

MARSH

Construction Risks

Top Issues that Risk Managers Should Consider



Leadership, Knowledge, Solutions...Worldwide.

Agenda

- Introduction
- The Economic and Market Factors
- What this Means
- Cost of Projects
- Snowflake
- Project Focus
- Tools
- Closing Comments
- Questions



Introduction

- Disclaimer
- This is about Evolution
- Creativity will continue to Evolve
- It's About QA/QC
- It's about Best Practices
- Risk Management Will Affect the Cost of Construction
- The More thorough the Job the Better the Result
- Never has there been a better time to Innovate



The Economy

- Headwinds remain a Concern
- Global Recession
 - Last was 1929
- How did they get out of the Last One
 - Roosevelt's New Deal
- What was the New Deal
 - Construction and Infrastructure

WE ARE HERE NOW



The Construction Marketplace

- The Best of a Generation
- Major Projects Dominate
- Re Investment is Critical
- Tools are Leading Edge
- Tools Continue to Evolve
- Haves and Have Not's



The Insurance Marketplace

- Continues to Remain Soft
- Competition is not Only Price Driven
- Coverage Innovations are becoming Common
- Differentiation on Price is only One Aspect
- Construction is the Best Hope of Achieving Budget
- Everyone wants to come to Canada



What Does This Mean

- Lots of Opportunities for all Parties
- Projects of all Sizes and Shapes
- Margins continue to Creep
- Business Risk is Expensive
- Contractual is even more So



Risk

- What Can you do with Risk
 - Transfer
 - Manage
 - Finance
 - Assume

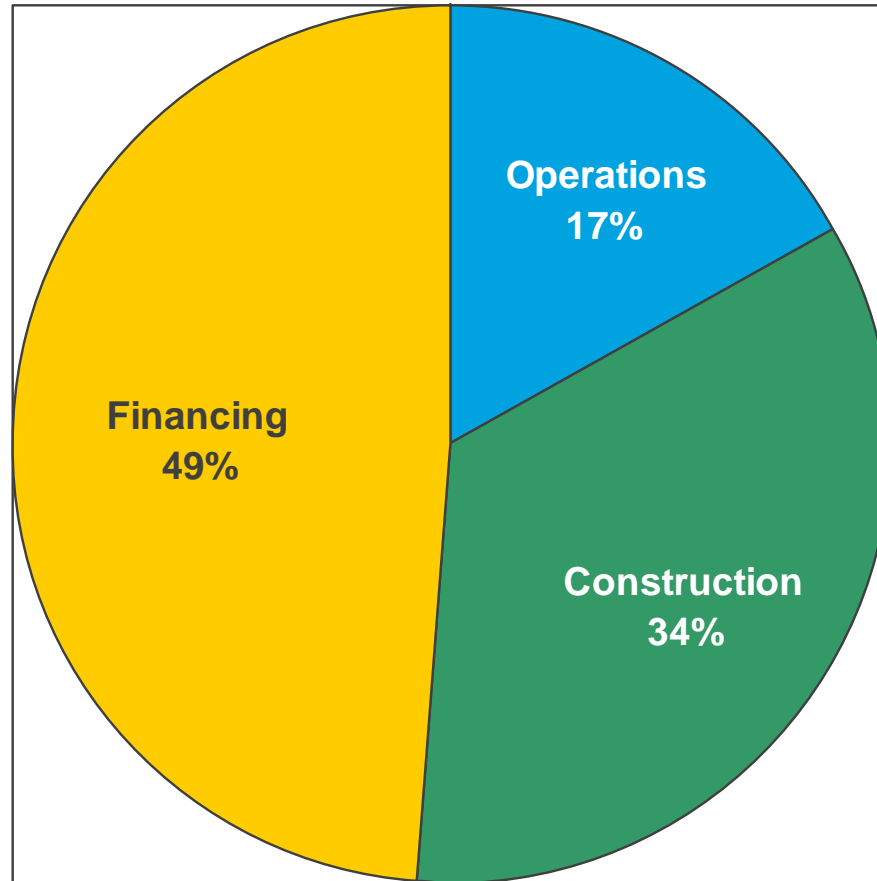


Risk Transfer

- +/- 1% of Project Costs
- Includes Performance Security
- Contractual Risks Can be 25%
- Focus on non Insurable Risks



Cost of Projects



Each Project is a Snowflake

- No Two Projects are Identical
- What Applies on One Project may not Apply for the Next
- Project Centric Solutions are Best
- Focus on the Project



Project Focus

- Cost of Money is Paramount
 - Examine what drives the Spread
 - Find Solutions to the Spread
- Cost of Construction is Next
 - Contractual Items
 - Non Traditional Solutions
 - Contingencies
- Operational
 - Understand the Costs
 - Contingencies

MORE IMPORTANT THAN INSURANCE



Tools Available

- Contract Modeling
 - Lump Sum
 - Management
 - Design Build/EPC
- Project Systems
 - Textura
 - EdgeBuilder etal
- Partnering
- Alternate Security
 - Subguard
 - Account Segregation etc.



Closing Comments

- Traditional Insurance Procurement is a Minute Part of the Job
- Understand the True Costs
- Opportunity to Address these Costs
- That is the Real Value of Risk Management



Questions?



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Gerry Russ

Managing Director

Current Responsibilities

Gerry is a Managing Director within Marsh's Construction Practice. In this role he is responsible for product innovation and managing client teams in the design of insurance programs for our clients, including project-specific placements. He is regularly engaged in construction risk advisory. His placement specialties include contractors, engineers and owner controlled insurance programs.

Through the Global Construction Practice, Gerry provides expertise, and access to experts, in areas such as commercial and residential construction, all types of design-build risk, professional liability, surety, environmental issues, international construction, Public Private Partnerships, Green Design and Construction, project risk, safety consulting, crisis management, claims advocacy, project advisory services, and dispute resolution services.

Experience

Gerry's insurance career began in 1976. Since this time, he has been involved with the vast majority of 's largest engineering, construction and architectural accounts. His involvement with the advice and knowledge of construction based risks offers him the opportunity to address client challenges through product innovation and is engaged in the ongoing development of E&O and construction products. His innovations have included research and development of two new products, proprietary to Marsh, offering clients a competitive edge and involved creating a market to support a "one-stop-shop" solution for contractors.

Education

– Insurance Administration

