

Zurich Round Table

10th February 2020

Working together to eliminate error,
by Industry, for Industry.



GIRI

- Zurich
- Weightmans
- GIRI

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Wasted spend on error

Direct costs of error (5%)

resources used in correcting an error

Indirect costs of error (7%)

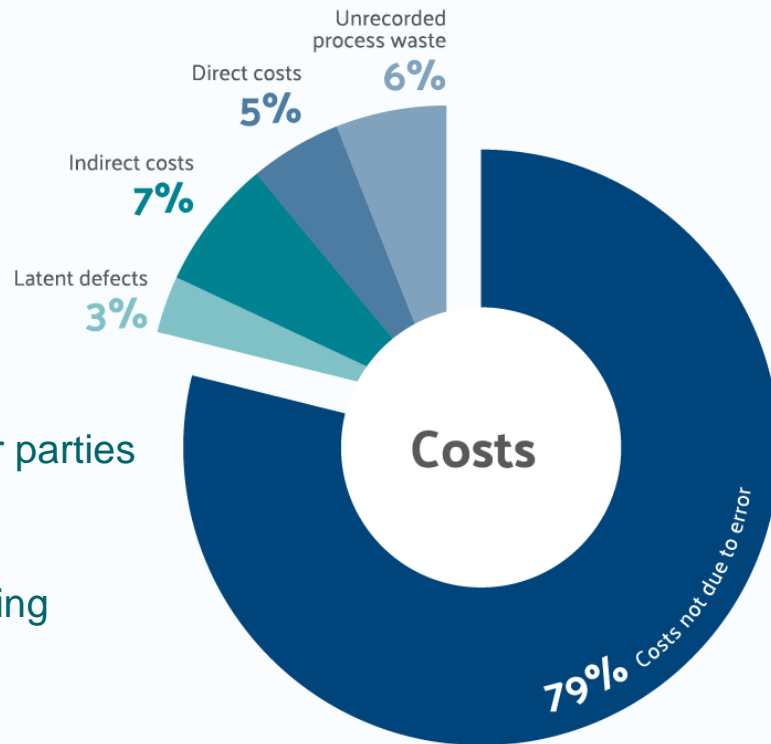
Resources used in follow on work and costs to other parties

Unrecorded process waste (6%)

Errors occur, are identified and corrected without being recorded

Latent defects (3%)

remain in place after client acceptance and any 'defects liability period' has passed



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Root causes of error

- Inadequate planning (from task through to project level)
- Late design changes
- Poorly communicated design information
- Poor culture in relation to quality
- Poorly coordinated and incorrect design information
- Inadequate attention paid in the design to construction
- Excessive commercial (financial and time) pressures
- Poor interface management and design
- Ineffective communication between team members
- Inadequate supervisory skills

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Current GIRI Membership

48 Members consisting of

- Government Advisory Bodies
- Clients
- Architects
- Structural and M&E Engineers
- Tier One and Tier Two Contractors
- Lawyers
- Insurers and Insurance Brokers

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Get It Right Initiative Members – February 2020



Balfour Beatty



BENNETTS
ASSOCIATES

Berkeley
Designed for life



brymor[®]
group



COWI



farrow
walsh



GallifordTry GRAHAM

Heathrow



// howden

HS2 ice
Institution of Civil Engineers



MORGAN
SINDALL

M
MOTT
MACDONALD



PLATFORM



PRATER
A Lindner Group Company

premier
guarantee

PRICE &
MYERS

SCOTTISH
FUTURES
TRUST

SKANSKA



Wates



GIRI Strategic Aim

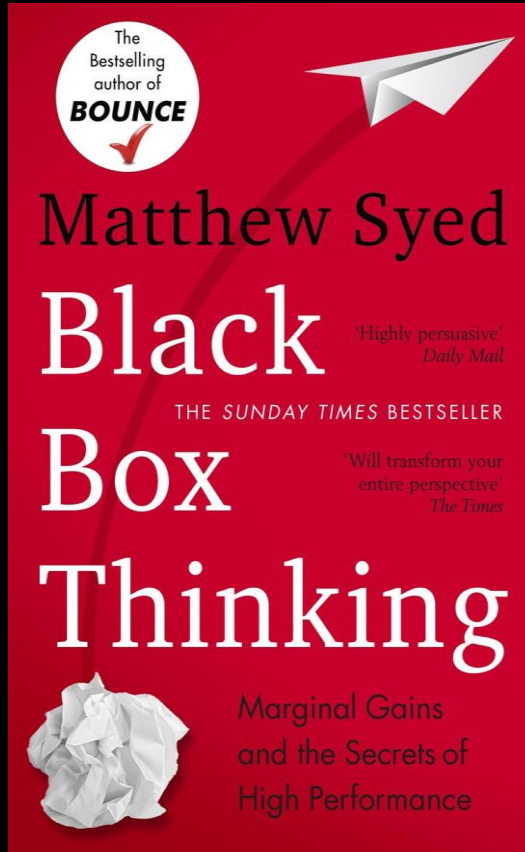
**To improve construction
productivity and quality by
eliminating error.**

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Why Today's Round Table?

Our culture and our
behaviour affects the way
insurers view us.

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Virginia Mason Hospital Seattle

- 2002-2013

- **74%** Reduction in
Liability Insurance
Premiums

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A large concrete dam with a visible crack. A pile of coins is visible on the right side of the dam, suggesting a leak or a metaphorical loss of money. The background is a dark, textured surface.

We need to help insurers to help us

Working together to eliminate error,
by Industry, for Industry.

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How Zurich can help you understand the costs of error and options to manage those risks

Zurich Insurance Plc. & Weightmans

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Insurance relevant to Construction

Contractor's All Risks (CAR)/Erection All Risks (EAR)

CAR/EAR policies provide insurance for losses related to physical damage to the various types of construction works. The coverage under CAR/EAR policy can be an "all risks" cover (i.e. if it is within the insuring clause, and not excluded then it is covered). This cover can also be extended include 'Delay in Start Up' (DSU).

Third Party Liability

These policies provide insurance for your losses related to your legal liability for damage or injury to a Third Party. These policies tend to be on an "occurrence basis" so the claim will fall in the year the loss event occurred.

Professional Indemnity (PI)

These policies are designed to protect contractors and sub-contracted specialists against allegations, made by a third party, relating to errors in their advice or incorrect designs and specifications. These policies are "claims made", which means that the claim will fall into the year the claim is notified.

Directors and Officers (D&O)

D&O cover provides first party coverage for the wrongful acts of, or investigations into the conduct, of directors and senior officers within a company.

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Insurance relevant to Construction

In addition, there are also other policies which form an important part of your business's suite of covers:

- Motor Fleet
- Contractors Plant & Equipment
- Employers Practice Liability
- Pension & Trustee Liability
- Commercial Crime
- Environmental Impairment Liability
- Personal Accident & Health Programmes
- Cyber
- Surety (Bonds)

You may also hear about:

Civil Engineering Completed Risk (CECR)

CECR insurance provides coverage against losses for physical damages to civil engineering structures after their completion.

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The role of the Underwriter

- Assess the degree of risk any proposer brings to the pool
- Decide whether to accept, partially accept or decline a risk
- Determine the terms, conditions and scope of cover to offer
- Calculate the premium

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Underwriting Factors: Who, What, Where, How?



➤ **Who** is carrying out the work?

- Client / Contractor / Designer – quality and experience
- Claims history
- Risk Management – quality control processes and procedures.

➤ **What** is being constructed?

- Every project is unique
- Residential building vs construction of road. Different considerations
- Size of the project. Has it been completed before to this scale?

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Underwriting Factors: Who, What, Where, How?



➤ Where is it being built?

- Geology/Hydrology – what investigation has taken place? What was on the site before?
- Natural Perils – Earthquake / Storm Surge / Hurricane / Volcano?
- Access – how easy is it to get to site?

➤ How is it being built?

- Construction method – tried and tested or first of it's kind?
- Programme – how long will the works take? Are there phased handovers? Critical path?

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Claims Ethos

- We want to partner with our customers to prevent claims, however if they do happen our claims departments will be there to support – Claims Commitment.
- As a major insurer, we try to lead the market and have influence. We want to drive forward the ethos of getting things right and working in partnership when things go wrong.
- In recent years there has been a spike in large claims and this is one of the factors that influences pricing and capacity within the market.
- It is therefore in all our interests to reduce error on site that could result a claim.

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Claims Ethos

- When claims arise, we want to collaborate with customers to resolve matters as quickly and cost effectively as possible for all.
- We look to draw together background information as early as possible to identify and clarify which policy or policies are engaged.
- As part of the early 'fact find' we look to work with customers to identify the best strategic steps to take.

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Claims Ethos

- We strive to think ahead and offer support and guidance, based on past experience, about how best to progress matters to a conclusion.
- Where there are limits in relation to covers, we do not shy away from raising this and discussing the implications with customers, whilst still providing support in terms of tactics and strategy.

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What is Risk Engineering?

- Risk Engineers are Chartered Engineers with industry experience and are typically employed by insurance companies
- We help underwriters to assess the risk profile of a project to ascertain whether to provide insurance at all, and if so input into the premium calculation
- We also visit construction projects to discuss with Construction Managers how the project is managing the key construction / insurance risks.
- Risk engineers work closely with our Claims team to provide them with technical assistance

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How can Risk Engineering help the industry?

- We help at project level to identify areas of risk management that are in need of improvement and provide cost-effective recommendations to address these areas.
- We see first-hand industry best practice and are able to share this knowledge sensitively across the construction industry
- Working closely with claims enables us to see trends in construction losses and communicate these directly to the industry at high level and at project level.
- The ultimate benefit of engaging with Risk Engineering is to avoid potential project losses and subsequent claims, and ultimately a positive impact on insurance premiums.

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Contact Details

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