Understanding the dynamics of risk in the design industry

XL

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Risk Drivers 2.0
ASCE Winter Meeting

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XL Catlin's Design Professional Insurance

Risk Drivers

2 classifications of causes leading to a loss prevention file or a claim being made

1) **TECHNICAL**

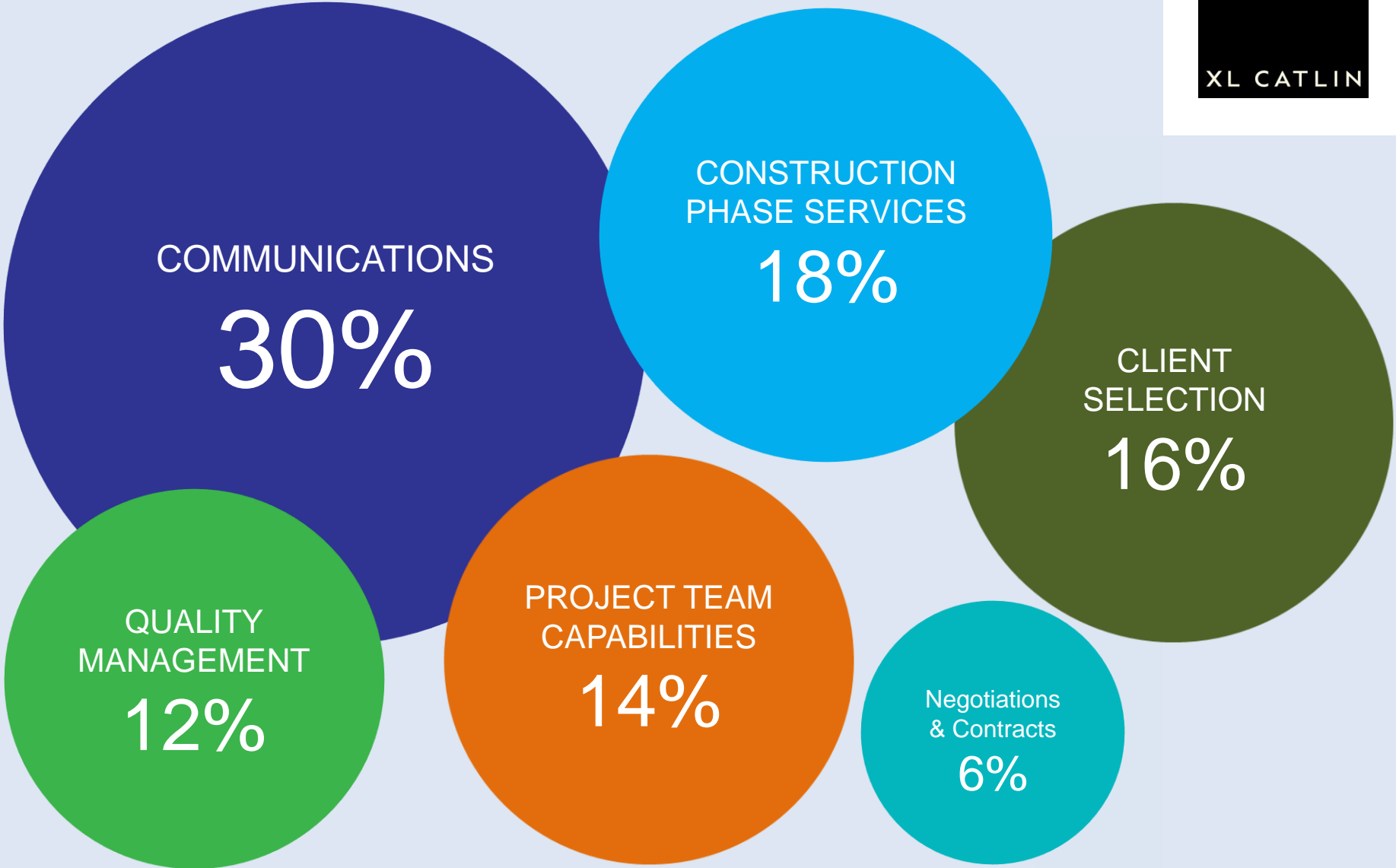2) **NON-TECHNICAL**

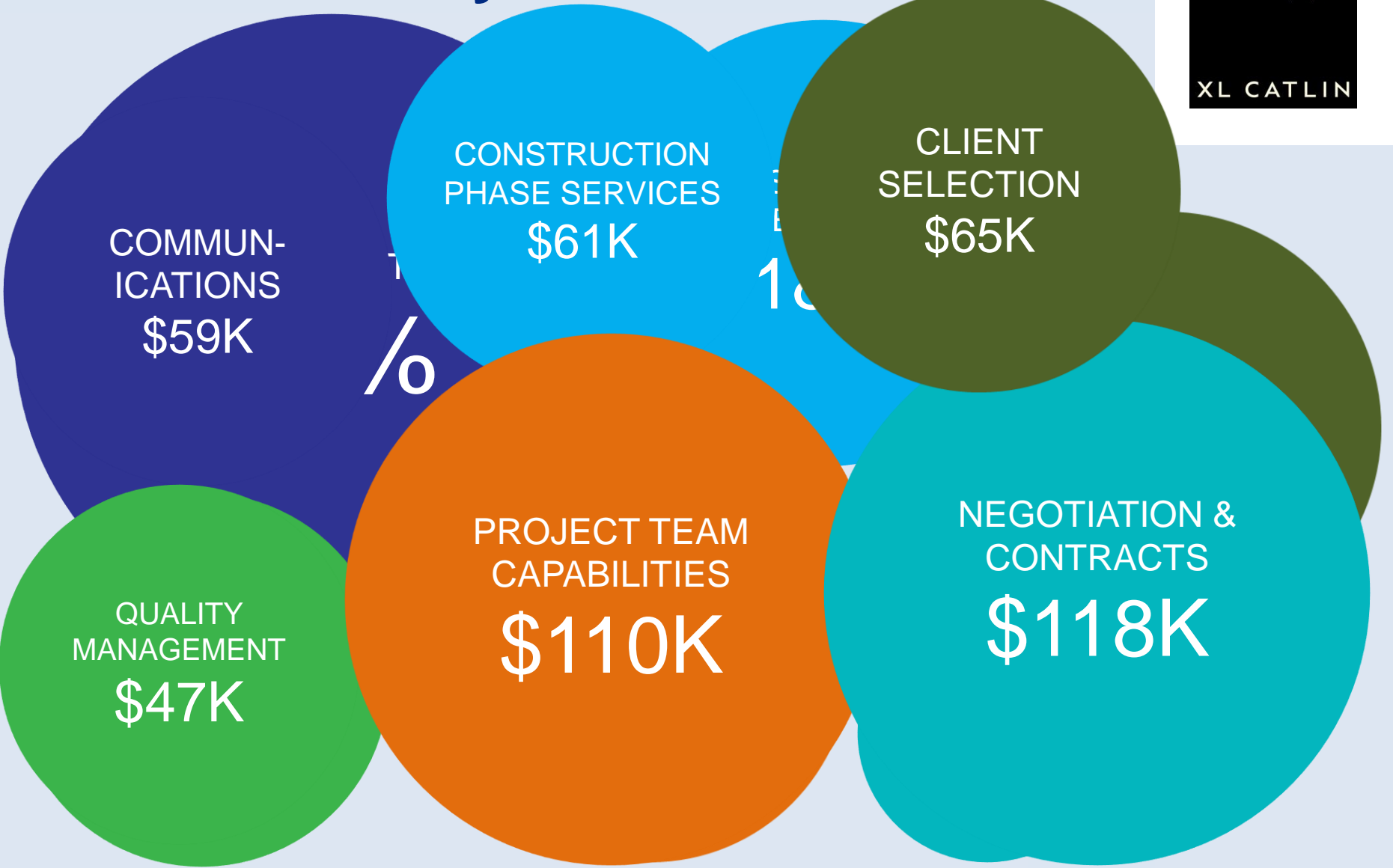# XL Catlin's Design Professional Insurance

Proprietary Research

7/10

claims
have non-technical factors that contribute to technical errors

Risk Drivers 2.0 by claims count

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COMMUNICATIONS
30%

CONSTRUCTION PHASE SERVICES
18%

CLIENT SELECTION
16%

QUALITY MANAGEMENT
12%

PROJECT TEAM CAPABILITIES
14%

Negotiations & Contracts
6%

Risk Drivers by mean cost

COMMUN-
ICATIONS
$59K

CONSTRUCTION
PHASE SERVICES
$61K

CLIENT
SELECTION
$65K

QUALITY
MANAGEMENT
$47K

PROJECT TEAM
CAPABILITIES
$110K

NEGOTIATION &
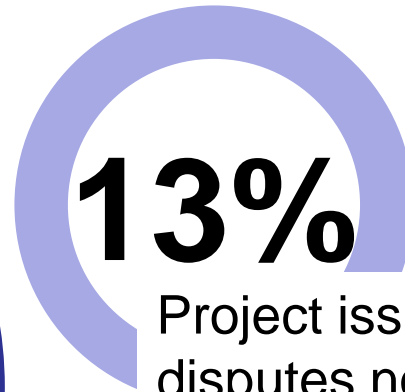CONTRACTS
$118K

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Risk Drivers (No. 1 by claims count)
Communications

55%
Lack of procedures to identify conflicts, errors and omissions

13%
Project issues/ disputes not handled well
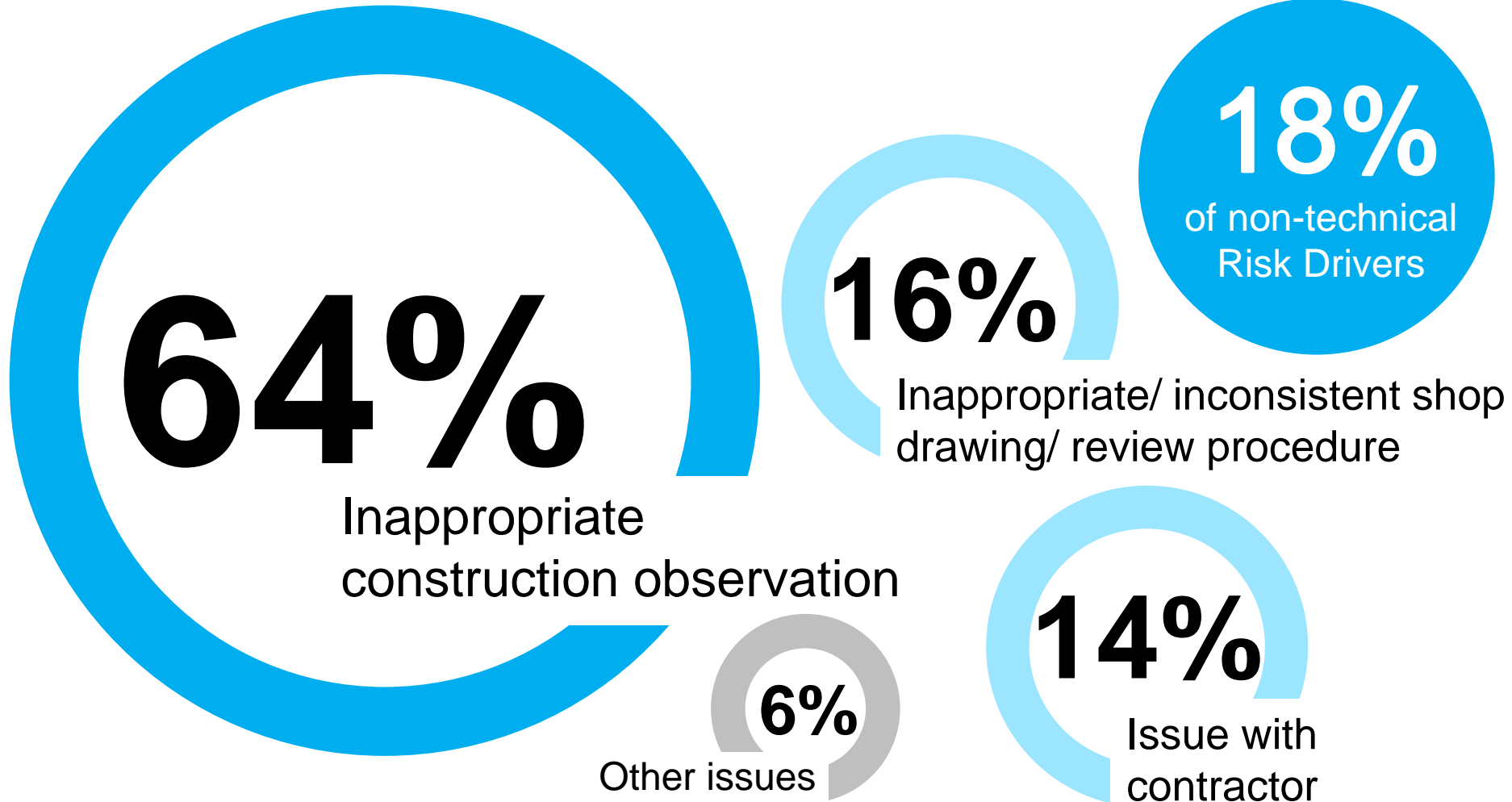
30%
of non-technical Risk Drivers
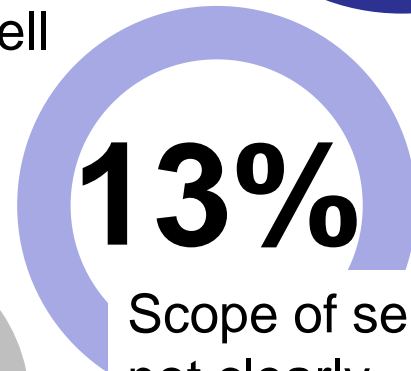
13%
Scope of services not clearly explained to client
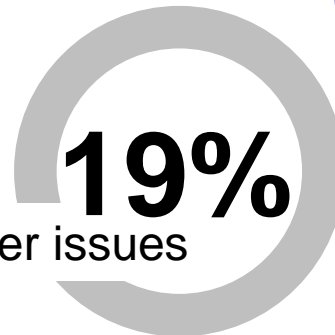
19%
Multiple/ Other issues

Risk Drivers (No. 2 by claims count)
Construction Phase Services

64%
Inappropriate construction observation

16%
Inappropriate/ inconsistent shop drawing/ review procedure

18%
of non-technical Risk Drivers

6%
Other issues

14%
Issue with contractor

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Risk Drivers (No. 3 by claims count)

Client Selection

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Inexperience

44.1%

History of claims & litigation

21.4%

Poor financial condition

16.5%

16%
of non-technical
Risk Drivers

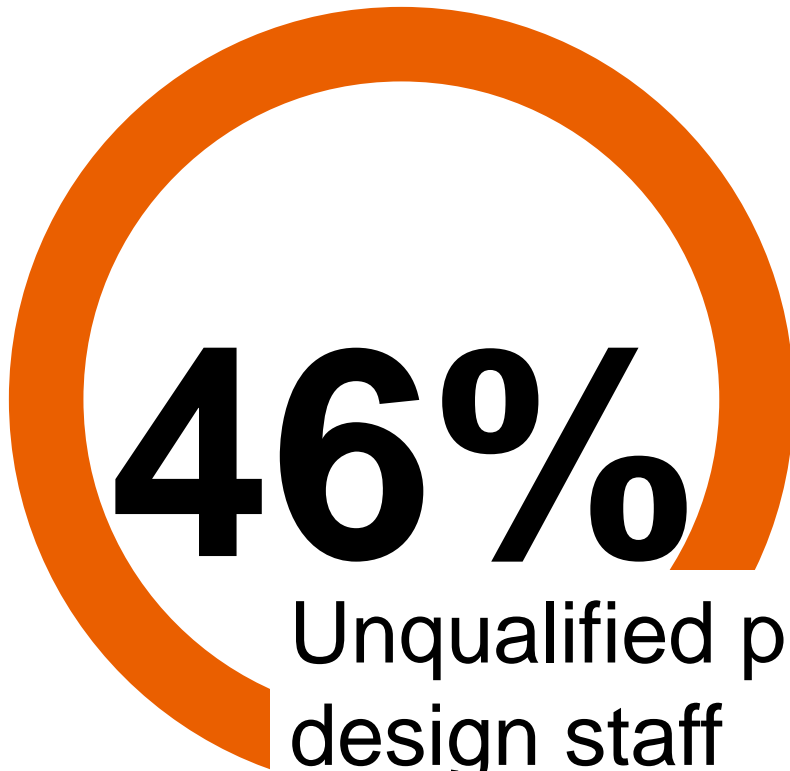Behind on payments

6.3%

Client Selection

CLIENT SELECTION TAKE AWAYS

1. Require a retainer
2. Document, Document, Document
   - Confirm all conversations & all scope changes
3. Keep contract changes current

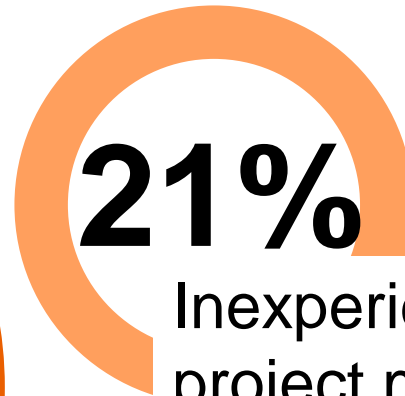4. Do not let the client get behind with invoice payments
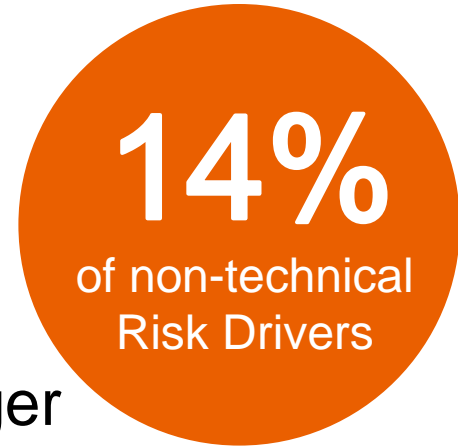
Risk Drivers (No. 4 by claims count)
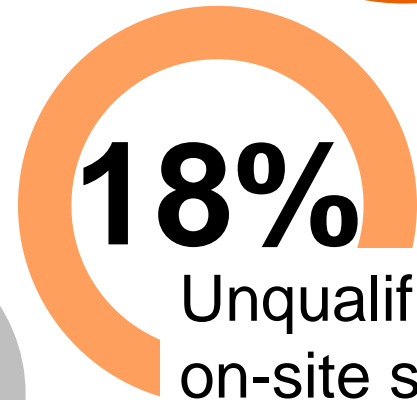# Project Team Capabilities

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46%
Unqualified project design staff

21%
Inexperienced project manager

14%
of non-technical Risk Drivers

18%
Unqualified on-site staff
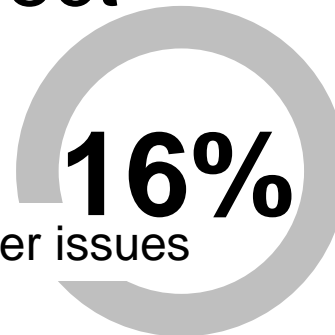
16%
Multiple/ Other issues

Risk Drivers
Project Team Capabilities

PROJECT TEAM CAPABILITIES TAKE AWAYS

1. Maintain proactive team communication

2. Have consistent check-in with discipline lead or P-I-C

3. Remember - training new staff takes time

4. Follow your Quality Management process

Risk Drivers (No. 5 by claims count)
Quality Management

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Lack of QA/QC procedures to reduce errors

63%

No proactive plan to handle project issues/ disputes

33%

Other

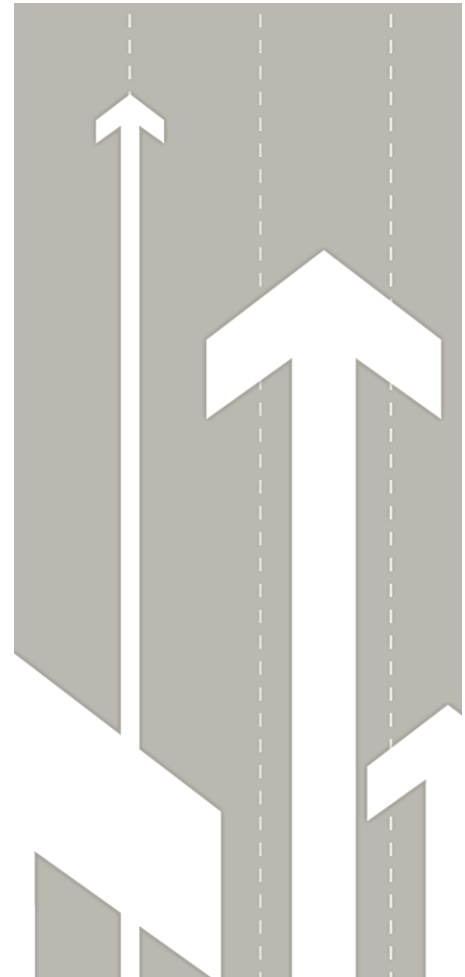**4%**

12%
of non-technical Risk Drivers

Risk Drivers
Quality Management

QUALITY MANAGEMENT TAKE AWAYS

1. Follow your Quality Management process

2. Maintain project awareness

3. Early communication with XL Catlin for pre-dispute support

Negotiations & Contracts

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45%

Unclear/ inappropriate scope of services

6%
of non-technical Risk Drivers

Contract not in-place before work began	**12%**
Didn't formally evaluate client & project risks	**12%**
Multiple/ Other	**31%**

Risk Drivers
Negotiations & Contracts

NEGOTIATION & CONTRACT TAKE AWAYS

1. Do not start work without a signed contract

2. Have a clear, agreed upon scope of work

3. Identify unknown conditions & areas/ concerns

4. Discuss budget & schedule assumptions