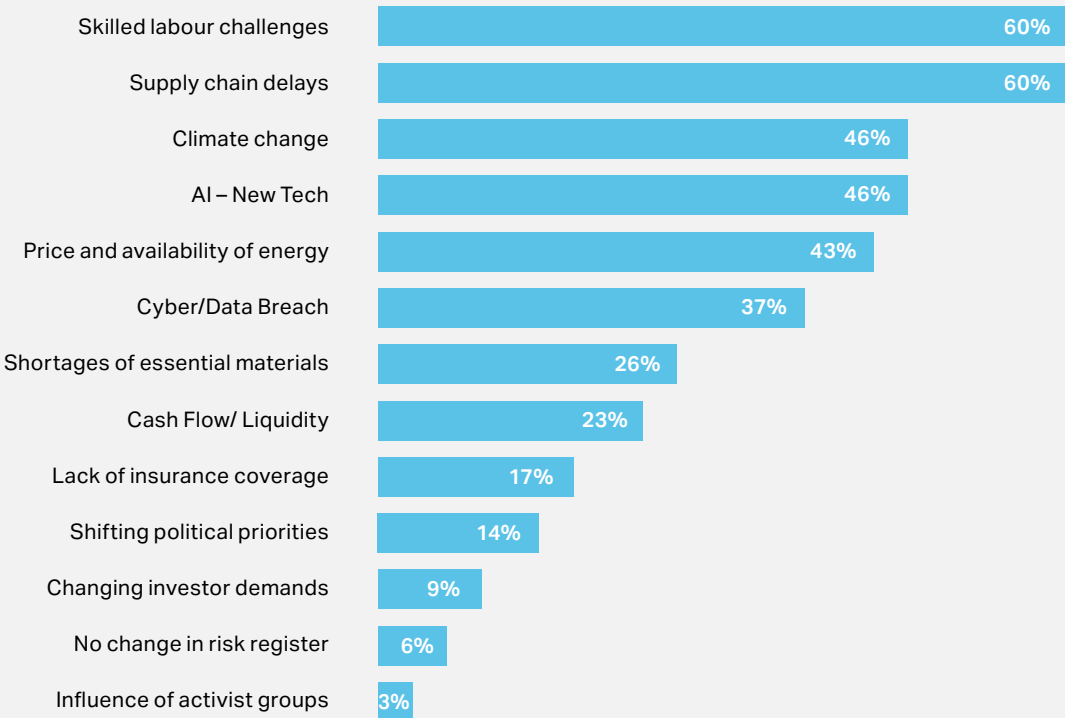
The construction sector is navigating a period of significant change. While organisations continue to face familiar challenges such as labour shortages and supply chain disruption, they are also adapting to new technologies, innovative materials, and changing stakeholder expectations.

Workforce and supply chain pressures

The survey highlights that labour availability and supply chain resilience are the most significant emerging risks moving up organisations' risk registers in the last 2-3 years.

Emerging risks moving up the register

Which, if any, of the following emerging risks have moved up your risk register in the past 2-3 years? Please tick all that apply.



The global construction market is expected to grow to US\$16.11 trillion in 2030, up from US\$11.39 trillion in 2024¹, however with an ageing workforce as well as challenges with workforce availability, recruitment and retention, the skills labour shortage is a growing concern if the industry is to reach this growth projection. In fact, 91% of respondents agreed that labour shortages are creating a significant operational risk to their business.

Supply chain delays rank alongside labour shortages as one of the most significant emerging risks. The continued prominence of this issue highlights that procurement uncertainty and the availability of materials are significant sector challenges.

Climate change and AI both rank highly among emerging risks, indicating that organisations are focused on both immediate operational pressures as well as longer-term transformational issues. AI is emerging as a growing governance, compliance, and operational consideration as digital technologies become more embedded across the construction lifecycle.

Modern methods of construction gaining momentum

The findings show that modern methods of construction are becoming more mainstream, helping improve productivity and reduce project timelines.

The widespread adoption of modular construction shows that prefabricated methods are becoming a more established part of construction delivery models. The growing use of offsite fabrication and onsite manufacturing further reflects the sector's efforts to improve efficiency and enhance quality control, while also potentially helping to reduce pressure on labour.

Innovation creating new exposures

However, as construction activity increasingly shifts from site-based operations to manufacturing environments, organisations are encountering a different set of risk considerations.

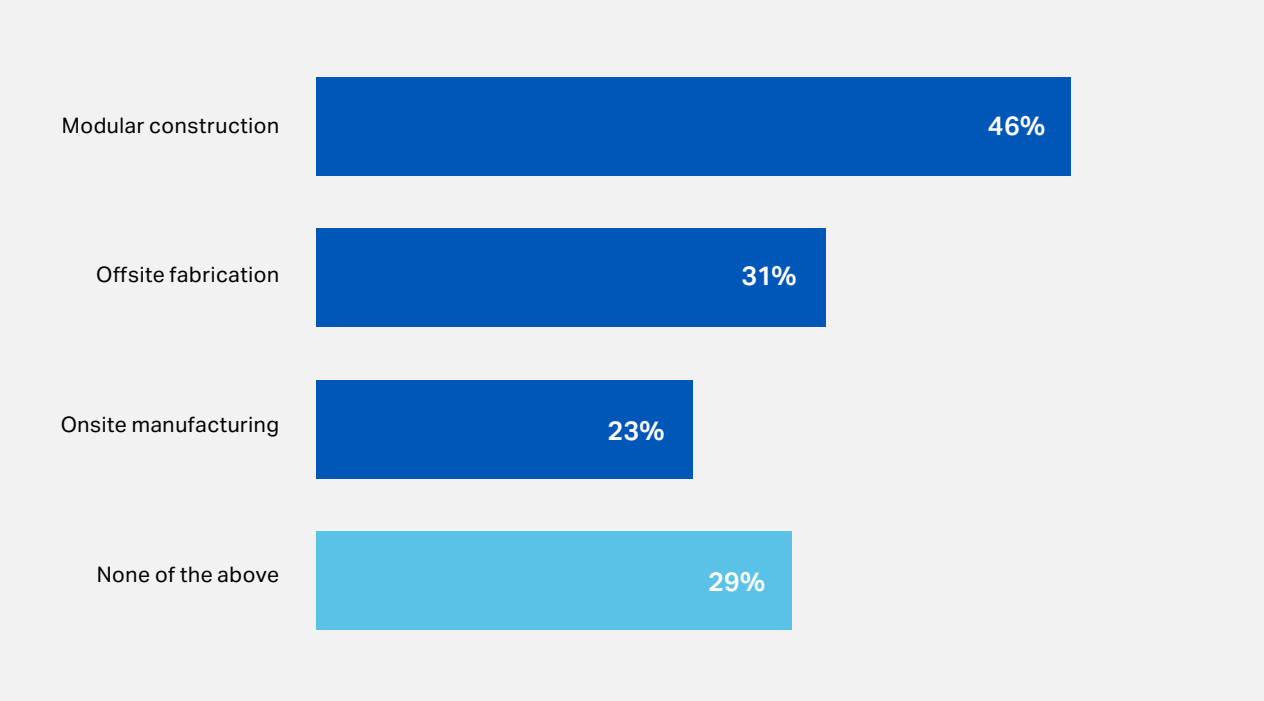
Transport risk emerged as the most significant concern, reflecting the increased movement of large, prefabricated components between manufacturing facilities and project sites.

Systemic defects were also identified as a major concern. Unlike traditional construction, where defects may be isolated to specific locations or components, manufacturing-based approaches can create the potential for defects to be replicated across multiple units or projects.

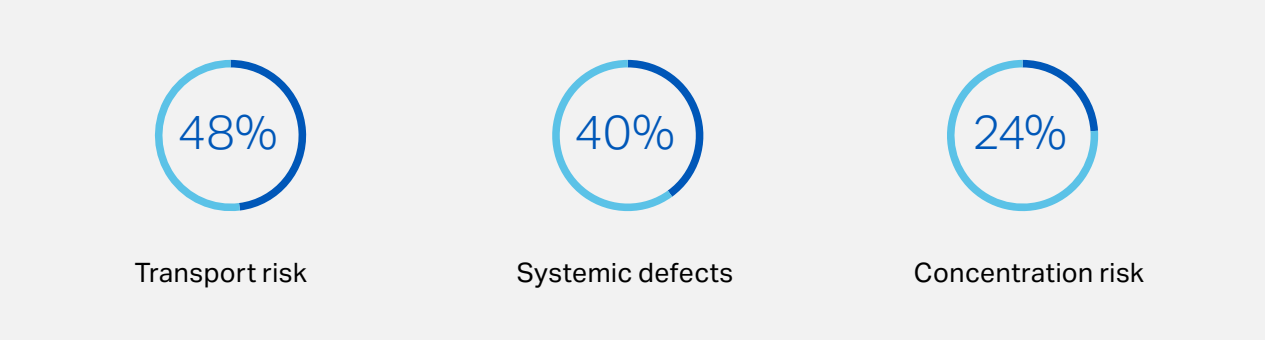
The emergence of concentration risk further highlights the changing nature of construction risk. Greater reliance on a smaller number of specialist manufacturers, suppliers, or production facilities may increase vulnerability to operational disruption, or supplier failure.

Modern construction methods adopted

Which, if any, of the following modern methods of construction has your organisation adopted?
Please tick all that apply.



The most cited risks arising from modern construction methods were:



"As construction methods evolve and become more industrialised, risk profiles are changing. Modular construction and off-site production can deliver substantial efficiencies, but they may also increase concentration risk within supply chains and product manufacturing. A defect in a widely used component, for example, could impact thousands of units across multiple sites, transforming what would previously have been an isolated issue into a broader systemic event."

– Kevin Lumiste, Senior Construction Underwriter

¹ Global Powers of Construction, Deloitte, 2024

Insurance market monitoring innovation

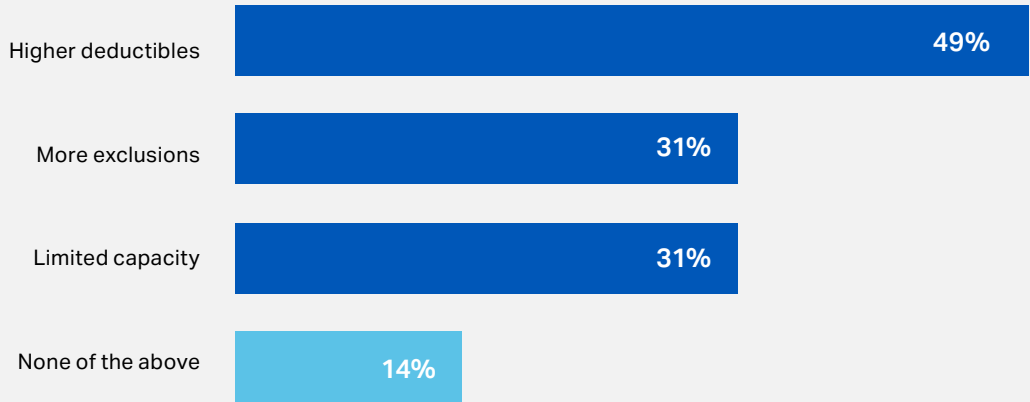
The survey findings suggest that insurers are continuing to adapt to the increased use of innovative materials and construction methods.

Higher deductibles are the most frequently reported insurance impact, cited by almost half of respondents. At the same time, around

one-third of respondents reported experiencing either more exclusions or reduced capacity when seeking cover for innovative materials and construction techniques. These findings indicate that while insurers are supporting innovation, areas of caution remain where risk characteristics are still evolving and there is a lack of historical data or detailed underwriting submission.

Insurance developments experienced when using innovative materials

Now thinking about the insurance relating to your use of innovative materials, which, if any, of the following has your organisation experienced in the last 2-3 years? Please select all that apply.



ESG and reputational risks rising

With buildings responsible for almost 40% of global carbon emissions², it's no surprise that environmental, social, and governance (ESG) considerations are also becoming increasingly important within the sector's risk landscape.

The vast majority of respondents report some degree of exposure to reputational damage arising from environmental or social performance issues:



Clients, investors, regulators, employees, and local communities are placing growing scrutiny on how organisations manage environmental and social issues. As a result, reputational risks linked to ESG performance are becoming a more material consideration for construction businesses and their leadership teams.

Growing interest in alternative risk financing

The survey also points to strong interest in the adoption of alternative risk financing strategies, with more than half of respondents (54%) reporting that they are considering self-insuring a greater proportion of their risks.

While conventional insurance remains a critical component of risk management, there appears to be growing interest in alternative approaches that allow organisations to retain greater control over certain risks.

² Building Fast, Falling Short, UN Environment Programme, 2026



Supply Chain

SECTION SUMMARY

Findings show that supply chain disruption is a long-term operational challenge for the construction sector. Risks relating to materials, components, logistics, labour, transportation, as well as supply shortages are continuing to affect project delivery on a regular basis.

In response, organisations are adopting more proactive procurement strategies and strengthening contingency planning. However, resilience measures remain only partially developed, indicating that supply chain risk will remain a key area of focus as organisations continue to navigate an increasingly uncertain environment.

Supply chain disruption continues to represent one of the most significant and persistent risks facing the construction sector. Ongoing geopolitical tensions including disruptions to key shipping routes and higher transport costs are increasing supply chain disruption levels globally, returning to levels last seen during the height of pandemic-related disruptions³.

While many organisations have adapted their procurement and risk management strategies in recent years, supply chain challenges are widespread, affecting project delivery, costs, scheduling, and operational resilience.

Challenges at all links in the chain

The data suggests that supply chain risk is no longer concentrated within a single area of the construction process. Instead, organisations are experiencing vulnerabilities across multiple components of the supply chain, highlighting the increasingly interconnected nature of project delivery.

“Dependence on a small number of manufacturers, suppliers or geographic regions can create systemic vulnerabilities, particularly where critical components have long lead times and limited alternative sources. In these circumstances, a single disruption, whether caused by natural catastrophe, geopolitical events or operational failure, has the potential to affect numerous projects simultaneously. This interconnected exposure can amplify losses, extend delays and create accumulation risks that are increasingly relevant for insurers and their clients.”

– Stephen Convery, Senior Construction Underwriter

³ Chart: Supply Chain Disruptions Are Back At 2022 Levels, Statista, 2026

Parts of supply chain generating greatest risk

Which parts of your supply chain currently present the greatest risk to your organisation? Please select up to 3.



The prominence of specialist components and raw materials reflects continuing concerns around availability, lead times, supplier concentration, and pricing volatility. These findings suggest that many of the challenges experienced in recent years have become structural rather than temporary.

The fact that over 40% of respondents highlight subcontractor labour and transportation risks further reinforces themes emerging elsewhere in the survey. Labour availability has already been identified as one of the fastest-rising risks facing the sector, with respondents consistently highlighting skills shortages as a significant

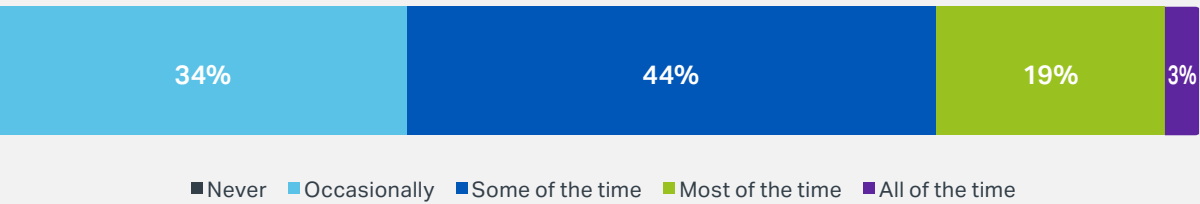
operational challenge. Similarly, transportation risks appear to reflect the broader concerns around supply chain resilience, geopolitical uncertainty, and the increasing reliance on complex procurement networks.

Impacting project delivery timelines

The results also show that supply shortages are directly impacting project delivery. Approximately one in five organisations report experiencing supply shortages that cause delays all or most of the time. In total, around 70% of respondents are encountering supply-related disruption with some degree of regularity.

Frequency of projects delayed due to supply shortages

How often would you say your projects are being delayed due to supply shortages these days?



In response, many organisations are changing their procurement practices to improve supply certainty and reduce the likelihood of disruption. More than half of respondents (56%) reported taking delivery of materials earlier than required, with most receiving goods more than one month ahead of their planned need date.

How much earlier are you having to take delivery

Usually how much earlier than desired are you having to take delivery?



The research shows that many organisations are now prioritising certainty of supply over operational efficiency, reflecting the extent of ongoing market uncertainty. While this approach can help mitigate supply shortages, it also introduces new considerations, including increased inventory levels, storage requirements, capital demands, and the risk of damage or deterioration before materials are delivered on site.

Having contingency plans in place

The survey also highlights the growing importance of formal resilience planning. Four in five organisations report having contingency plans in place to address supplier failure or supply chain disruption, demonstrating that supply chain resilience has become a core component of risk management rather than an exceptional measure.

Notably, geopolitical instability is now a key consideration within many of these plans. Among organisations with contingency arrangements, 61% specifically include provisions for geopolitical disruption. This reinforces earlier findings that geopolitical instability is increasingly influencing construction activity through its impact on trade flows, procurement networks, material availability, and market conditions.

The study finds that almost all respondents report having updated their contingency plans in response to current geopolitical developments. However, the majority indicate that they have only partially adapted to the changing environment; while organisations recognise the scale of the challenge, many are still developing their resilience capabilities and may not yet feel fully prepared for future disruption.

“Delay risk is becoming one of the most significant challenges facing construction projects today. As lead times for critical equipment extend, contractors are being forced to procure, transport and store materials much earlier than planned, creating a new set of exposures that must be carefully managed from both a project and insurance perspective. The key challenge is ensuring those emerging exposures are recognised and managed before they result in losses.”

– Kevin Lumiste, Senior Construction Underwriter

Funding & Inflation

SECTION SUMMARY

While funding availability has remained broadly stable, findings show that inflation and cost volatility continue to represent significant challenges for the construction sector. Material, labour, and energy costs remain highly unpredictable, contributing to project delays and increasing pressure on budgets and financing arrangements.

The growing influence of insurance on lending decisions further highlights the increasingly important role of risk management in enabling investment and supporting project delivery.

Organisations are responding by incorporating larger inflation contingencies and placing greater emphasis on financial resilience, although uncertainty remains regarding whether current assumptions will be sufficient to address future market conditions.

While access to funding has remained relatively stable across much of the construction sector, the survey unsurprisingly shows that inflation and cost volatility continue to exert significant pressure on project viability, financing decisions, and delivery timelines.

Although capital availability is not currently viewed as a widespread constraint, the combined impact of fluctuating costs, financing pressures, and economic uncertainty is creating ongoing challenges for organisations seeking to manage project budgets and maintain programme certainty.

Funding conditions remain relatively stable

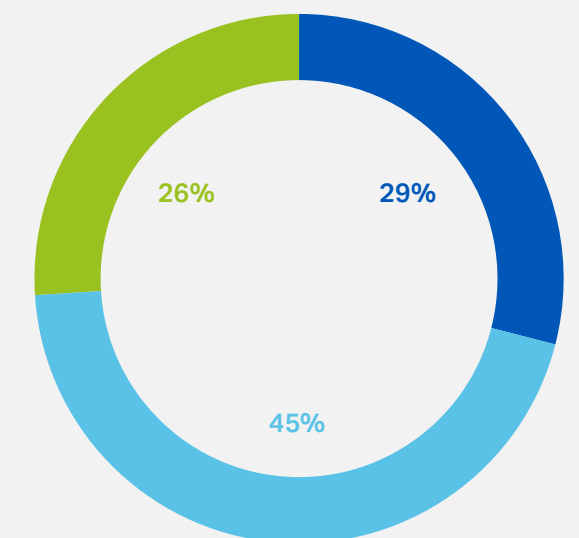
Compared with other risks highlighted throughout the survey, funding availability appears to be a less significant concern for most organisations.

Almost half of respondents (45%) reported no change in funding availability over the past two to three years.

This suggests that, at an overall market level, access to capital has remained relatively resilient despite a challenging economic backdrop. However, the findings also indicate that funding conditions are not uniform and may vary according to project type, organisation size, sector focus, and geographic location.

Availability of external funding over the past 2-3 years

How has the general availability of external funding (bank lending, private finance, bonds, project finance) changed for your organisation over the past 2-3 years?



■ More availability
■ No more / no less availability
■ Less availability

Insurance is increasingly influencing investment decisions

While funding itself may remain available, the survey reveals the growing importance of insurance in facilitating investment decisions, particularly for projects involving emerging technologies. 78% of respondents described insurance availability as either somewhat or very influential for these lending decisions.

Insurance is increasingly viewed as an important enabler of investment within sectors such as power, infrastructure, and renewable energy. As organisations pursue new technologies and delivery models, lenders are seeking assurance that risks can be effectively understood, managed, and transferred.

This highlights the increasingly interconnected relationship between risk management, insurance, and project financing.

Cost volatility remains a significant challenge

While funding availability has remained relatively stable, cost volatility continues to affect organisations across multiple areas of expenditure.

Material costs remain the most significant area of concern, with almost nine in ten respondents reporting volatility. This reflects ongoing uncertainty around commodity prices which are forecast to rise 16% in 2026, driven by increased energy prices as well as record-high prices for key metals including aluminium and copper⁴.

The findings also demonstrate that inflationary pressures extend well beyond materials. More than half of organisations have experienced significant fluctuations in labour and energy costs, while almost half report volatility in machinery and equipment expenses. This suggests that cost inflation remains embedded across the construction value chain rather than being concentrated within a single category.

Inflation is affecting project delivery

Research indicates that rising costs are not simply affecting project budgets but are increasingly influencing project delivery.

More than two-thirds of respondents (68%) report experiencing increased project delays because of financing or cost challenges. As a market that depends heavily on long-term capital-intensive contracts⁵, this demonstrates the direct operational consequences of inflation and market uncertainty. Organisations are facing greater difficulty maintaining schedules when costs escalate unexpectedly or financing arrangements come under pressure.

The widespread use of inflation contingencies suggests that rising costs are now viewed as a routine project risk requiring proactive management.

Despite these adjustments, confidence in current contingency levels is far from universal. While 52% of respondents believe their existing inflation allowances are sufficient, almost one-quarter (23%) remain concerned that their provisions may not adequately reflect future cost movements. This uncertainty highlights the difficulty organisations face in forecasting inflation, labour costs, energy prices, and supply chain conditions in an increasingly volatile environment.

To mitigate these risks, many organisations are incorporating explicit inflation allowances into project budgets. The survey shows that typical inflation contingency allowances are:

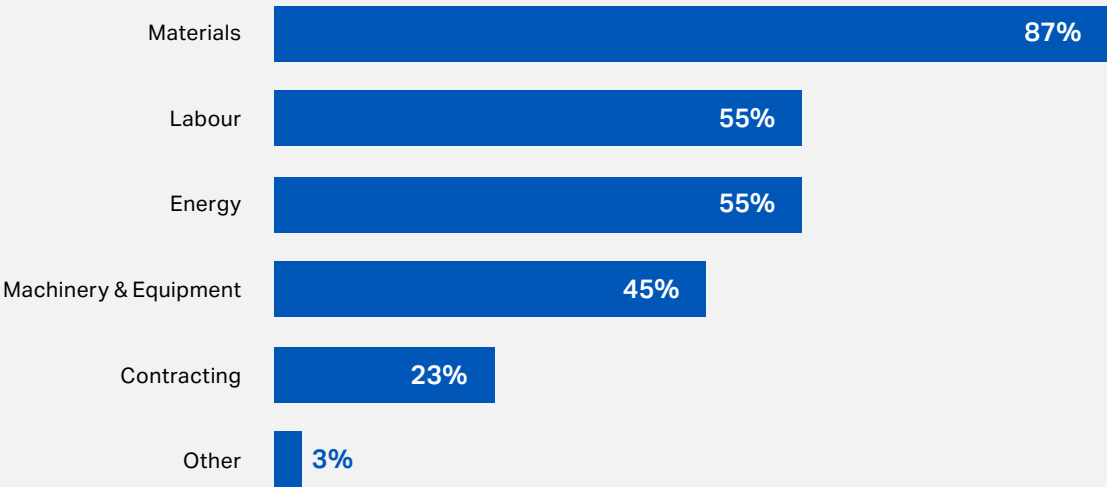


“Fixed-price contracting is coming under increasing pressure as projects face higher levels of uncertainty from inflation, climate-related events and geopolitical disruption. Where contractors are expected to absorb these risks without adequate flexibility, project resilience can be weakened, and overall risk quality may deteriorate. There is growing recognition that contract structures need to evolve to better accommodate changing costs, supply chain uncertainty and emerging project risks. Progressive design-build or alliance-based contracting, or cost-reimbursable or hybrid arrangements could become more commonplace.”

– Stephen Convery, Senior Construction Underwriter

Cost areas showing greatest volatility over the past 2-3 years

Which cost areas have been most volatile for your organisation over the past 2-3 years?
Please select up to 3 you consider to have been most volatile.



⁴ Commodity Markets Outlook, World Bank Group, 2026

⁵ Global Powers of Construction, Deloitte, 2024

Drive to Net Zero & Emerging Technologies

SECTION SUMMARY

The transition to net zero presents both opportunities and risks for the construction industry. While organisations generally support decarbonisation and innovation, significant challenges remain around policy uncertainty, regulatory exposure, material performance, and insurance availability.

The research suggests that the construction sector broadly supports the transition to net zero and the adoption of new technologies, but there are concerns about levels of uncertainty around policy, performance, cost, and insurability.

Increasing policy uncertainty

A substantial 89% of respondents reported feeling exposed to changes in public policy relating to net zero, including 46% who feel significantly exposed – primarily larger

organisations – and 43% who felt somewhat exposed. This demonstrates that policy developments are viewed as one of the most material risks associated with the transition.

Organisations appear concerned not only about climate objectives themselves but also about the pace, consistency, and predictability of policy implementation. Sudden or poorly coordinated regulatory changes could increase compliance costs, disrupt project delivery, and affect investment decisions across the sector.

Exposure to changes in public policy relating to drive to net zero

How exposed does your organisation feel to changes in public policy relating to the drive to net zero?



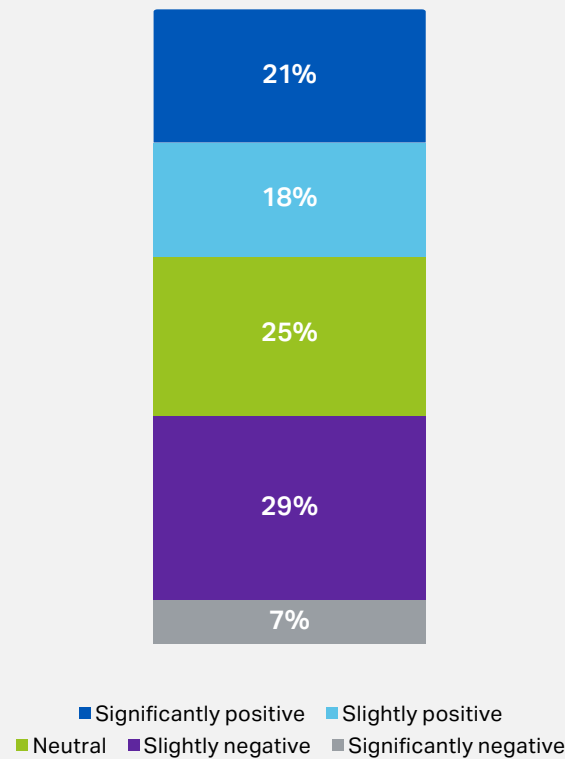
■ Not exposed at all ■ Exposed, but not significantly ■ Significantly exposed

Cost implications of low-carbon materials Confidence in carbon-neutral materials

Survey responses reveal a split in opinion regarding cost implications of adopting lower-carbon materials, although on balance the view is positive, with 39% of respondents reporting a positive cost impact from adopting lower-carbon materials, compared with only 7% reporting a significantly negative impact.

Impact of the transition to lower-carbon materials on project costs and margins

What affect is the transition to lower-carbon materials having on project costs and margins?



This indicates that while transition costs remain a concern, some organisations are already realising benefits potentially due to operational efficiencies, market differentiation, and increased client demand for sustainable construction solutions.

Confidence in the performance of carbon-neutral materials appears generally favourable, but concerns remain.

Almost half of respondents (47%) indicated that they have no concerns regarding the long-term performance of such materials. However, 39% continue to have concerns, which highlights an ongoing challenge for the sector, as newer materials and technologies lack the performance data associated with traditional construction products.

Where concerns exist, organisations may face additional due diligence requirements or testing costs as they address concerns of either clients or insurers.

“As the construction industry accelerates its transition towards net zero, new materials, technologies and processes are being adopted at an unprecedented pace. While innovation is essential to achieving sustainability goals, it can also create emerging risks that have yet to be tested through long-term operational and loss experience. This lack of historical data introduces greater uncertainty for risk assessment, underwriting and future resilience planning.”

– Kevin Lumiste, Senior Construction Underwriter

Insurance and emerging technology risks

There are some signs of caution by the insurance market regarding innovations in the sector. More than half of respondents (57%) reported increased exclusions relating to emerging technologies within insurance contracts, likely reflecting concerns over the lack of long-term performance data and claims histories remain limited.

Encouragingly, there is evidence of a collaborative approach emerging between industry and insurers. The finding that 71% of organisations would be willing to share due diligence reports and Technology Readiness Levels (TRLs) in exchange for improved insurance availability suggests a strong appetite for greater transparency. Such collaboration could help insurers assess risks more effectively, improve insurability, and support innovation throughout the net-zero transition.

“Technical expertise from insurers carries real weight when navigating risks surrounding the energy transition, particularly as construction projects grow in scale and complexity. These are risks that cannot be adequately served by standardised capacity alone. Instead, they call for close collaboration between the industry, brokers and insurers, where shared knowledge and open dialogue translate into greater certainty around risk assessment and ultimately insurance solutions that are more fit for purpose.”

– Kevin Lumiste, Senior Construction Underwriter



Overview

Arch Construction

Range of Coverage

- Our coverage extends across a broad range of areas including:
- Construction All Risk (CAR) Single Projects.
 - Engineering All Risks (EAR) Single Projects.
 - Contractors Annual Policies.
 - Contractors Plant & Equipment (CPE). Written with CAR/EAR coverage.
 - Delay in Start-up/Delay in completion written with CAR/EAR coverage.
 - Primary Third-Party Liability written with CAR/EAR coverage (excl. USA/Canada/Australia).
 - US TRIA, UK Terrorism, Australian ATIA all written with construction only.

Maximum Line Size

Any One Risk
US\$100m
On a MPL basis

Risk Appetite Overview

SECTORS	
Airports	●
Large Infrastructure Projects	●
LNG / Refineries / Petrochemical Plants	●
Mining & Metals	●
Ports & Terminals	●
Power Plants (Gas / Nuclear / Hydro)	●
Renewable Power / Energy Transition	●
Roads & Railways	●
Stadiums	●
Tunnels & Bridges	●
Water Treatment / Desalination	●

Underwriting Platforms

Arch Insurance (UK) Limited
Arch Insurance (EU) Dac
Lloyd's Syndicates (2012 & 1955)
Lloyd's Insurance Company (Brussels)

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