

The Risk No Contractor Is Talking About — But Should Be

Supply chain volatility has become a defining force in Canadian construction. What began as temporary disruption is now a structural challenge affecting project costs, schedules and insurance adequacy. As insurance professionals, we play a critical role in helping contractors, developers and owners adjust their programs to keep pace with these conditions.

CONSTRUCTION COSTS ARE OUTPACING TRADITIONAL INSURANCE ASSUMPTIONS

Material prices continue to move unpredictably, driven by currency pressures, tariffs and ongoing disruptions. With a significant share of Canadian construction inputs sourced from the U.S., valuations can shift quickly, leaving projects underinsured if limits are not reviewed often.

Builder's Risk escalation provisions of 5–10% are no longer

a sufficient buffer. Contractors should increase hard and soft cost values proactively and use contingencies that extend through the full project period. Escalation clauses should serve only as a final safeguard, not the primary tool.



EARLY PROCUREMENT INTRODUCES NEW EXPOSURES

To avoid future price increases, many builders now purchase materials earlier than before. While this strategy protects budgets, it expands exposure around storage, transit and security.

Insurance must reflect these practices by ensuring coverage applies to every storage location — on site and off site — and that values match today's higher material costs. Procurement strategy and insurance planning increasingly need to be developed together.

TRADE AND SUPPLY INSTABILITY ARE EXTENDING DELAYS

Cross border trade volatility continues to affect access to steel, aluminum, wood products and specialty equipment. These pressures lengthen lead times and amplify delays following an insured loss. Reacquiring materials can take significantly longer than in past years, which affects labour, equipment rentals, financing and obligations tied to delivery.

Because liquidated damages coverage remains limited in Canada, Delay in Startup (DSU) is the primary tool for safeguarding revenue. Yet DSU is still underused. Owners and contractors should review how extended delays affect revenue and ensure DSU limits and soft costs reflect

today's realities. Many trade related or weather driven delays fall under force majeure and remain uninsurable.

Builder's Risk Must Stay Responsive to Market Conditions

Rapid changes in material and equipment prices can make static limits inadequate. Long or multi phase projects are particularly vulnerable to valuation drift. More frequent mid project reviews can help — updating limits, adjusting sub limits and checking valuations at key milestones.

Where DSU is purchased, indemnity periods must be examined carefully to ensure they cover the full expected interruption following a loss.



DELAYS ARE NOW A STANDARD PART OF PROJECT PLANNING

Supply chain driven delays are no longer occasional; they are a normal feature of construction schedules. These pressures interact with financing, labour procurement and contract requirements, creating more complex patterns of risk. Firms need to revisit DSU, project interruption and soft cost coverage to ensure programs reflect reality rather than past assumptions.

THE PATH FORWARD

Supply chain volatility will remain a central theme throughout 2026. The construction sector's resilience depends in part on our ability as insurance professionals to anticipate these shifts and guide clients accordingly.

Key actions for best practice include:

1. Regular valuation reviews throughout the project lifespan.
2. Ensuring coverage includes all on and off site storage and materials in transit.
3. Reassessing DSU and soft cost values to match modern procurement and scheduling.
4. Integrating insurance planning with early project and procurement decisions.

CONCLUSION

The construction industry is working through a period of rapid change shaped by global economic forces. With informed and proactive guidance, insurance can provide stability and help deliver stronger project outcomes despite ongoing uncertainty.

If you have questions specific to your business, or would like additional information, please reach out to your Navacord Insurance Services Alberta Inc. Advisor.

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