

CONSTRUCTION RISKS PROTECTING YOUR INVESTMENT

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Well built infrastructure underpins resilient economies and enhances their competitiveness.

Decisions made today will impact both the standard of living and the business competitiveness of future generations.

Objective:

*To demonstrate how **proactive risk management** and **early involvement** of an **industry focused risk advisor** can assist in the **understanding of project risks**, allow **more informed decisions** around risk and **develop insurance solutions** to some accepted risks.*

Agenda

1. 'Risk' and its presence in construction and infrastructure projects.
2. Role of an insurance advisor.
3. Insurance – Practical Considerations.

'Risk' and its Presence in Construction and Infrastructure Projects

'Only those who will risk going too far can possibly find out how far one can go'
T. S. Eliott

- Risk is the opportunity for gain versus the possibility of loss of any undertaking.
- Major projects risks:
 - On time.
 - On budget.
 - On quality.
- Risk can be retained or transferred.
- If you own risk, then steps can be taken to protect your position.

Ultimately some of the most impressive projects in the construction world are the result of unprecedented risk taking and success against all the odds, however...

...not all achieve the success they set out to...



Source: Catalogue of Notable Tunnel Failure Case Histories (O b 2012) Civil Engineering and Development Department The Government of the Hong Kong Special Administrative Region October
Prepared by Mainland East Division Geotechnical Engineering Office Civil Engineering and Development Department

Risk in Construction Projects - the Successes.....



But...not all projects are successful

Inadequate assessment, management and mitigation of risk can manifest in:

- Faulty design.
- Defective workmanship.
- Cost overruns.
- Project delays.

Any combination of the above could have devastating consequences...

Impact...

The impact of such an event is devastating:

- Immediate direct costs:
 - Loss of life.
 - Cost to remedy the assets/project.
 - Loss of revenue.
- Indirect, unquantifiable and less obvious (not exhaustive):
 - Loss of commercial reputation – impact on future bids.
 - Adverse public opinion.
 - Lack of shareholder confidence - Decrease in share price.
 - Opportunity cost of capital.
 - Employee engagement.

So what of these are typically insurable?

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Insurable



Uninsurable

Role of an insurance risk advisor

- Our job is to inform and not to unduly influence investment decisions, our aim is to
 - assist in review of risk allocation and indemnity provisions.
 - Create a robust insurance solution.
 - seek prompt settlement of claims.

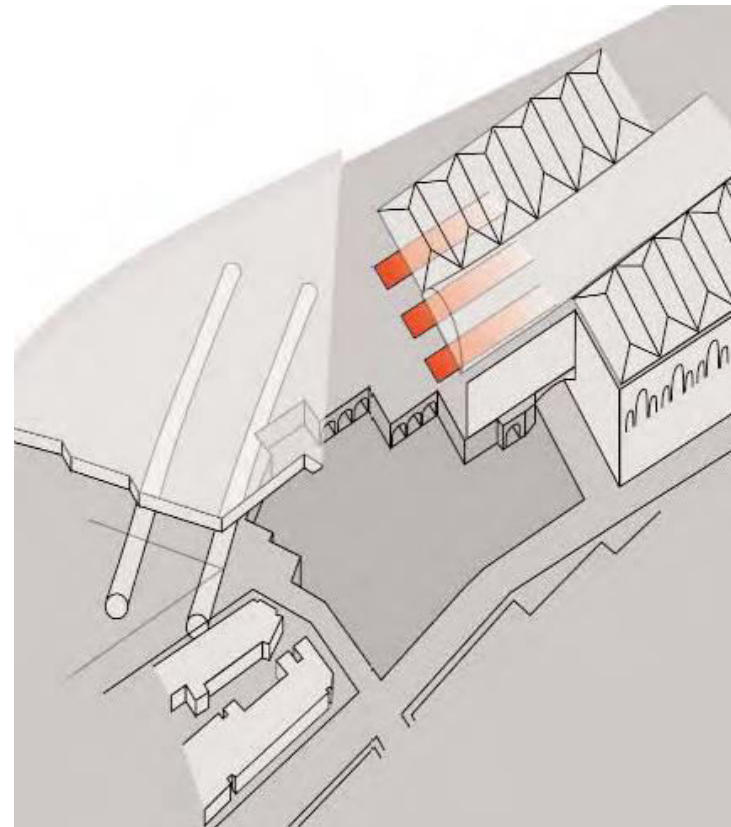
Our advice impacts the business

- Compliance with regulatory and lenders requirements.
- Financial Model.
- Risk of Loss.
- Compliance with project agreements EPC/Finance Agreement.

Taking early advice ensures informed decision making

Insurance – Practical Considerations

- Wording – Insurer vs. bespoke project policy.
- Scope of cover – Design clauses.
- Deductible level.
- All the above need to consider the possible requirements of lending parties.



Conclusion

Risk is inherent to construction
but robust risk management can enhance the likelihood of project success

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This PowerPoint™ presentation is based on sources we believe reliable and should be understood to be general risk management and insurance information only.

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