# Insurers begin pricing AI risk into construction professional indemnity cover



Professional indemnity insurers are increasingly pressing construction firms on how they govern the use of artificial intelligence, reflecting a shift from curiosity to scrutiny across the London market. According to a mid‑year review by broker Miller Insurance, questions about AI are now appearing routinely on PI proposal forms as underwriters try to understand how firms control and oversee new tools. The development marks a notable moment: insurers are not simply watching adoption, they are beginning to price and underwrite around it.

Insurers’ concerns span intellectual property, potential design errors and the risk of negligence if AI systems are inadequately overseen. “Proposals now often include questions about AI, reflecting concerns over intellectual property issues, design errors and potential negligence from inadequate oversight,” Miller said in its bulletin. Regulators share parts of that caution: the Information Commissioner’s Office has warned that AI can exacerbate known data‑security risks and complicate lawful processing, while government guidance urges protections against cybersecurity threats to AI systems.

Underwriters have a particular interest in generative AI deployed in design, planning and risk forecasting, the broker report adds, because those applications can directly influence project outcomes and contractual obligations. That focus helps explain why insurers are asking for evidence of governance, human oversight and model validation rather than relying on surface‑level assurances. The practical upshot is that firms using generative models for schematic designs, automated calculations or probabilistic risk models may face closer scrutiny at renewal or when tendering for work.

Industry bodies and large contractors are already framing how firms should adopt AI responsibly. The Chartered Institute of Building’s AI Playbook encourages practitioners to “treat AI as your new colleague”, using it to supplement human judgement while retaining robust oversight, ethics checks and data‑management practices. At the same time the ICO publishes toolkits and recommends Data Protection Impact Assessments and transparency measures where AI systems touch personal data, reinforcing that compliance is as much about process as technology.

At the same time, the sector is seeing substantive investment in AI from major contractors. Balfour Beatty said in a company statement that it has committed £7.2m to embed Microsoft 365 Copilot across its Microsoft estate as part of a digital transformation intended to automate repetitive tasks and improve site safety and decision‑making. The contractor framed the spend as one of the UK construction industry’s largest AI deployments, while Miller’s report and other market updates note that adoption at scale is now a live commercial trend insurers must reckon with.

Market conditions for professional indemnity cover are meanwhile softening in ways that complicate the picture for firms. Miller’s review and a half‑year update from broker Gallagher both note improving capacity and stronger insurer appetite that have driven competitive pricing and rate reductions for well‑managed risks. Yet that relief is uneven: rising contractual PI limits demanded by public sector clients and tier‑one contractors are squeezing smaller consultancies and specialist subcontractors, who may struggle to increase cover and remain eligible to tender.

Regulatory change remains a powerful background factor. The Building Safety Act 2022 continues to influence insurer attitudes towards long‑tail liabilities, and early disputes suggest that safety‑compliance failures could be treated as breaches of professional duty, potentially triggering PI claims. “Early disputes suggest that safety‑compliance failures may constitute breaches of professional duty, possibly triggering PI claims,” Miller warned. Gallagher’s market update also highlights persistent caution around cladding and fire‑safety exposures and broader underwriting scrutiny tied to regulatory shifts.

For firms seeking the best terms, brokers and industry guidance point to practical steps: document governance and model‑validation processes, perform DPIAs where systems process personal data, apply cyber controls aligned to the government’s AI Cyber Security Code of Practice and make use of the ICO’s AI and data‑protection resources. Miller’s analysis is clear that businesses demonstrating strong internal governance, quality‑control and supply‑chain diligence are more likely to secure favourable cover. The message for the sector is straightforward — innovation will continue, but insurers are signalling that robust oversight, data protection and demonstrable risk management are now prerequisites for both adoption and insurance support.

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## Reference Map:

* Paragraph 1 – [[1]](https://www.constructionnews.co.uk/tech/pi-insurers-question-use-of-ai-in-construction-11-08-2025/), [[2]](https://www.miller-insurance.com/articles/bulletins/construction-london-market-update-half-year-review-2025/)
* Paragraph 2 – [[1]](https://www.constructionnews.co.uk/tech/pi-insurers-question-use-of-ai-in-construction-11-08-2025/), [[2]](https://www.miller-insurance.com/articles/bulletins/construction-london-market-update-half-year-review-2025/), [[6]](https://ico.org.uk/for-organisations/uk-gdpr-guidance-and-resources/artificial-intelligence/), [[7]](https://www.gov.uk/government/publications/ai-cyber-security-code-of-practice)
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* Paragraph 4 – [[5]](https://www.ciob.org/industry/research/AI-Playbook), [[6]](https://ico.org.uk/for-organisations/uk-gdpr-guidance-and-resources/artificial-intelligence/)
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## Bibliography

1. <https://www.constructionnews.co.uk/tech/pi-insurers-question-use-of-ai-in-construction-11-08-2025/> - Please view link - unable to able to access data
2. <https://www.miller-insurance.com/articles/bulletins/construction-london-market-update-half-year-review-2025/> - Miller Insurance’s mid‑year London construction market review examines conditions across construction lines, directors’ & officers’ and professional indemnity (PI). It reports growing insurer interest in firms’ use of AI, noting proposals increasingly ask about AI governance, intellectual property and oversight. The bulletin highlights insurers’ focus on generative AI applications in design, planning and risk forecasting, and warns that firms with strong governance, quality‑control and supply‑chain diligence secure better terms. It also describes improving capacity and competition in the PI market that is softening rates, while pointing out rising contractual PI limits and ongoing issues for smaller consultancies facing tender eligibility pressures.
3. <https://specialty.ajg.com/building-blocks/construction-market-update-h1-2025> - Arthur J. Gallagher’s H1 2025 construction market update outlines a PI market softening driven by increased capacity and insurer appetite. The report identifies heightened competition leading to meaningful rate reductions for well‑performing risks and notes insurers remain cautious on cladding and fire safety exposures following regulatory and legal changes. It stresses continued scrutiny on risk management, past project reviews and contractual requirements as the Building Safety Act 2022 reshapes liability periods and insurer attitudes. The update advises firms to demonstrate robust controls and documentation to obtain favourable terms, while drawing attention to claims inflation and sector‑specific underwriting scrutiny.
4. <https://www.balfourbeatty.com/media-centre/latest/balfour-beatty-unveils-72-million-ai-investment-transforming-how-britain-builds/> - Balfour Beatty announced a £7.2 million investment in Microsoft 365 Copilot on 31 July 2025 as part of a wider digital transformation programme. The press release describes embedding Copilot across Microsoft 365 applications within a secure IT environment to boost productivity, automate repetitive tasks and enhance site safety and decision‑making. It outlines collaboration with Microsoft to develop AI‑powered ‘smart agents’ for quality, health & safety and assurance, with initial trials on the A9 project in Scotland to speed review of inspection and test plans. The statement frames the spend as one of the UK construction sector’s largest AI deployments.
5. <https://www.ciob.org/industry/research/AI-Playbook> - The Chartered Institute of Building’s Artificial Intelligence Playbook (2024) offers practical guidance for built‑environment organisations adopting AI. It encourages treating AI as a complementary assistant to human expertise, advising practitioners to 'treat AI as your new colleague' and to use it for analytic support, pattern recognition and reducing repetitive tasks while retaining human oversight. The playbook covers use‑case assessment, ethics, cyber security and data protection, and includes checklists and templates to evaluate effectiveness, manage risks and embed standards. It is designed to help organisations of all sizes adopt AI responsibly and align implementations with organisational goals and governance.
6. <https://ico.org.uk/for-organisations/uk-gdpr-guidance-and-resources/artificial-intelligence/> - The Information Commissioner’s Office page on artificial intelligence summarises ICO guidance on applying UK GDPR principles to AI systems. It emphasises transparency, fairness and accountability, recommending Data Protection Impact Assessments, clear lawful bases for processing and measures to explain AI‑assisted decisions. The ICO provides practical resources such as the AI and data protection risk toolkit and guidance on explaining automated decisions, noting biometric and inference risks and the need to consider special category data. The page states guidance is under review following recent legislative changes and offers tools to help organisations manage data protection risks when deploying AI.
7. <https://www.gov.uk/government/publications/ai-cyber-security-code-of-practice> - The UK government’s AI Cyber Security Code of Practice, published 31 January 2025 by the Department for Science, Innovation and Technology, sets baseline cyber security principles for securing AI systems and protecting organisations that develop or deploy them. The site hosts the Code and an implementation guide, emphasising measures to mitigate cyber‑attack risks to AI models and data while supporting safe adoption. It describes co‑operation with NCSC, an implementation guide by industry experts and plans to submit the Code to ETSI as the basis for a global standard. The guidance aims to help organisations implement proportionate controls to protect AI services.