

2025 Construction Cost Adjustment Factor Review

From condominiums to custom-built residences, Chubb knows our clients have worked hard to make their houses feel like homes. If something unfortunate happens that damages their home and they need to repair, replace, or rebuild, it's our goal to make sure it still feels like their home after the restoration process has been completed. That's why each year Chubb establishes an annual Construction Cost Adjustment Factor (CCAF), based on insights from decades of experience and trusted industry sources, to help ensure your clients maintain adequate coverage over the years as construction costs rise.

How We Establish the CCAF

We frequently evaluate data from trusted industry sources such as:

- CoreLogic
- Bureau of Labor Statistics
- ISO Verisk
- RS Means

We then combine this data with local Chubb claims information, as well as loss trends provided through interviews with local contractors who specialize in building and restoring high-value homes.

Trends That Influence the Average

A variety of economic factors have continued to increase the cost of overall reconstruction, labor and residential building materials. These are the main factors:

- Labor remains the biggest challenge in residential construction. Wages for residential building workers saw unprecedented growth in the latter half of 2024, close to almost 10% year-over-year increases.¹
- While we continue to see stabilization in material costs for home construction, there are still year-over-year increases seen for common material costs such as concrete products, asphalt roofing, and copper plumbing and electrical.²
- An increase in adherence to building/energy codes and a growing demand for eco-friendly, sustainable building materials result in higher costs.³

¹ https://www.builderonline.com/data-analysis/residential-building-wages-continue-to-grow-at-unprecedented-rate_c?utm_source=newsletter&utm_content=Article&utm_medium=email&utm_campaign=BP_111224&&oly_enc_id=9785J3270956E9D

² <https://www.bls.gov/ppi/detailed-report/home.htm#2022>

³ <https://www.nahb.org/advocacy/top-priorities/material-costs>

Residential Construction Material Cost Increases

The materials used in home construction and renovations represent year-to-date average increases from the prior year, not including labor or installation. Some examples include:



Other Factors That Influence CCAF Calculations

Our overall CCAF calculations also consider additional cost factors that go beyond basic inflationary changes in labor and material costs as a result of the customizations and expertise that are often required to rebuild high-value homes. These considerations include:

- **Unreported upgrades.** Clients will often make upgrades and improvements to their home that they don't consider "significant" or may forget to tell their agent. Over the years, these improvements add up — often substantially — and can leave the home underinsured.
- **Our clients have the freedom to choose their own contractors.** Clients often choose to use their own contractors, which can remove the competitive bid process and result in higher rebuilding costs. In addition, when appropriate, we also factor in the use of architects, interior designers, reconstruction consultants, and on-site supervisors who specialize in rebuilding high-value homes, which also increases the labor costs.
- **We want your client's home to look just like it did before the loss.** Our homeowner policies strive to match the quality and appearance of damaged materials or finishes with those of adjoining, undamaged areas. For example, if a brick wall or fireplace is damaged, we'll attempt to make the replacement brick look like the old brick, rather than simply installing new brick that might be brighter in color or obviously different.
- **Most high-value homes include high-end finishes and upgraded features.** These may include custom woodwork and cabinetry, smart home technology, and complex audio/visual systems. These factors are not fully represented in "standard" material costs.
- **Rebuilding a single home is more expensive.** Costs can increase for builders when they are rebuilding a single home instead of multiple new homes because it reduces their economy of scale on labor and materials.
- **We'll rebuild to new codes.** Unlike many standard policies, our policies ensure homes are rebuilt to comply with current and continually evolving building codes, including more efficient energy and more stringent fire codes.
- **Environmental remediation.** Expectations for additional environmental remediation, including use of hygienists and specialized abatement contractors, are extending the length and cost of home repairs.

We consider all these factors when we develop our Construction Cost Adjustment Factors to help ensure our clients have adequate coverage for their home and to support our ability to deliver an unparalleled claims experience that focuses on making our clients whole again quickly and fairly.

Based on the aforementioned factors, Chubb's average CCAF for the U.S. is 6% and is based on our experience and the multiple sources cited above. However, the actual percentage in your region may vary based on local market conditions and is subject to change given the fluidity of market costs in the current environment.