

The Top 5 Warning Signs of a Claim and Frequent Sources of Claims

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Agenda

- **Top 5 Precursors to Claims and How to Mitigate Them**
- **Claims Statistics: Common Sources of Claims**
- **Less Risky Client and Project Types**

Top 5 Precursors to Claims

1. Slow Pay / No Pay of Receivables
2. Value Engineering
3. Demeanor of Client in Contract Negotiations
4. Tight Project Schedule
5. Unresponsive Client

Claims Statistics: Common Sources of Claims

- **Average Cost of Claim (as of 12/31/16)**
 - \$87,000 (includes zero balance claims)
 - \$146,000 (not including zero balance claims)

Claims Statistics: Common Sources of Claims

Claim Drivers: Top 3 Owner Types

1. Residential: 35% of claims, 27% of payout (3% of revenues over last decade)
2. Commercial: 29% of claims, 27% of payout
3. Local Government: 20% of claims, 29% of payout

Claims Statistics: Common Sources of Claims

Claim Drivers: Top 4 Client Types

1. Developers: 34% of claims, 32% of payout
2. Contractors: 12% of claims, 11% of payout
3. City & County Government: 9% of claims, 15% of payout
4. Engineers: 9% of claims, 12% of payout

Claims Statistics: Common Sources of Claims

Claim Drivers: Top 3 Project Types

1. Residential – 34% of claims and 26% of payout
2. Shopping Centers/Stores: 8% of claims, 9% of payout
3. Office Buildings (incl. high rise): 7% of claims, 7% of payout

Claims Statistics: Common Sources of Claims

Claim Drivers: Top 3 Service Types

1. Geotechnical Investigations: 44% of claims, 40% of payout
2. Construction Monitoring: 18% of claims, 14% of payout
3. Design: 17% of claims, 29% of payout

Claims Statistics: Common Sources of Claims

- **Claim Drivers: Top 3 Causative Factors**

1. Shotgun and Nuisance: 33% of claims, 10% of payout
2. Technical Error: 19% of claims, 52% of payout
3. Recommendations not followed: 17% of claims, 15% of payout

Claim Statistics: Common Sources of Claims

Claim Drivers : Damage Types

1. Property Damage: 52% of claims; 51% of payout
2. Economic Damage: 29% of claims; 25% of payout
3. Bodily Injury: 5% of claims; 3% of payout

(Note: Does not add to 100% because many claims have combined damage types)

Claim Statistics: Common Sources of Claims

Less Risky Project and Client Types

1. State and Federal
2. Manufacturing and Industrial
3. Environmental
4. Some Infrastructure Projects (roads, highways)

Questions?