New AGC/FMI Risk Survey and Report
(Data collected at end 2021)
KEY THEMES

- Top risks today
- Adapting to a volatile world
- Juggling project risks
Study – Quick Facts

Results are based on responses from members in AGC’s Surety Bonding and Construction Risk Management Forum. Data was collected in December 2021.

Contractor types represented:

- GC (69%)
- CM (18%)
- Specialty Trade (9%)
- Other (4%)
“A pessimist sees the difficulty in every opportunity; an optimist sees the opportunity in every difficulty.”
—Winston Churchill
Top Risks Today

<table>
<thead>
<tr>
<th>Risk</th>
<th>2022</th>
<th>2020 Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Limited supply of skilled/craft workers</td>
<td>86%</td>
<td>1</td>
</tr>
<tr>
<td>Cost escalation in materials and equipment due to supply chain disruptions</td>
<td>83%</td>
<td>2</td>
</tr>
<tr>
<td>Design-related issues (i.e., poor design drawings, design condition, etc.)</td>
<td>26%</td>
<td>3</td>
</tr>
<tr>
<td>Changes in insurance terms/costs</td>
<td>25%</td>
<td>4</td>
</tr>
<tr>
<td>Subcontractor default</td>
<td>18%</td>
<td>5</td>
</tr>
</tbody>
</table>

Limited supply of skilled/craft workers rank 1
Limited supply of experienced field supervisors rank 2
Project delays or cancellations rank 3
Design-related issues rank 4
Increasing competition rank 5
Top Risks Today

What is causing the most disruption on current projects?

- Materials Shortages: 54%
- Labor Shortages: 22%
- Transportation Delays: 14%
- Other: 8%

89% of respondents experienced project delays.
Adapting to a Volatile World
Adapting to a Volatile World

Companies are making changes...

- Increased communication with suppliers/subs/owners/other stakeholders: 28%
- Ordered materials earlier than before: 27%
- Sought new suppliers or distribution channels: 20%
- Sought to substitute materials: 20%
- Other: 4%
Adapting to a Volatile World

How is supply chain risk sharing/transfer being addressed?

<table>
<thead>
<tr>
<th>Method</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lock in pricing</td>
<td>25%</td>
</tr>
<tr>
<td>Add contingencies in contract language</td>
<td>25%</td>
</tr>
<tr>
<td>Add price-adjustment clauses</td>
<td>23%</td>
</tr>
<tr>
<td>Stockpile materials</td>
<td>14%</td>
</tr>
<tr>
<td>Direct/flat procurement of materials</td>
<td>7%</td>
</tr>
<tr>
<td>Develop and lock in staffing plans</td>
<td>6%</td>
</tr>
</tbody>
</table>
Adapting to a Volatile World

Top risk management tools used today

- Subcontractor Default Insurance (SDI): 29%
- Conducting Formal Project Risk Assessments: 25%
- Captive Insurance Company: 20%
- Rolling Contractor-Controlled Insurance Programs: 16%
- Single Project Wraps: 11%
Juggling Project Risks
Juggling Project Risks

How has **project selection** changed?

- No Changes: 28%
- Made Changes: 72%
  - Increased use of a formal go/no-go process: 84%
  - Implemented a formal go/no-go process: 14%
  - Discontinued use of a formal go/no-go process: 2%
Juggling Project Risks

Top risk factors organizations consider when determining to pursue a project opportunity:

- The owner/client: relationship quality, reputation, financial stability, project team, etc. 16%
- In-house project staffing capabilities 14%
- Margin opportunity (in the context of known risks) 13%
- Project delivery method/contract terms 12%
- Alignment with strategy 12%

The average project size compared to a year ago ($ revenue volume):