BEAD BONDS

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As many of us know, the Broadband Equity, Access, and Deployment (BEAD) program is unleashing billions in federal funding to expand high-speed internet access across the nation. At the same time, replacement costs remain high across labor, materials, and construction. These pressures continue to impact property valuations and loss severity. Together, the picture is clear: capital is expanding, but exposure clarity remains essential.

BEAD Is Fueling a Multi-Year Construction Cycle

The BEAD program represents one of the largest investments in recent history. While it is often described as simply a federal grant initiative, the reality is more complex. Most BEAD projects do not rely on government funding alone – they also require significant private funding. As a result, many projects involve layered financing such as private investments, municipal support, and surety backing.

Because of this, demand is already increasing for performance, maintenance, and payment bonds. builder's risk coverage, and underwriting capacity. Most BEAD projects must be completed within four years of receiving funds, creating a steady wave of construction that stretches into the late 2020s.

For insurers and insurance brokers, this is not just a short-term spike. It is a multi-year cycle heavily concentrated in rural areas. In many respects, the BEAD program is emerging as a long-term driver of construction.

Replacement Cost Pressures Remain Structurally Elevated

In recent years, the industry has experienced a spike in replacement costs that continues to impact projects today. While some material prices have stabilized, labor costs, specialized equipment, and overall repair expenses remain higher than pre-pandemic baselines.

Carriers are still feeling pressure on loss ratios in part because it simply costs more to rebuild and repair property. For insureds, the risk of underinsurance remains very real – and our agents are confronting this issue daily. For underwriters, valuation accuracy remains a top priority, and our team relies on the same tools and data to help clients understand the risks associated with inadequate limits.

Why does this matter in the broader context? Because additional capital in the market does not automatically reduce claim costs. In fact, increased construction activity can keep certain costs elevated – particularly in specialized trades and rural regions where many BEAD projects are concentrated.

Where the Two Trends Collide

The most important insight for 2026 is not simply that BEAD projects are expanding or that replacement costs remain elevated – it is that these two forces are unfolding at the same time.

The broadband expansion is moving forward in an environment of higher construction costs and ongoing contractor constraints. That combination introduces several risks that agents and customers alike should monitor closely:

Rural fiber projects may be more likely to run over budget.

Contractors and skilled workers could become harder to find in certain regions.

Surety providers may need to review contractor financials and project timelines more closely.

Builder's risk policies may need to remain in force longer than originally anticipated.

Property values and insurance limits may require more frequent review to avoid underinsurance.

The Bottom Line for 2026

Alternative capital and federal infrastructure funding are putting more money into the industry. But the underlying challenge is this: it still costs more to build and repair property than it did before, and those higher costs continue to influence losses and valuations.

Organizations that focus solely on where capital flows may miss important factors. It is more important than ever to ensure property values are accurate, projects are carefully underwritten, and construction costs are realistically estimated.

In the year ahead, the key question is not whether funding is available. It is whether the industry is properly pricing for – and protecting against – the true cost of the build.

Need a bond?

Contact your Account Executive or Account Manager, who are here to help.