



**ClientSolutions**  
CREATE | EXECUTE | DELIVER

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Zurich - Construction Risk  
September 2013

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# Construction Risk

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To what extent has economic volatility in construction markets increased the risk profile of your business? Can you describe this?

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As a new start up it has been difficult in this market to get the turnover we expected

Significant increase in risk: - increased unpredictability in designer & constructor pricing - stability of subcontractors - timing impact from uncertainty/approval of funding/project initiation

Greater pricing risk just to ensure continuing employment of staff

To some extent reduced our risk as clients look for consulting services to manage their increasing uncertainty

It has increased the risk profile of the business. Cash flow is more difficult to predict and margins are tighter

Economic volatility has had a significant impact on risk, as it has been extremely difficult over the past 2 - 3 years to predict or project more than 6 months ahead

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# Construction Risk

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What are the main challenges and risks facing your business over the next 2 and 5 years? What are your mitigation plans?

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Decline in environmental standards for housing. Trying to work on other consultancy work to mitigate

Reduced workload

Bad payment is a constant worry. We risk exposure by setting credit limits with clients

Cash flow: cost management

Focus on core markets

Maintaining the projects and in the longer term the clients, diversifying into other services

Financial security of contractors. Careful selection of reputable contractors

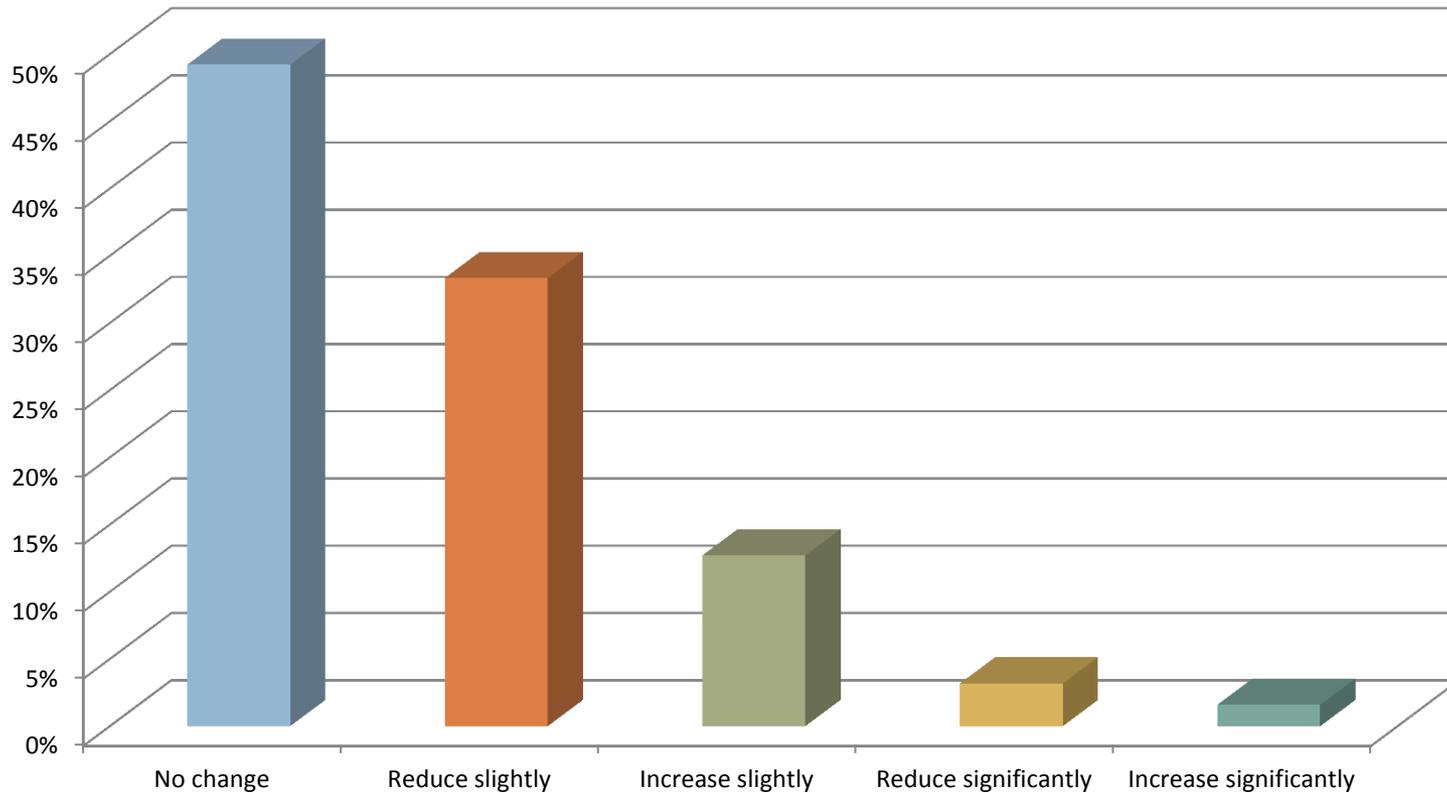
1. To keep the quality staff we have to fight for market share 2. To change our products as clients want cheaper products - and innovation!

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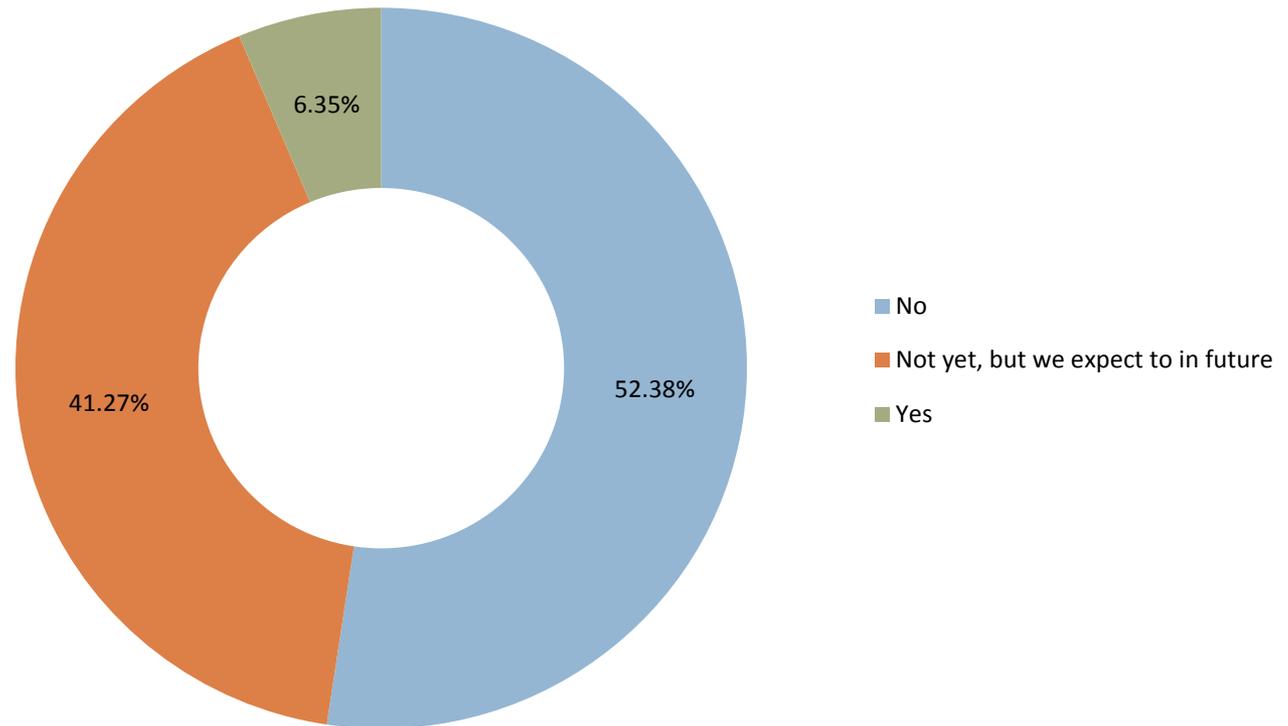
How do you think the level of risk associated with your projects will change over the next two years as a result of the implementation of BIM?



# Construction Risk

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Are you reviewing the scope of insurance cover you need for projects as a result of greater adoption of BIM?

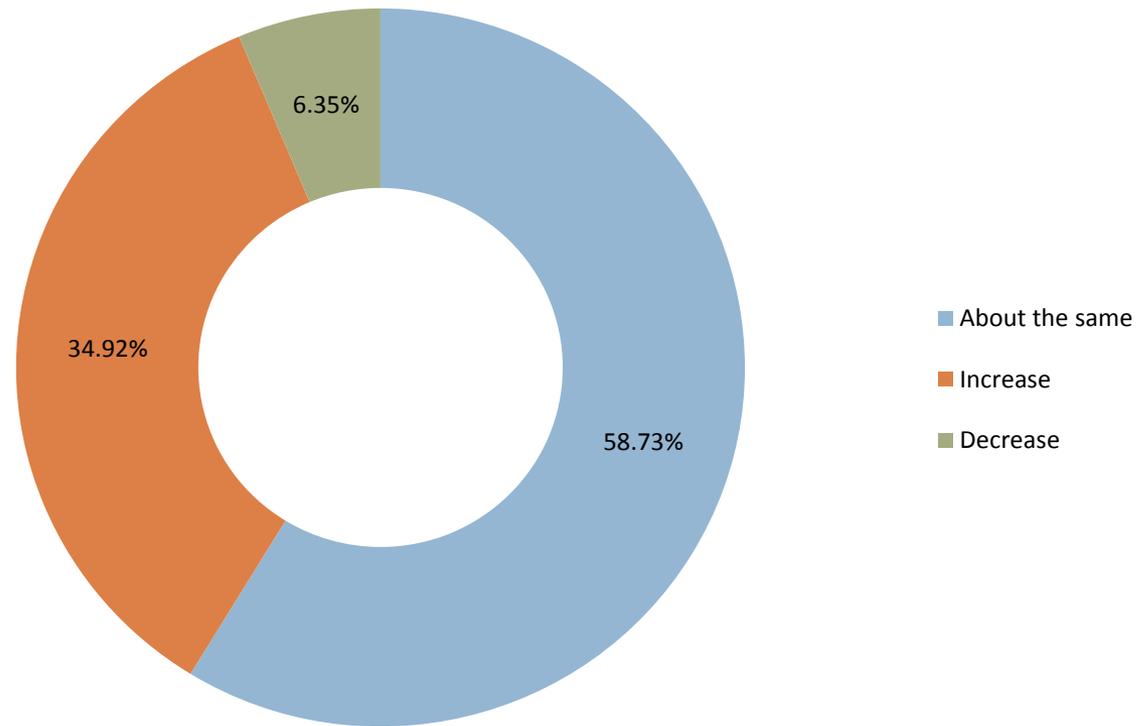


Reasons as to why not, include: 'No budget', 'We are already covered', 'Not seen as a PM risk', 'No change', 'No involvement at present'

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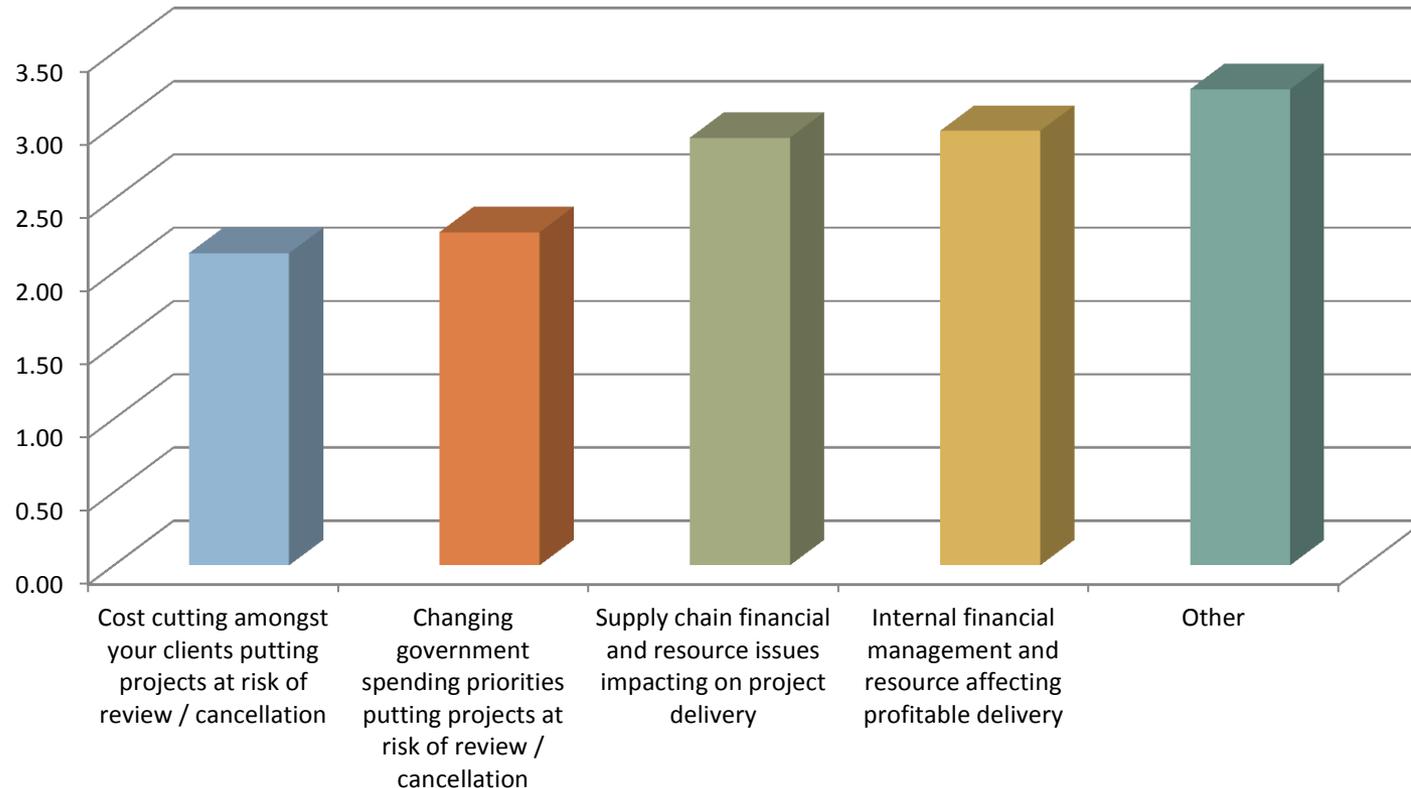
Over the past year, do you believe that there has been an increase or decrease in a claims culture amongst your supply chain?



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Which of the following do you believe represents the biggest risk to your forward order book of projects?

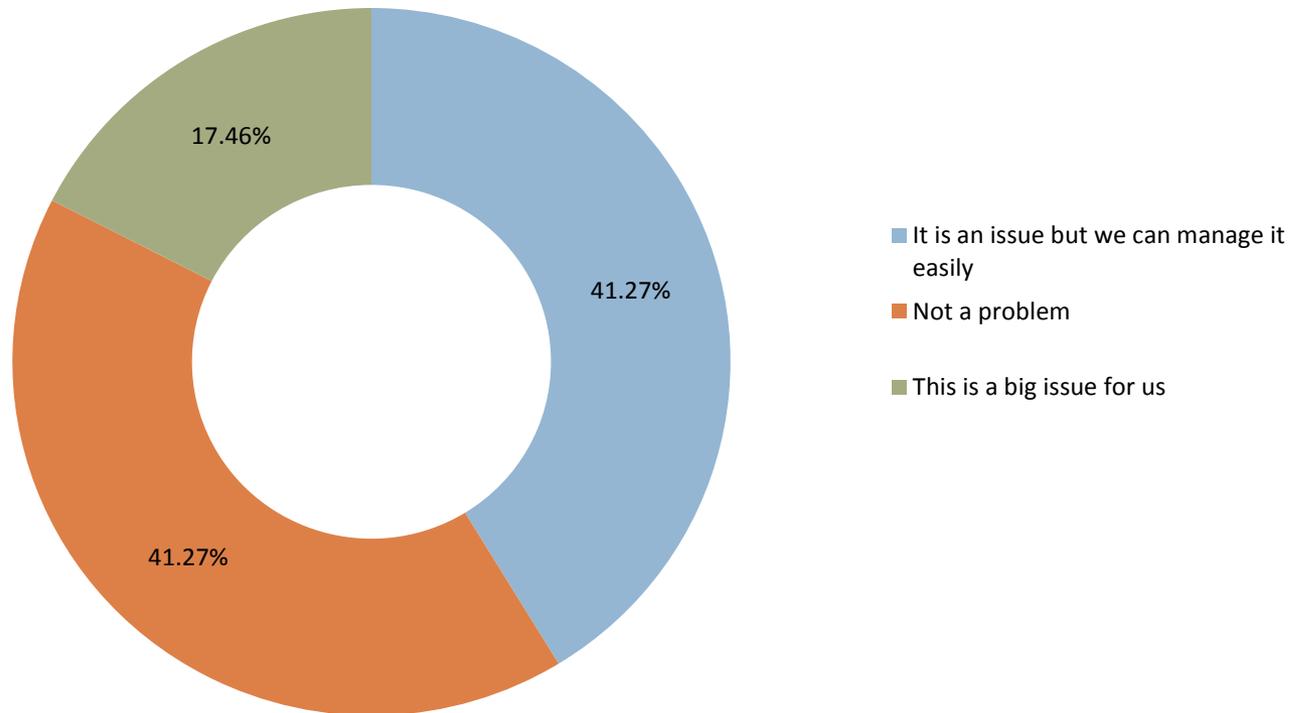


The above graph shows the average rating, from a ranking of 1 – 5. Other answers include: 'Economic climate', 'Increased competition', 'Lack of trade skills'

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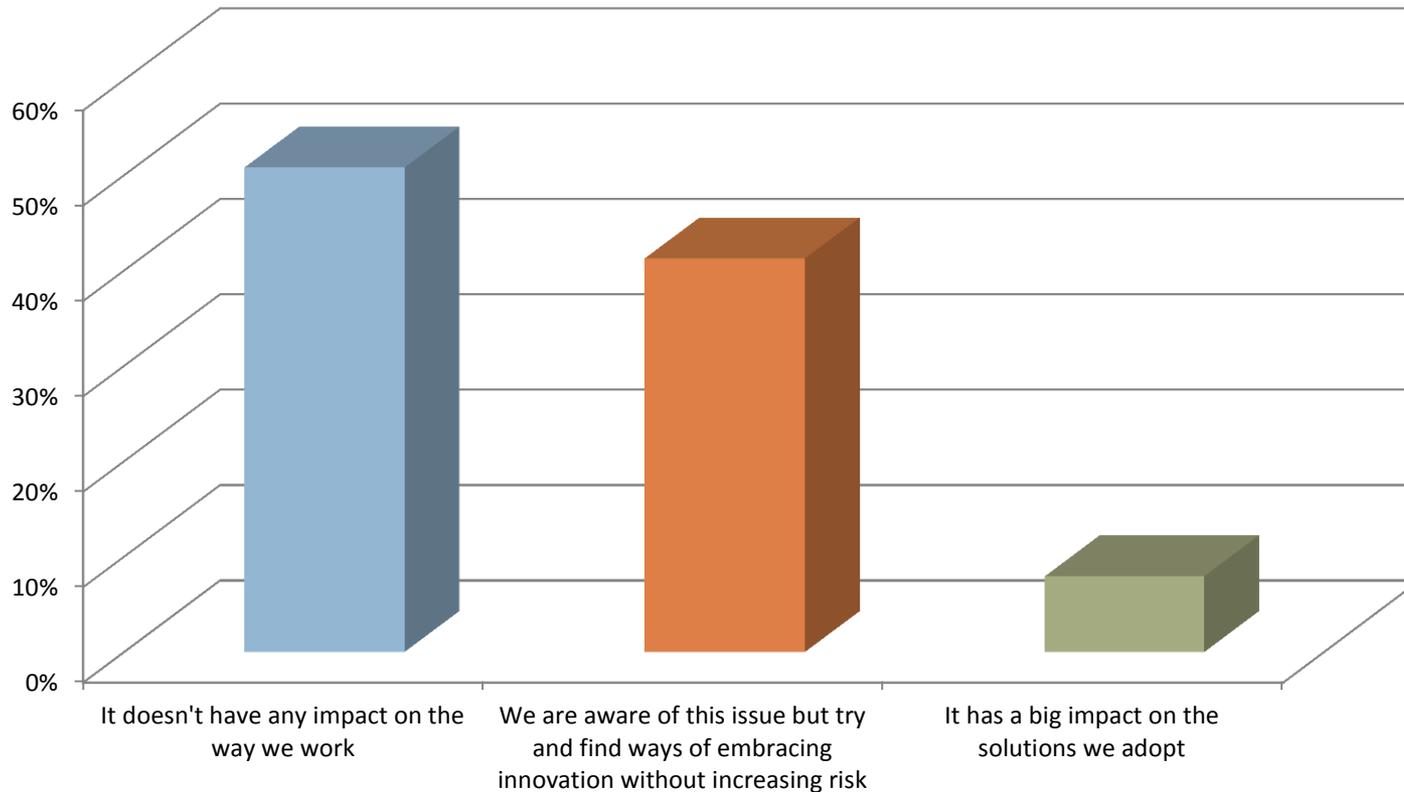
In your experience, are the exacting conditions attached to professional indemnity insurance beginning to now drive contractual negotiations at the start of a project rather than being the safety net this was originally designed for?



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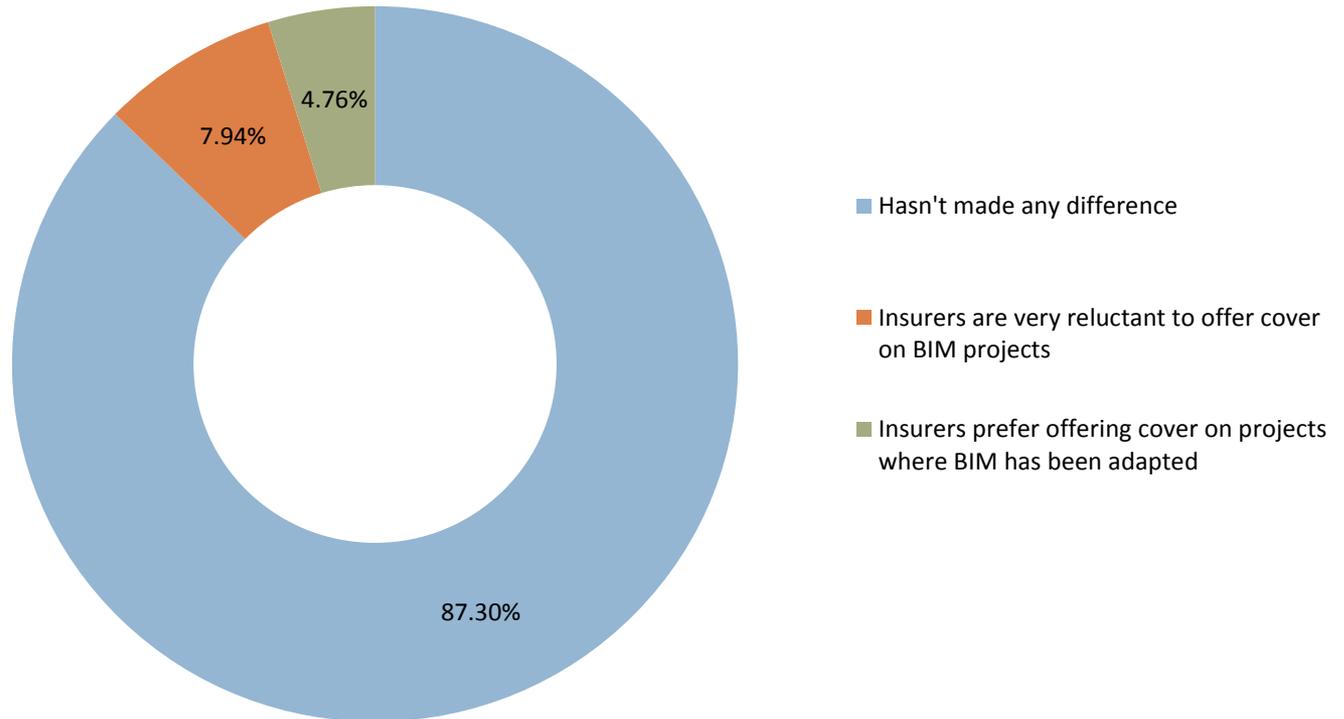
Are concerns about what may not be covered in your professional indemnity insurance driving you towards less innovative, low risk design and construction solutions?



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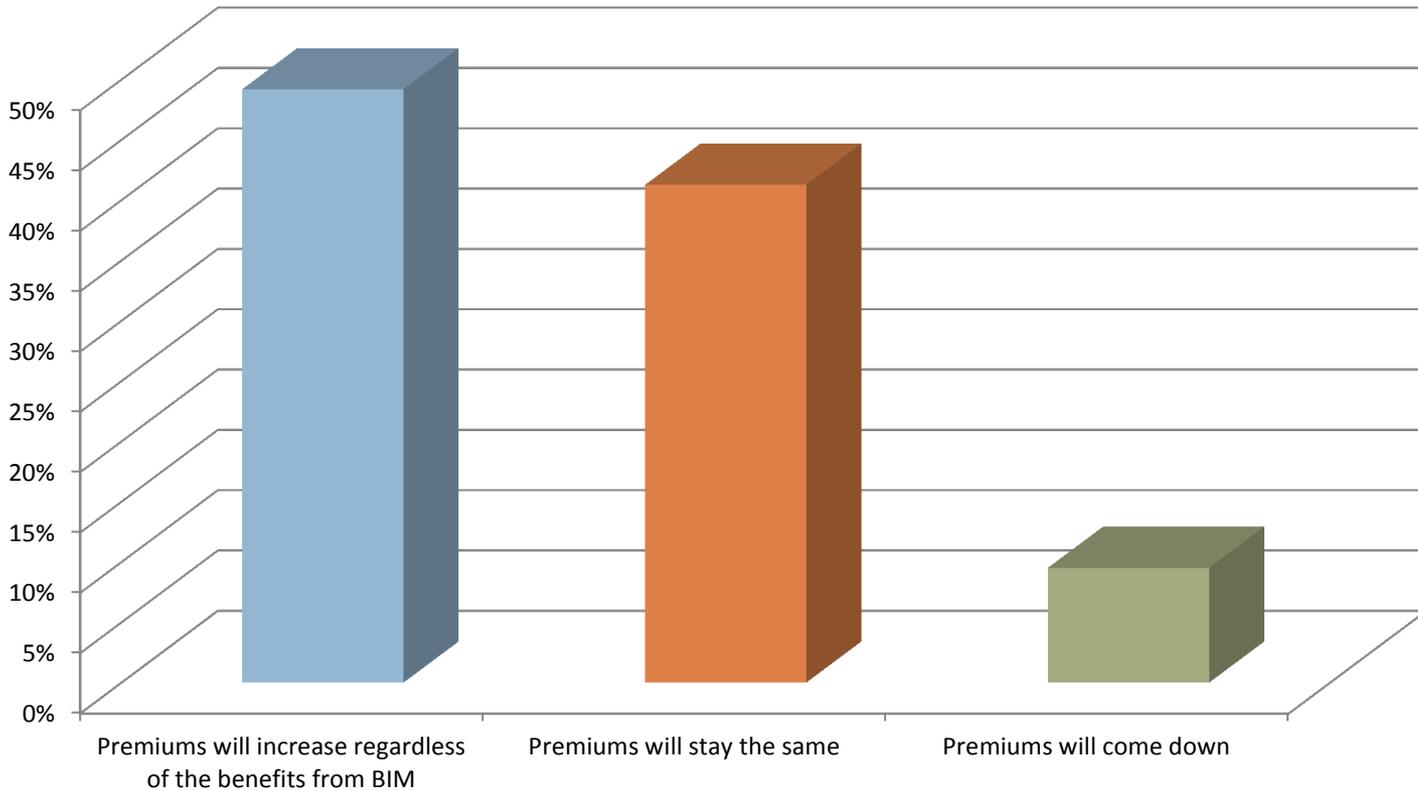
In your experience, what are insurers' reactions to offering professional indemnity on projects where BIM has been adopted?



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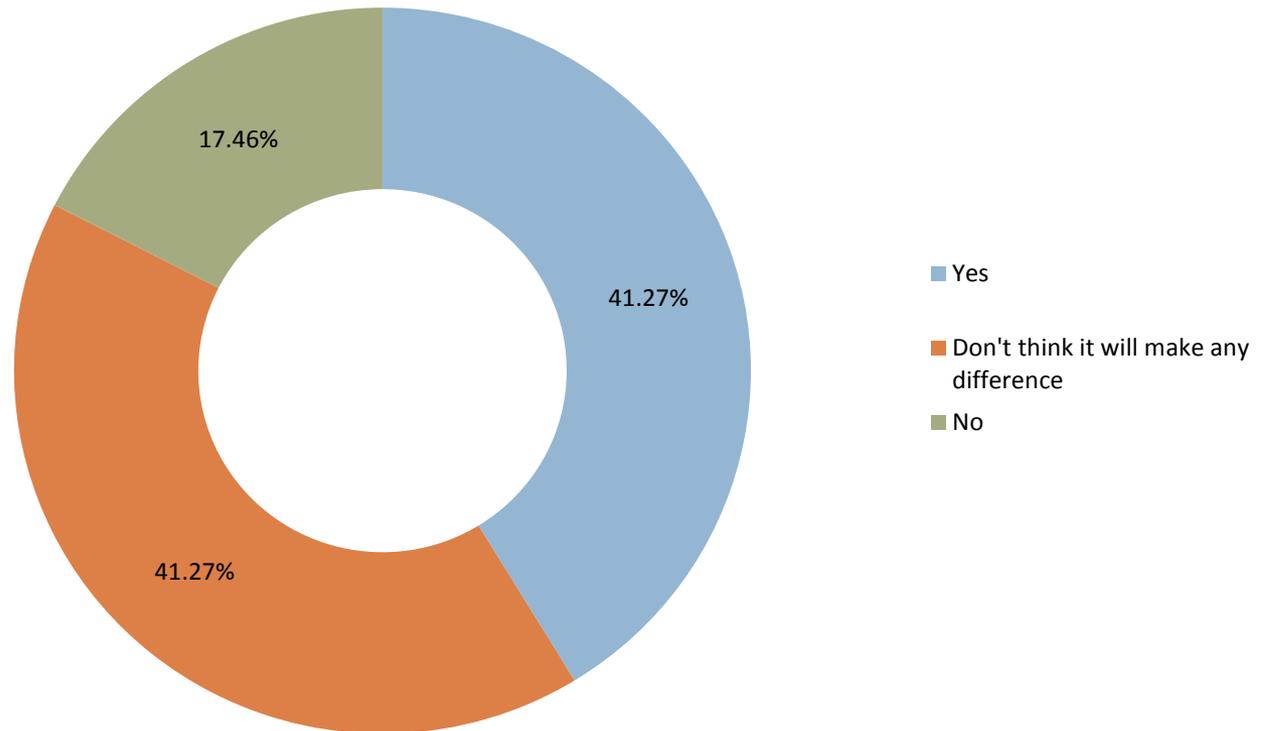
How do you think insurance premiums will be affected by the adoption of BIM?



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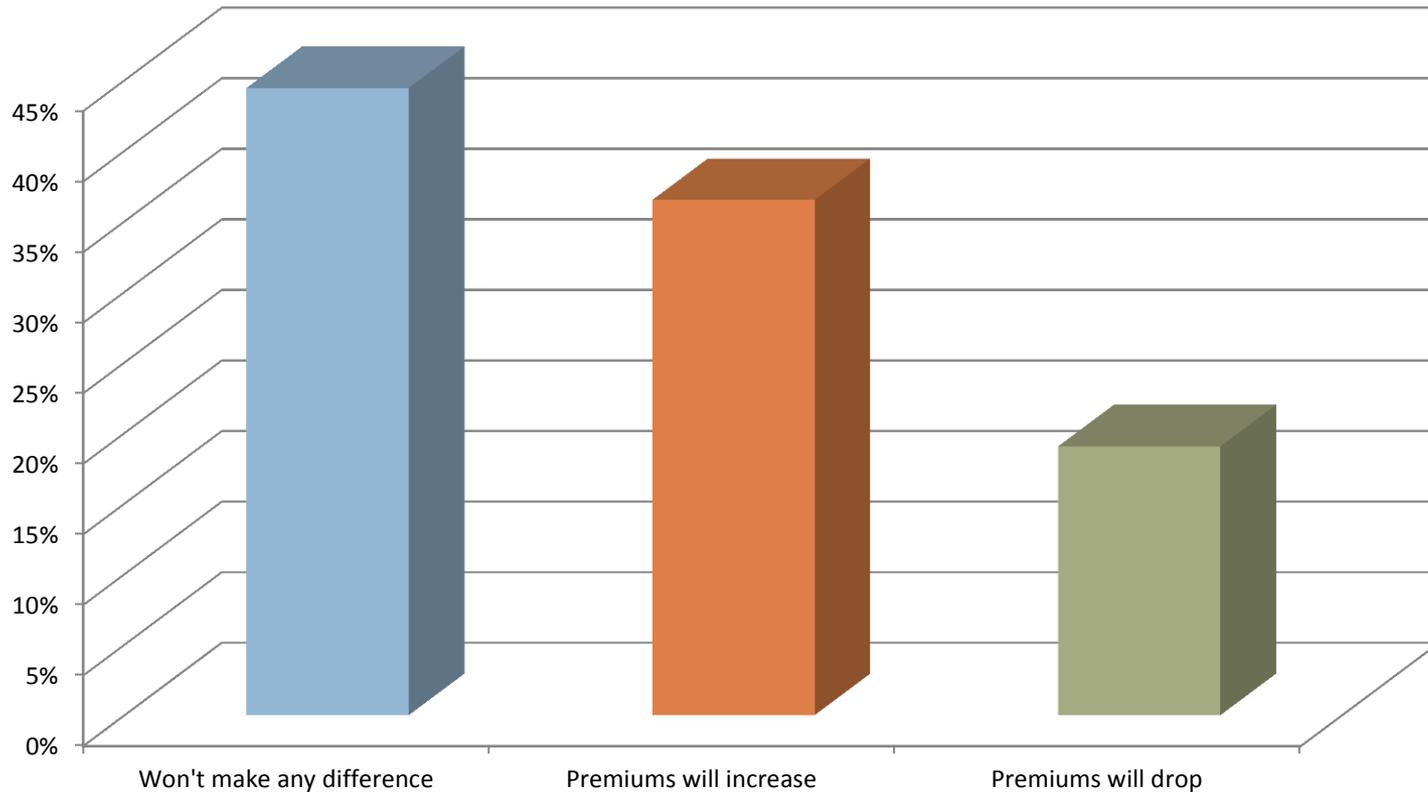
Do you think the adoption of single project insurance is the answer to liability issues on BIM enabled projects?



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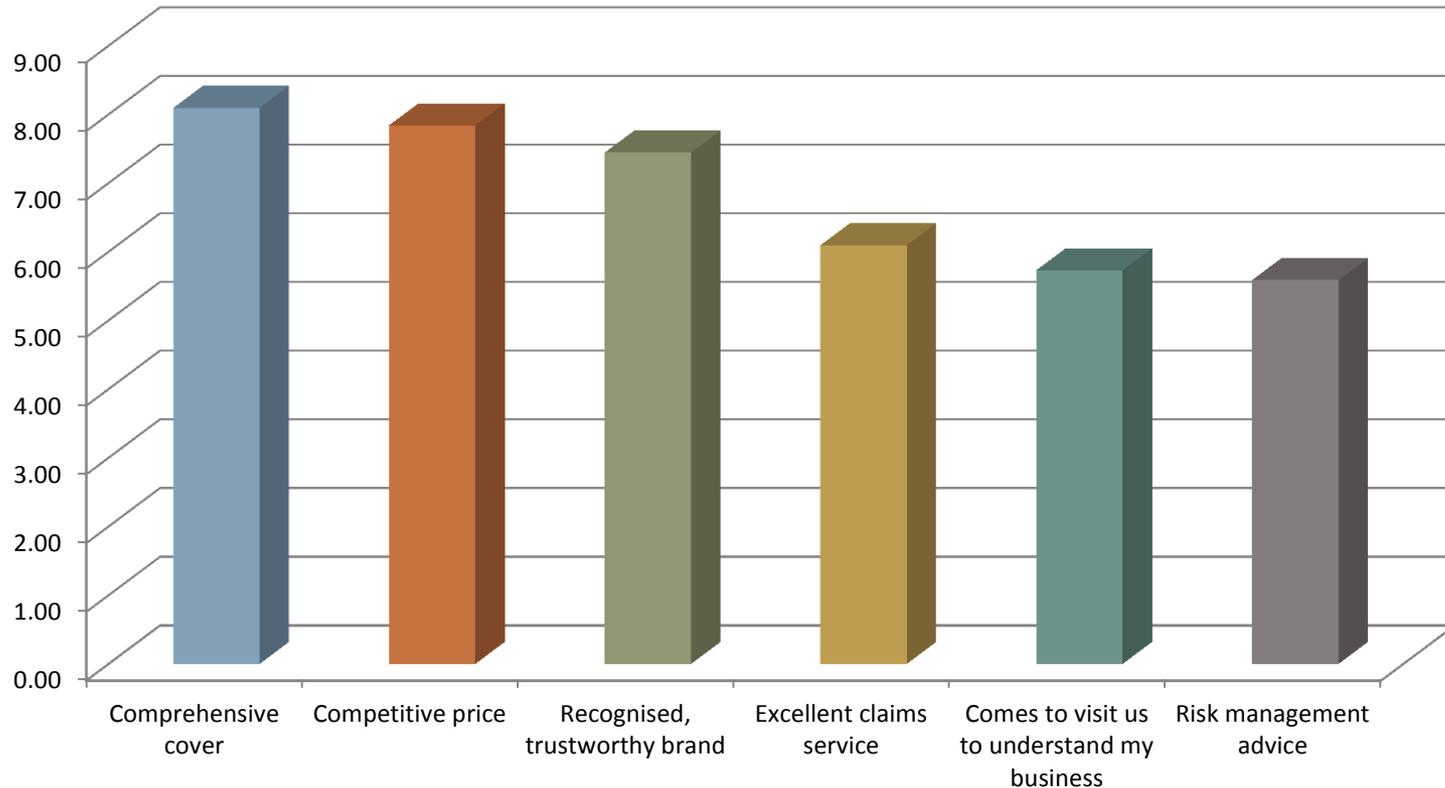
What overall impact do you think the adoption of single project insurance will have on insurance premiums for your organisation?



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For each of the characteristics which are listed below, please rate the relative importance to you and your business when buying insurance.

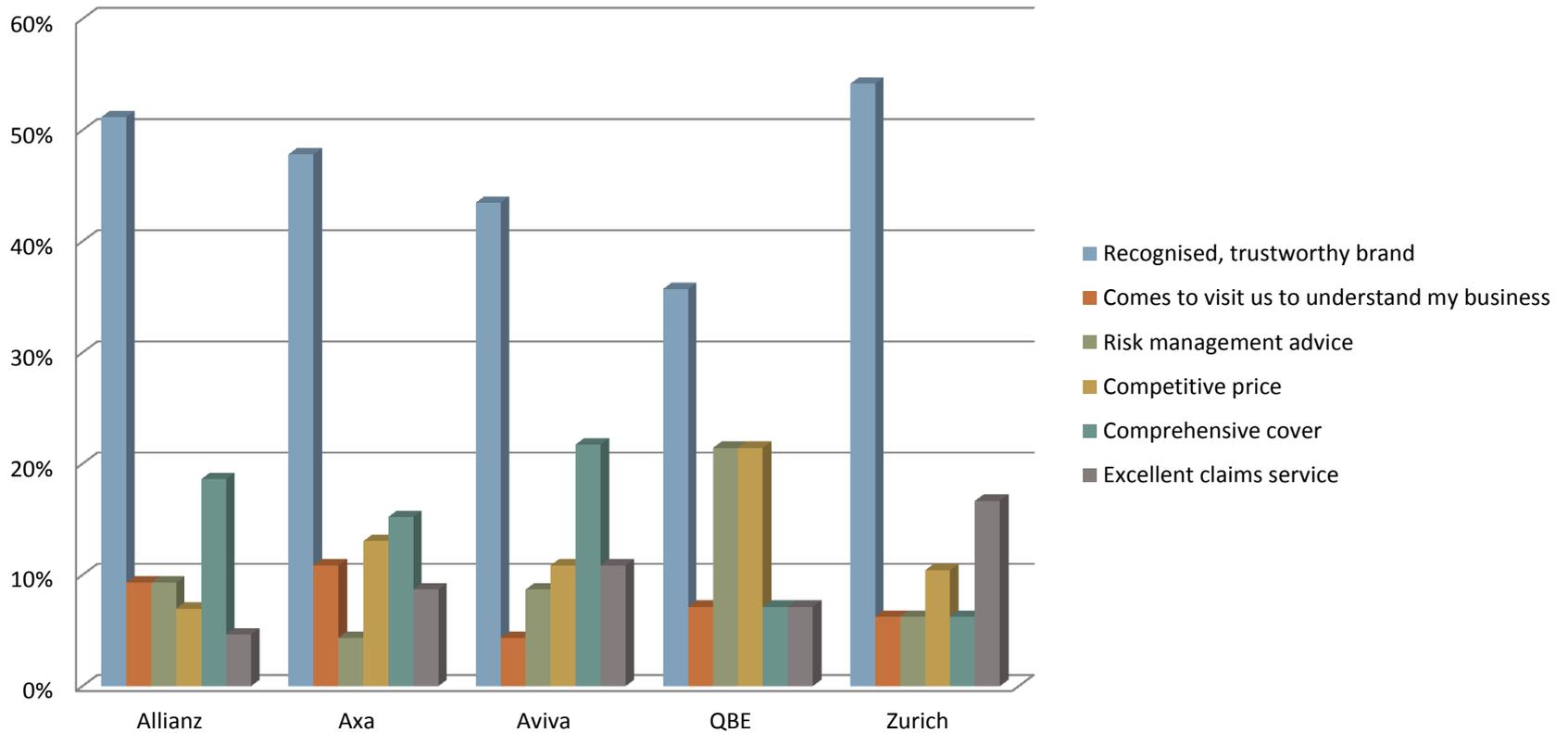


The above graph shows the average rating, where 1 = lowest, 10 = highest

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Now, for the same list of characteristics, which characteristic do you associate with the following insurers?



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With regard to the insurance in the construction sector, what one word would you use to describe Allianz?



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With regard to the insurance in the construction sector, what one word would you use to describe Axa?



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With regard to the insurance in the construction sector, what one word would you use to describe Aviva?



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With regard to the insurance in the construction sector, what one word would you use to describe QBE?



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With regard to the insurance in the construction sector, what one word would you use to describe Zurich?

