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Navigating Data Center Risk

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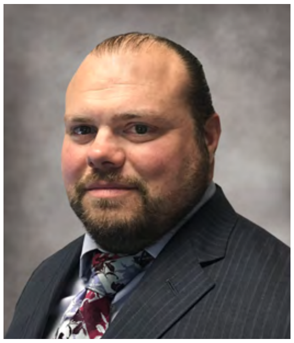
As data center construction accelerates across the U.S., exposures are stacking up–and claims are starting to follow. A single campus can require two gigawatts of power, enough for 1.5 million homes, on a grid already under strain. Add water scarcity and community opposition, and the exposures touch everyone at the table: designers, builders, owners and insurers.



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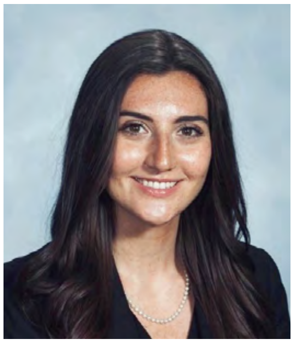
Data center losses rarely arise from a single design error. The claims reflect the interdependence of tightly integrated systems. In one matter, an isolated mechanical issue triggered a cascading failure–cooling systems shut down, alarms failed to transmit, temperatures escalated and a sprinkler discharged for several hours, resulting in nearly $2 million in water damage. Given the complexity of the environment, even minor design miscalculations can permeate cooling, fire protection and monitoring systems, ultimately creating significant risk of loss.



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Compounding the exposure is the serious workforce gap. Experienced engineers capable of managing data center complexity are scarce, and many design firms are selective about which projects they take on. Those that proceed are stretching limited teams across mega-projects, emphasizing the importance of rigorous qualification vetting at every stage. Despite these constraints, demand for expansion remains unabated.

The path forward hinges on effective due diligence. Contracts are most effective when they align with site realities–geography, soil conditions and infrastructure like water and power can differ significantly and should be accounted for upfront. Keeping project teams informed helps manage expectations and control exposure. Scope of work should be clearly defined and revisited as needed. If work expands, pausing to document, price and formalize those changes before proceeding can mitigate downstream risk.

When due diligence is embraced across the entire project chain, it not only protects margins and bonding capacity, but also positions the team to navigate the risks of the data center surge with greater clarity and confidence.

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Note: Featured in ENR magazine.