Should I Go Or Should I Not Go?

RLI
DIFFERENT WORKS

RLI Design Professionals
DPLE 175
December 4, 2019

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Course Description

> **"** Life isn't about avoiding risk at all cost but rather it's about developing the confidence to manage risk appropriately and enable great things to happen. **"**

- Andrew Sharman, author of "From Accidents to Zero"

Why do firms take on projects that they think could be destined to fail? When you spend time analyzing the possibilities, you can start to see future problems. Our approach will guide you through the four steps of risk management—carefully identifying, assessing, managing, and controlling the risks in projects when you're deciding if pursuing a project is a good idea.

Learning Objectives

Participants in this session will:

1. Understand how the type of ==project== and its delivery method can indicate future problems.

2. Learn to identify the different risks associated with a project's location ==(place)==.

3. Gain an awareness of how the ==people== involved in a project can have an impact on the overall assessment of risk; and

4. Consider how different project ==processes== can act as a forecast of potential issues.

Definition

Risk

- <u>Probability</u> or threat of damage, injury, liability, loss
- Caused by external or internal <u>vulnerabilities</u>
- May be avoided or mitigated through <u>prevention</u>

Accessing the Matrix

Click here to access RLI's Go No-Go Matrix

PROJECT MANAGEMENT

This program includes a dynamic project risk management matrix and to help A&E firms effectively identify, assess, manage and control the risks associated with the projects they engage in. Guidelines for using the matrix and additional risk management best practices are provided in the project risk management matrix instruction guide.

Visit https://www.rlicorp.com/dp-risk-management

RLI's Project Risk Management Matrix

1	**PROJECT NAME:**	
2	**PROJECT START DATE:**	
3	**PROPOSAL DUE DATE:**	

	Issue	Risk Score: 1 (low) 3 (medium) 5 (high)	Explanation	Your Firm's Mitigation Strategy to Address Higher Risks
6	**PROJECT**			
7	General Risk Assessment of Project Type		High risk project types include multi-family residential, bridges, large public use projects, educational, and high-security facilities.	
8	Knowledge of/Comfort Level with this Specific Project		Evaluate your capabilities and experience relative to the project and the services you're being asked to provide. Relevant experience should yield a lower risk score.	
9	Knowledge of/Comfort Level with this Project Delivery Method		Lack of familiarity with the project delivery mode (e.g., design/build, multi-prime, or IPD) can pose higher risks.	
10	Knowledge of/Management of Pre-Existing Conditions		Renovation or addition projects may pose higher risk. Some of this risk can be mitigated for the design team if the Owner permits the design team to rely upon prior information such as record drawings.	
11	Overall Risk Assessment of the Specific Project/Services		Evaluate your "gut feeling" about this specific project and the associated professional services. When you look back on this project ten years from now, what will you think? Does this project help meet strategic goals?	
12	*Category Sum*	0		
14	**PLACE**			
15	General Risk Assessment of Project Location		Projects in litigious states like CA, CO, FL, IL, LA, MO, NJ, NY, PA, and TX pose higher risk. Assess the risk of both the state and the specific region for the project.	
16	Concerns About this Specific Project Location		Higher risks exist in areas with dense populations, hazardous soil conditions, extreme weather conditions, sensitive neighbors, etc.	
17	Knowledge of/Comfort Level with this Specific Project Location		Has your firm worked on previous projects in this location? Do you understand the politics and the community? Relevant experience lowers risk.	
			Evaluate your "gut feeling" about the project location in the foreseeable future. Consider population, resource	

Matrix Layout

PROJECT NAME:
PROJECT START DATE:
PROPOSAL DUE DATE:

	A	B	C	D
	Issue	**Risk Score:** 1 (low) 3 (medium) 5 (high)	**Explanation**	**Your Firm's Mitigation Strategy to Address Higher Risks**
PROJECT				
	General Risk Assessment of Project Type		High risk project types include multi-family residential, bridges, large public use projects, educational, and high-security facilities.	You can mitigate some risks with a well-defined contract. AIA provides many examples of how you might address condominium projects, which is one of the highest risk project types.
	Knowledge of/Comfort Level with this Specific Project		Evaluate your capabilities and experience relative to the project and the services you're being asked to provide. Relevant experience should yield a lower risk score.	
	Knowledge of/Comfort Level with this Project Delivery Method		Lack of familiarity with the project delivery mode (e.g., design/build, multi-prime, or IPD) can pose higher risks.	
	Knowledge of/Management of Pre-Existing Conditions		Renovation or addition projects may pose higher risk. Some of this risk can be mitigated for the design team if the Owner permits the design team to rely upon prior information such as record drawings.	
	Overall Risk Assessment of the Specific Project/Services		Evaluate your "gut feeling" about this specific project and the associated professional services. When you look back on this project ten years from now, what will you think? Does this project help meet strategic goals?	
Category Sum		0		

Hover over red symbol for more information

How to Use It

How to Use a Project Go/No Go Risk Management Matrix

I knew it from the beginning...

Our Claims professionals at RLI hear that time and time again. Unfortunately, by the time those words are uttered, it's often too late for the insured who's uttering them.

Is it possible to predict the future of every project? Not exactly. But with experience, it's certainly possible to see problems coming before they actually arise. And that's the point of a Project Go/No Go Risk Management Matrix.

This Matrix, designed by RLI's Risk Management team, is intended to help guide you through the four steps of risk management—Identification, Assessment, Mitigation, and Control. Here's an explanation of how we've designed the Matrix to work for you.

Step 1: Review the list of risk issues that we've <u>identified</u> in the first column. You'll notice that there are twenty issues in all, and we've broken them down into four categories: Project, Place, People, and Process. Most of these will sound familiar to you, but if you're unclear as to our intent, look over to the third column, which provides a brief explanation for each of the issues. An item in the Explanation column that has a ◥ symbol after it offers additional detail or clarity if you hover over the explanation.

Step 2: Once you think that the risks have been properly identified (and you can feel free to modify the matrix to suit your own circumstances), it's time to move on to the <u>assessment</u> part of the process. For this Matrix, we've suggested that in the second column, you score each issue on a scale of 1 (low risk) to 5 (high risk). When you've completed this part of the process (and as we've designed it, the Matrix calculates the sums for you), you can step back and think about:

- how risky the project is overall (the bottom line of the Matrix provides some guidance)
- within the categories of Project, Place, People, and Process, where the riskier issues lie
- whether or not this project is starting to look like a "go" or a "no go."

Step 3: As you form your opinions and approach, the next step is to define a risk <u>mitigation</u> strategy. In the fourth column, you can detail a strategy for each of the issues or just focus on the higher risk issues. Again, the additional details provided in the "Explanation" column may also give you some thoughts about mitigating the risks associated with a particular issue.

Step 4: The last step in our Matrix approach is <u>Control</u>. Even the best risk managers will miss a detail or two in their preliminary assessment of a project, but risk management is a dynamic process. Go back — especially to those higher risk aspects of the project that you've identified — and see if your risk mitigation strategies are working as the project progresses. If they are, keep doing what you're doing! If they're not, modify them, or add any newly-identified risks — not just for the

Risk Management

1 **Identify**
What are the risks?

2 **Assess**
How risky is the project overall? Where do the riskier issues lie?

3 **Mitigate**
What is your mitigation strategy for each issue or higher risk issues?

4 **Control**
Are your risk mitigation strategies working or should they be modified?

PROJECT

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Project: Identify the Risks

Project Type

Knowledge of Specific Project

Comfort With Delivery Method

Management of Pre-existing Conditions

Overall Assessment of Project/Services

Any other issues that apply to your firm and the project.

Project: Assess, Mitigate, Control

Pre-existing Conditions

Renovation

Assess	Is the project for an addition to an existing structure or a rehabilitation of the existing structure?
Mitigate	Clarify that you have the right to rely on information furnished by or on behalf of the Client.
Control	Would additional testing be beneficial?

Right to Rely

AIA B101-2017 §3.1.2

" …The [Design Professional] shall be entitled to rely on, and shall not be responsible for, the accuracy, completeness, and timeliness of services and information furnished by the Owner and Owner's consultants… "

Case Study: Metcalf Construction v. US

Metcalf Construction Company won a contract to design and build
housing units for a Marine Corp Base in Hawaii.
Differing soil conditions caused Metcalf to incur more than
$4.8 million in additional work.

Q15: This requires an independent investigation after award. Should we infer from this that any unforeseen soil conditions or variances from the Government's soil report will be dealt with by change order?
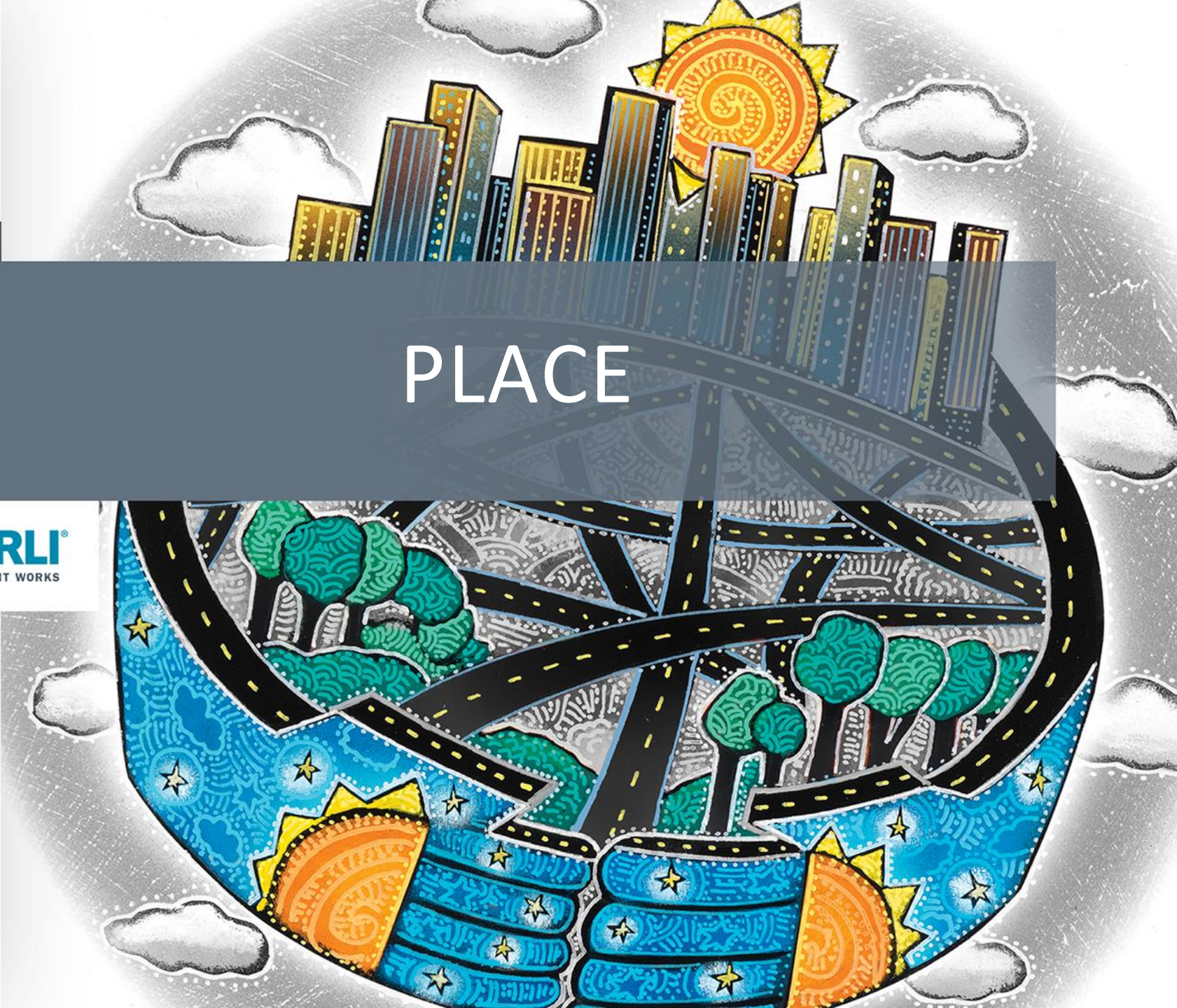
Answer: Yes, if there's a major disparity from the Government's soil reconnaissance report.

PLACE

Place: Identify the Risks

General Assessment of Project Location

Concerns About Specific Location

Knowledge of Location

Overall Assessment Based on External Factors

Any other issues that apply to your firm and project type.

Place: Assess, Mitigate, Control

Concerns About Specific Location

Asbestos

Assess	Assess the extent of its presence on site.
Mitigate	Disclaim responsibility for hazardous wastes. Proper procedures to minimize exposure.
Control	Make sure proper procedures are observed. Monitor exposure.

Hazardous Substances Disclaimer

AIA B101-2017 §10.6

"

Unless otherwise required in this Agreement, the [Design Professional] shall have no responsibility for the discovery, presence, handling, removal or disposal of, or exposure of persons to, hazardous materials or toxic substances in any form at the Project site.

"

PEOPLE

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People: Identify the Risks

Assessment of Client/Owner

Comfort Level with Client/Owner

Availability of Decision Maker

Design/Construction Team Members

Financial and Overall Evaluation of Team Members

Any other issues that apply to your firm and project.

People: Assess, Mitigate, Control

Financial Evaluation of Team Members

Insurance

Assess	Assess insurance coverage and limits.
Mitigate	Make sure subconsultants procure insurance with adequate coverage and limits.
Control	Make sure subconsultants maintain insurance with adequate coverage and limits.

Case Study: Rockridge Elementary School

Who has the deepest pocket?

Inexperienced Client

Low-bid, Uninsured Contractor

Your Firm

Insurance Requirements

AIA C401-2017 §2.8

" ...The Consultant shall maintain the following insurance for the duration of this Agreement.

Commercial General Liability with policy limits of not less than ($) for each occurrence and ($) in the aggregate for bodily injury and property damage... "

Insurance Requirements

AIA B101-2017 §5.8

" "

…The [Client] shall require that its consultants and contractors maintain insurance, including professional liability insurance, as appropriate to the services or work provided.

" "

PROCESS

Process: Identify the Risks

Assessment of Procurement Process

Assessment of Contracting Process

Assessment of Risk Allocation Process

Risk-Reward Assessment

Assessment of Processes Associated with Project

Any other issues that apply to your firm and project.

Process: Assess, Mitigate, Control

Assessment of Risk Allocation Process

Risk Allocation Process

Assess	Are risks fairly allocated to the party best able to control that risk?
Mitigate	Use standard industry documents as a guide.
Control	Note the appropriateness of the allocation of risk for future projects.

Final Assessment

Warning Signs

When a Project is a No-Go:

Perceived or real need to get more projects on the books

Inadequate tools to evaluate project risks

Difficulty telling a client "no"

Ignoring Risk

Impact of Ignoring Risk:

Increased costs

Loss or reduction in profit

Damage to reputation

Insolvency

Managing Your Risk

When to use the Go-No-Go Analysis:

1 Before you submit a proposal
Determine the likely success of a project by identifying, assessing, and evaluating ways to manage and control the risks on a project before making any commitments.

2 After you complete a project
Perform an assessment before and after a project, and compare the results to gauge how accurate your assessment of the risks are.

3 After you resolve a claim
Reflect on "lessons learned" and ways to manage and mitigate similar instances from occurring in the future.

RLI Procedure for Premium Credit

You can reduce your risk AND save money!

Conduct a project risk analysis <u>before</u> you submit a proposal, give it to your broker as part of our renewal package, and earn premium credit. It's as easy as 1-2-3!

1   Access online

2   Submit as part of renewal

3   Receive credit at renewal

Thank you for your time!

QUESTIONS?

This concludes The American Institute of Architects Continuing Education Systems Program

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