

Insurance insight - claims scenario workshop

8th September 2020

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



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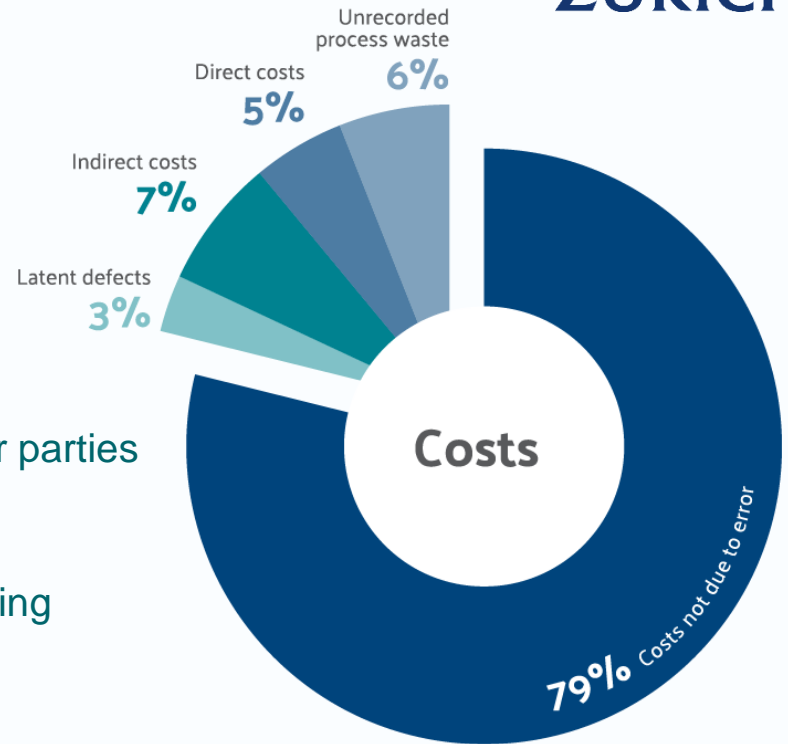
Wasted spend on error

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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GIRI Strategic Aim

- To improve construction productivity and quality by eliminating error

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GIRI Aims and Objective

- Create a culture and working environment to get it right from the start.
- Change attitudes and harness leadership responsibility to reduce error and improve quality and productivity.
- Engage all stakeholders in eliminating error from inception, through operation, to completion.
- Share knowledge about error reduction processes and systems.
- Improve skills across the sector creating a positive approach to pre-empting error.

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Current GIRI Membership

56 members including:

- 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 – June 2020





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Why today's webinar

Reducing error reduces insurance claims, which reduces premiums and hence costs

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A large concrete dam with a crack. From the crack, a stream of coins is flowing out, symbolizing a leak or error in the industry.

We need to help insurers to help us

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



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Insurance insight - claims scenario workshop

Zurich Insurance Plc

Robert Innes

Senior Construction Risk Engineer

Matthew Porter

Executive Adjuster – Construction Claims

A large, dark crack runs diagonally across a grey concrete wall. From the crack, a thick stream of gold coins is falling, creating a shimmering waterfall effect. The coins are piled up at the bottom right of the frame.

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Introduction

- A key to reducing errors and associated costs is to share knowledge and experiences.
- Zurich are keen to help share their own experiences on common losses with the industry.
- The focus of this particular webinar is road construction losses.
 - Sharing our experiences
 - Our thoughts on loss mitigation
 - Provide some additional insurance insight



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What is a loss lesson scenario?



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- Loss scenario workshops with their annual customers
 - What is it?
 - Zurich hold these workshops with their annual clients
 - Feasible loss scenario(s) are discussed to stress test their insurance policy
 - Benefits
 - Enables the policy holder to understand their policy better and the extent of their coverage AND before an insurance loss is encountered
 - It helps develop a good claims relationship between the Claims Team and the Policyholder
- Why do this with GIRI?
 - Further highlight claims areas that we commonly see and how to mitigate them
 - Tie these claims in with common insurance policies and educate you on some interesting insurance policy aspects

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Poll

- Based on your experiences, what do you find are the most common loss events seen by the insurance industry on road projects?
- Of the common losses, what on average are the most costly per claim and what cumulatively is the most costly?



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Common Claims on Road Projects



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- Below are the most common sources of claims on road projects:

Claim Type	No. of Claims	Total Value (GBP)	Value per Claim (GBP)
Fatality	1	166,000	166,000
Hurricane / Typhoon / Windstorm	1	107,000	107,000
Unknown	5	525,300	105,060
Business Interruption	2	180,600	90,300
Storm	59	3,794,400	64,300
Defective Design / Materials / WSP	12	682,700	56,900
Earthquake	2	79,800	39,900
Flood	11	339,000	30,800
Other	9	253,000	28,100
Theft / Loss of Money	1	19,700	19,700

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Common Claims on Road Projects



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- We want to take you through five of these types of common losses:
 - Storm
 - Defective Design
 - Workmanship
 - Fatality
 - Hot weather
- Objective is to:
 - Describe the claim and highlight areas of interest
 - Identify potential mitigation measures
 - Provide some insurance insight

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Common Loss Event #1 - Storm



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- Common Loss Event(s)
 - Permanent road had been constructed and temporary access roads were installed.
 - Two major storm events in Winter and Summer (same year)
 - Details of winter storm
 - Preceding month: 115mm (monthly average is 80mm and high is 200mm)
 - Loss occurring month: 225mm (monthly average is 80mm and high is 175mm)
- Cause and consequence
 - Significant volume of standing water in the works areas
 - Damage to earthwork materials rendering it unusable
 - Damage to construction haul roads
 - Significant delays to the project to remove water and repair damage



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Common Loss Event #1 - Storm



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- Loss Mitigation
 - Prepare a severe weather management plan
 - Following significant storms in Queensland this is now mandatory on all road and other civil projects.
 - Consider access routes – form of construction, redundancy/alternatives
 - Limit the extent of earthworks exposed at any one time
 - Install permanent drainage at earliest opportunity and install temporary drainage measures such as trenches, diversion ponds
 - Ensure all plant and equipment are not stored in susceptible areas (i.e. low points)
- Policy – Interesting points of discussion
 - Is unexcavated material insured property?
 - No standby cover for Plant & Equipment
 - Multiple deductibles
 - The extent of delay caused by weather events for DSU purposes
 - Costs claimed for uncompleted works at the time of storms (adjustments)

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Common Loss Event #2 – Defective Design



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- Common Loss Event(s)
 - Piling into water
 - Issues with concrete were detected in Aug in a submerged anchor beam but not fully understood so works continued
 - Following Jan 30+ piles were found to have voids / inadequately compacted.
- Cause and consequence
 - No issues with concrete on arrival and activity plans were followed as intended.
 - Tremie pipe should have been below the top of concrete.
 - However, it was determined that tremie pipe was above the concrete such that concrete was falling through water.
- Loss Mitigation
 - When something isn't correct then stop and pause for 5.
 - EFFC/DFI Best Practice Guide to Tremie Concrete for Deep Foundations
 - Contingency/scenario planning for concrete pours / equipment failure
- Policy – Points of Discussion
 - Defect or Damage?
 - Defects exclusions?
 - Piling exclusions?
 - Multiple deductibles?
 - Adjustments?

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Common Loss Event #3 - Workmanship



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- Common Loss Event(s)
 - Precast PT concrete bridge structure – 290m length over 4 spans
 - Cracking in deck soffit with waterproof membrane installed and ready to be surfaced.
- Cause & consequence
 - Misaligned PT ducts and tensioning process resulted in cracking of the deck slab
 - Resulted in a 4 month delays to investigate and repair
 - Defect rectification included breaking out the PT ducts with hydro-demolition and installing correctly.
 - £13M direct cost to the Contractor

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Common Loss Event #3 - Workmanship



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- Loss Mitigation
 - On-site technical supervision with a thorough quality control plan to ensure on-site works match design drawings
- Policy – Points of Discussion
 - Lack of fortuity to Centre crossing damage, as issues known to Contractor
 - PT Ducts defective not damaged
 - Adjustment out of costs required under contract vs repair of Insured Property

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Common Loss Event #4 - Fatality



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- Common Loss Event(s)
 - Dumper collided with worker. The dumper was passing when the worker stepped out into the construction traffic lane.
 - Project had excellent safety record: AFR = 0 at the time of the event
 - Works involved a works lane separated from live traffic and were taken place off the hard shoulder lane and involved installing drainage shuttering
 - Worker was a supervisor who had been removed from the project but had returned without key persons knowing
- Cause & consequence
 - Use of dumper not included in the RAMS and works not discussed with main contractor
- Loss Mitigation
 - Communications – improve comms to ensure any one removed from site can no longer return.
 - Where possible use dual view plant and equipment
- Policy – Points of Discussion
 - Employers Liability exclusion
 - Multiple Insured's Clause
 - Contractual requirements for Insurance

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Common Loss Event #5 – Hot Weather



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- Common Loss Event(s)
 - Existing three lane motorway were to received a new wearing course (“Thin Surface Course System”).
 - Temporary running lanes created with temporary studs (yellow markers)
- Cause & consequence
 - Temp studs were depressed into the wearing course by traffic during a period of hotter than usual weather.
 - Remedial works were estimated to be between £3M to £8M.
- Loss Mitigation
 - IAN157/14(W) address adverse cold weather conditions but not hot weather conditions
 - Foresight into upcoming weather conditions and impact of any temporary materials bearing on to new surfacing.
- Loss Mitigation
 - What repairs were covered by the policy?
 - Were works taken into use?
 - At whose risk ?(Employer, Contractor or Subcontractor)
 - Number of deductibles?



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Summary



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- Engage with insurers early
 - Identify critical project areas and stress test your insurance policy with loss lesson scenario's
- Storms are the most common sources of insurance claims on roads / large civil projects.
- Storm Damage Prevention
 - Prepare a severe weather management plan and identify measures to reduce impact of a storm
- Defective Design / Workmanship
 - Stop and Pause for 5
 - Further mistakes are likely when rushing to try and fix other errors
- Fatality
 - Review actual practices against the RAMS approved methods

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Questions?



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Feedback?

- If you are interested in sharing some of your own experiences of best practice or where lessons learned could be shared then please get in contact with GIRI
- What do you want to learn from Zurich?
 - More sessions like these?
 - More or less detail?
 - More technical or more insurance details?



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