

Building Under Pressure: Managing Construction Risk During Global Trade Volatility

Tariffs and Insurance: The Hidden Risks That Derail Projects

Few forces are as unpredictable and potentially destabilizing as tariffs in construction insurance coverage. With material costs fluctuating and trade policies shifting rapidly, contractors and owners are forced to make real-time adjustments to budgets, schedules and risk strategies.

The tariff impact on construction is far-reaching. It disrupts supply chains, increases premiums and challenges underwriting standards across multiple construction insurance options. These pressures prompt closer scrutiny during placement and renewal as brokers work to secure escalation clauses, rate relief and stronger contractual protections upfront.

From mid-project substitutions to rising claims severity, several key lines of coverage are feeling the pressure:

- **OCIP/CCIP (Owner- and Contractor-Controlled Insurance Programs):** Tariff-driven material cost spikes can inflate contract values and premiums. Some insurers refuse to renegotiate terms, making it crucial to build in cost buffers during placement and audit phases.
- **Builder's Risk:** Supply chain disruptions often lead to material substitutions, increasing theft risk and delaying timelines. These shifts can create gaps in construction insurance coverage, especially for high-value imported components.
- **Environmental Insurance:** Substituted materials may not undergo full environmental vetting, increasing risks like runoff, contamination and soil disturbance. Delays from material shortages further elevate exposure and reflect the broader tariff impact on the construction industry.

Is your construction insurance coverage sufficient to weather increased tariffs? Let NFP find where you're at risk in today's tumultuous supply chain and help you close the gaps.

- **Professional Liability:** Project stakeholders face higher risk when materials become unavailable or too expensive. Design changes, particularly during construction, and escalating costs are frequent contributors to professional liability claims.

How We Help

NFP helps clients mitigate tariff impact on construction projects by strengthening policy language, enhancing construction insurance options and addressing gaps across key coverage lines.

- **OCIP/CCIP:** We help negotiate rate agreements and audit provisions upfront to control premium increases tied to material inflation. Our brokers review all budget elements, including owner-supplied equipment and recommend payroll-based rating where applicable to reduce exposure during audits.
- **Builder's Risk:** We work with clients to increase catastrophe, transit and off-site storage limits and expand escalation clauses beyond standard percentages. We also advise on claim preparation coverage and third-party claims management to streamline recovery when delays occur.
- **Environmental Insurance:** Our team identifies potential liabilities from material substitutions and extended timelines. We review policy terms, flag environmental risks and guide contract language improvements to avoid compliance gaps and unexpected exposures.
- **Professional Liability:** We assess contractual language and policy limits to reduce the impact of design change claims. NFP also advises the various project stakeholders on the myriad of professional liability insurance solutions that are available to help protect each stakeholder from escalating professional liability risk exposure and coverage erosion.

Reach out to us to learn how NFP can help you navigate tariff-related risks, strengthen your construction insurance coverage and protect your projects from unexpected cost escalations.

For more information, connect with an expert at construction@nfp.com.



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