



AGC
THE CONSTRUCTION
ASSOCIATION



2023 AGC/FMI Risk Survey

Sabine Hoover
Chief Marketing Officer, FMI

2023 Surety Bonding and Construction Risk Management Conference

#AGCRisk2023
risk.agc.org

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 2022.
- Contractor types represented:
 - GC (63%)
 - CM (21%)
 - Specialty Trade (11%)
 - Other (6%)
- 50% of participants have revenues of \$1 billion or more.




KEY THEMES

- Top risks today and tomorrow
- A brewing storm
- Risk mitigation strategies



TOP RISKS TODAY AND TOMORROW





***“The best way to predict your
future is to create it.”
— Abraham Lincoln***

Top Risks Today

Rank	2022	2023
1	Lack of skilled/craft workers	Price increases (materials&equipment)
2	Price increases (materials&equipment)	Lack of skilled/craft workers
3	Design-related issues	Lack of field supervisors
4	Changes in insurance terms/costs	Design-related issues
5	Subcontractor defaults	Changes in contract language

Top Risks Tomorrow

Limited supply of skilled/craft workers

54%



Economic slowdown

45%



Subcontractor default

33%



Cost escalation in materials and equipment due to supply chain disruptions

25%



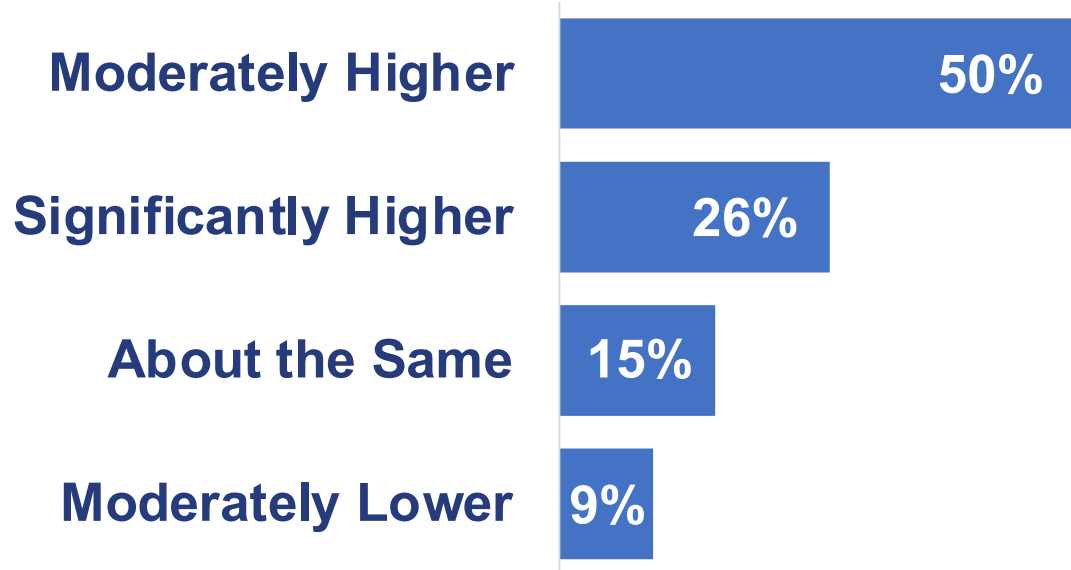
Project delays or cancellations

23%



Backlogs Still Look Strong But ...

Respondents report backlogs are:



Almost
70%
state their **labor force is low**
relative to
backlog needs.

Talent Shortages Persist

More than **50%**
of respondents reported a high- to
severe impact on their companies
due to talent shortages.

Source: 2023 FMI Talent Study

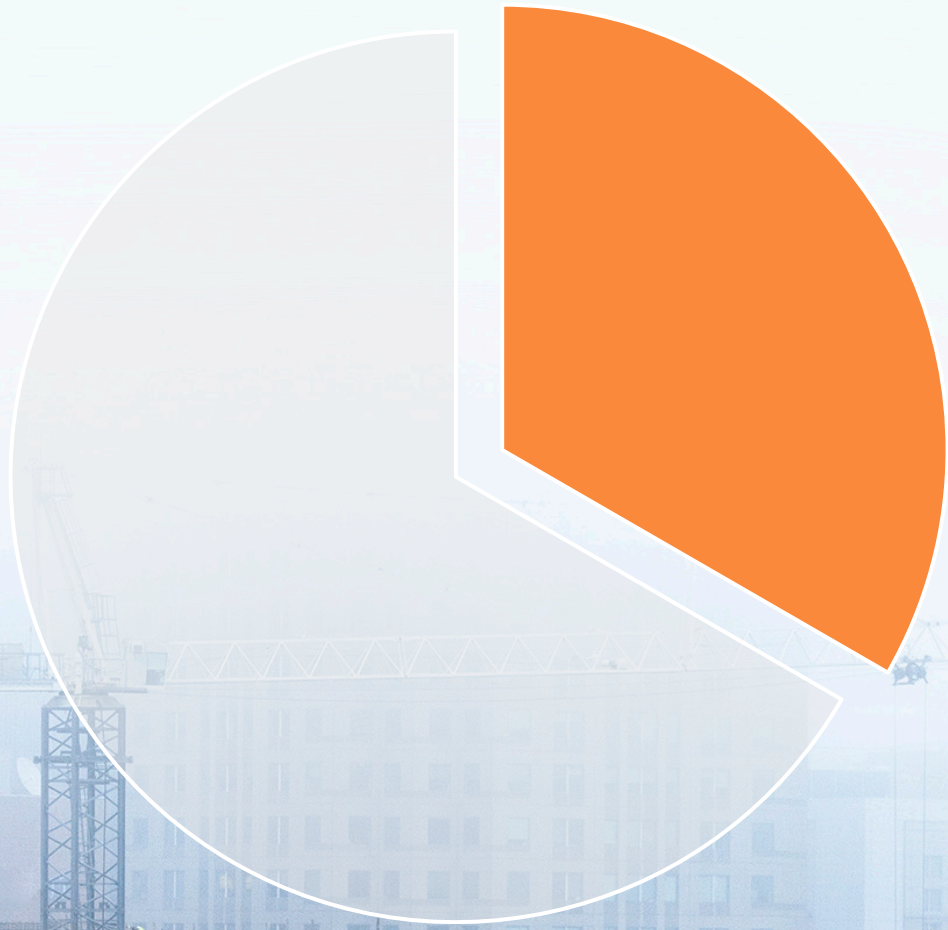




A BREWING STORM



A Dangerous Risk Constellation ...

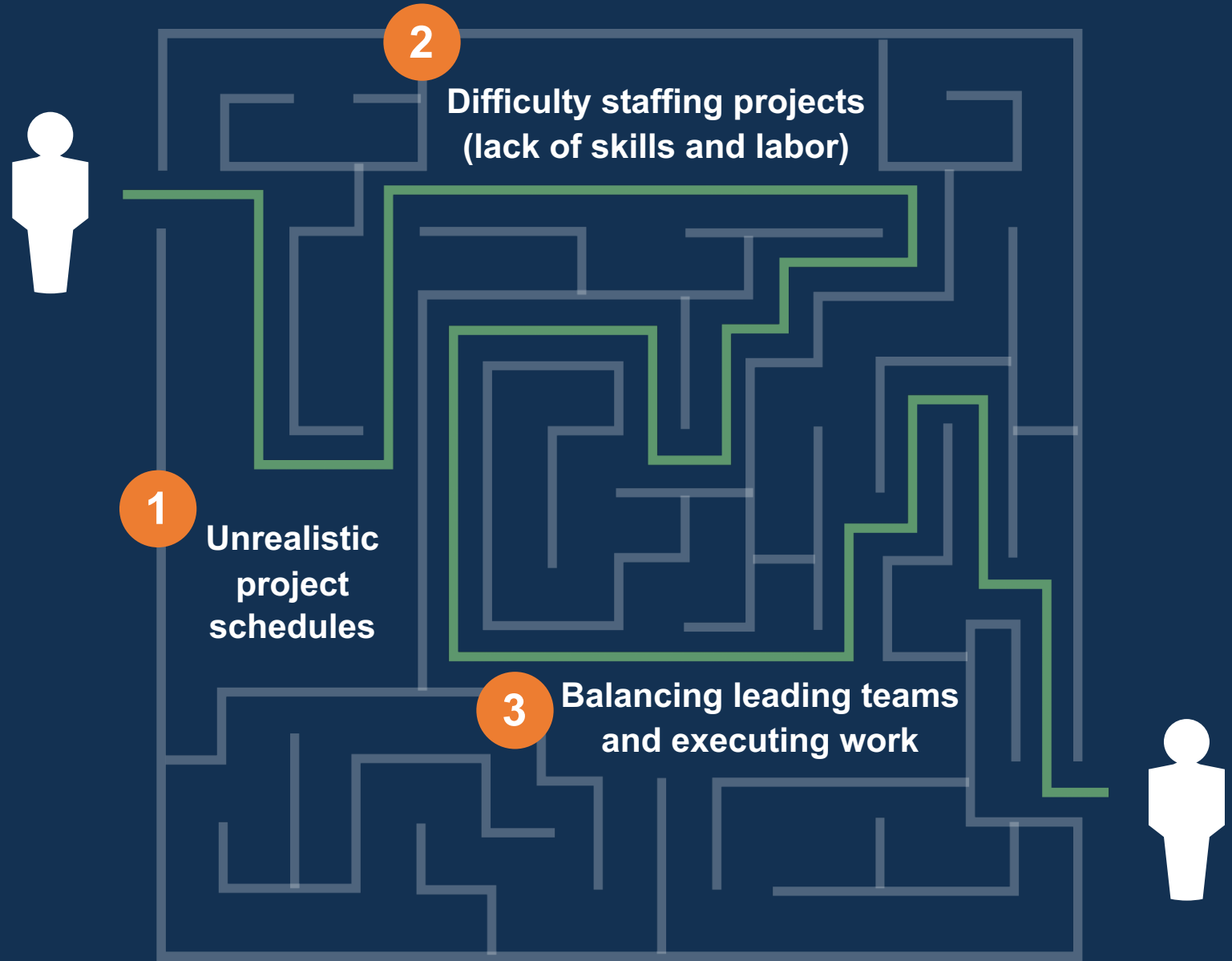


33%

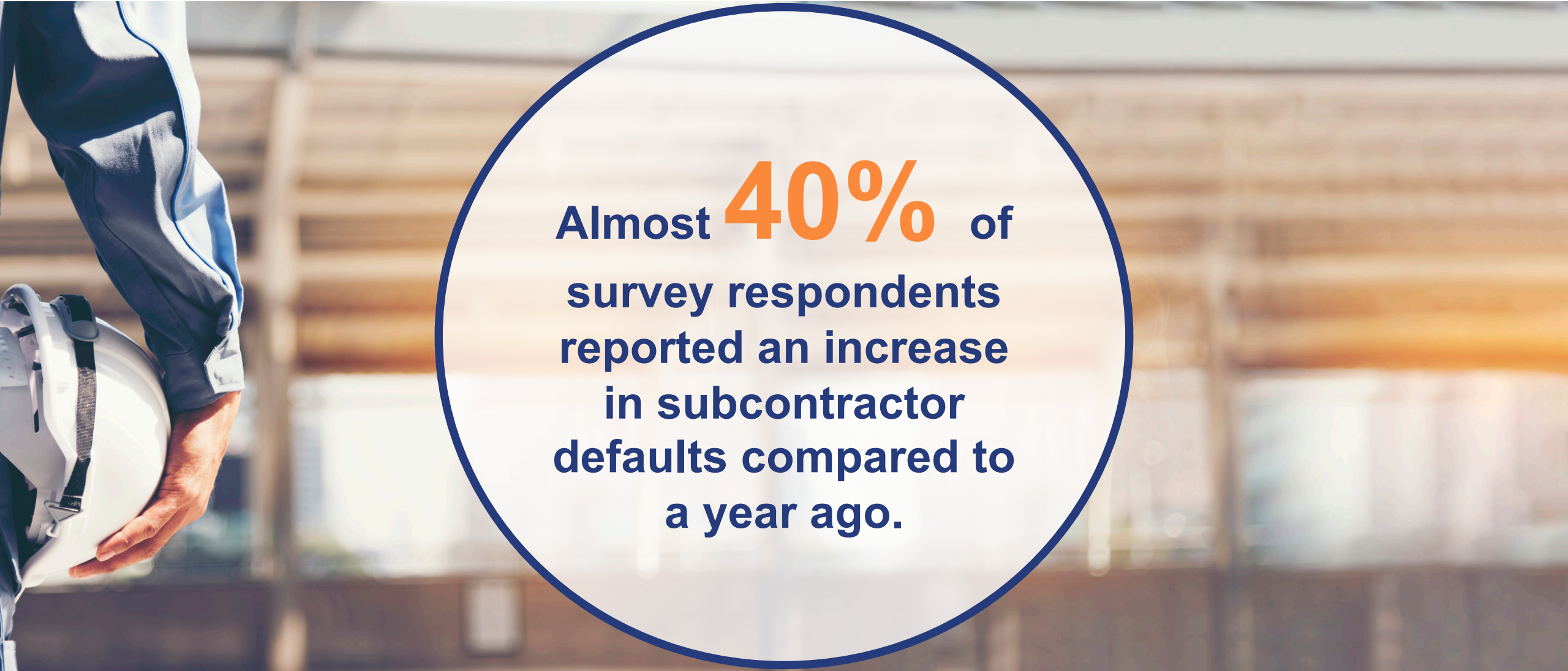
**of respondents stated that
as many as **half** of their
field leaders have joined
within the last two years.**

Top 3 Challenges for Field Leaders

Source: 2023 FMI Talent Study



Keep Your Partners Close ...



Almost **40%** of
survey respondents
reported an increase
in subcontractor
defaults compared to
a year ago.

Top Reasons for Project Delays or Cancellations

52%

ECONOMIC
UNCERTAINTY

46%

COST OF
CONSTRUCTION

42%

COST OF
CAPITAL

More than **90%** of respondents reported cancelled or delayed projects in the last six months.



Five Root Causes of Contractor Failure



Poor Strategic
Leadership



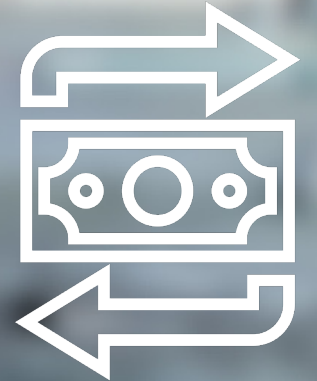
Excessive
Ego



Too Much
Change



Loss of
Discipline



Inadequate
Capitalization

Source: FMI Research

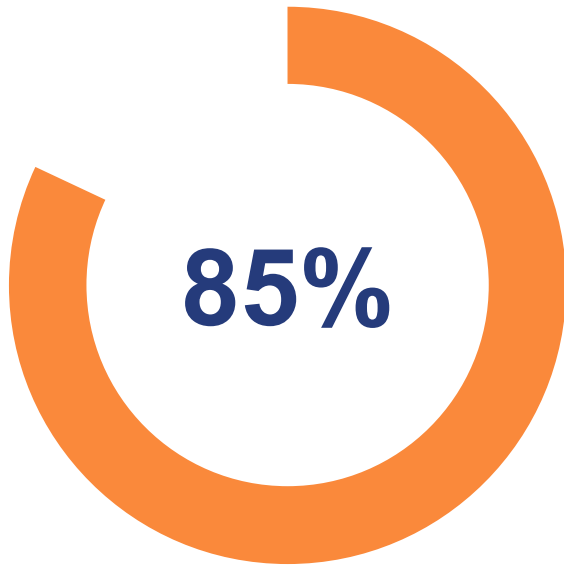


RISK MITIGATION STRATEGIES

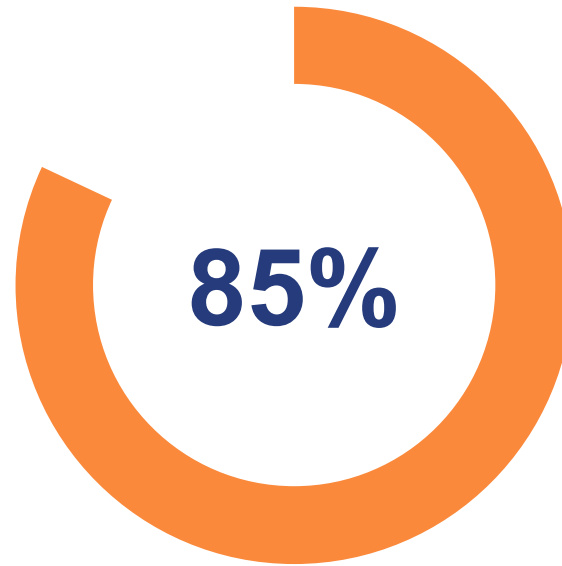


Playing Offense and Defense

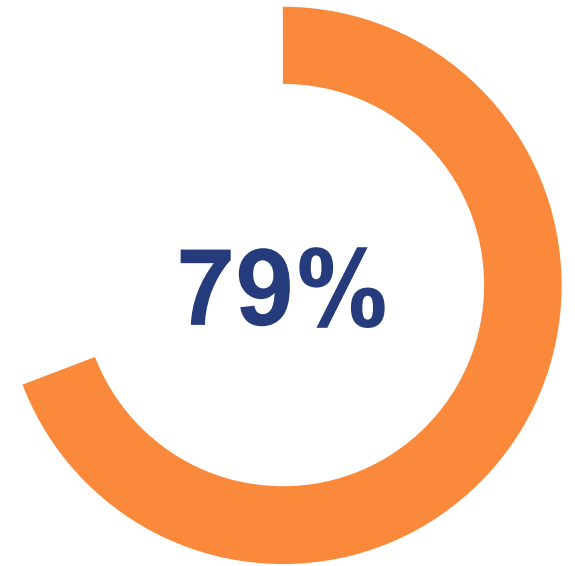
Contract language and pricing clauses are top risk mitigation measures.



**Add contingencies in
contract language**



**Lock in
pricing**



**Add price-
adjustment clauses**

Playing Offense and Defense

What changes (if any) have you made to your subcontractor prequalification approach?



Increased **depth** of financial and staffing reviews

42%



Increased **frequency** of financial and staffing reviews

36%

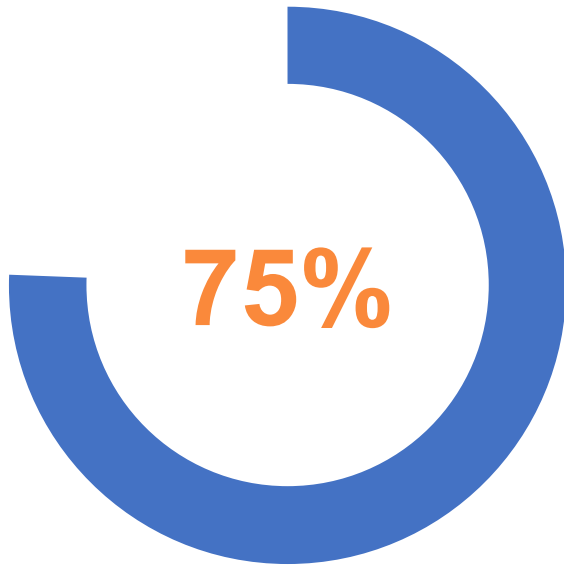


Looked for new subcontractors

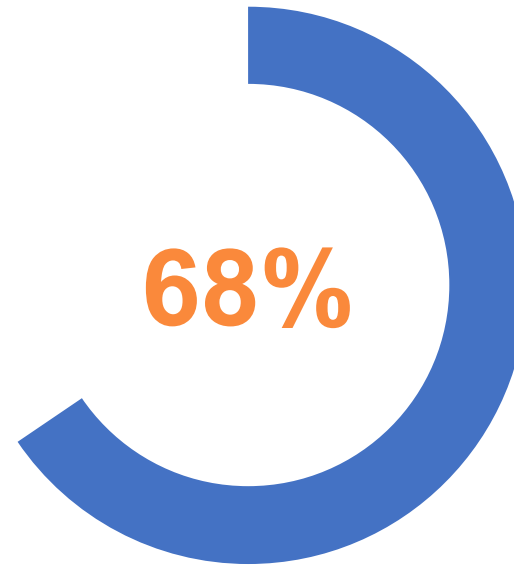
28%

Playing Offense and Defense

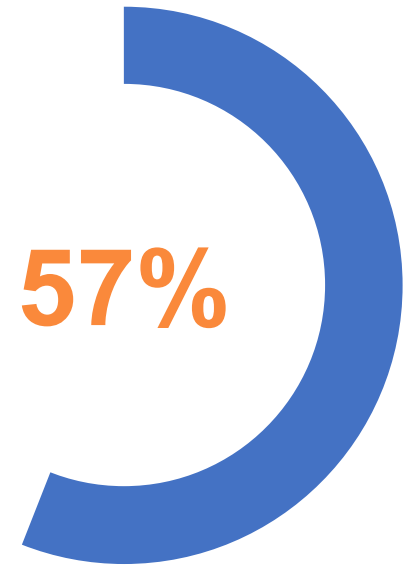
What risk management tools are you implementing most commonly today?



**Subcontractor default
insurance (SDI)**



**Conducting formal project
risk assessments**



**Captive insurance
company**

Playing Offense and Defense

Top reasons for bringing design in-house

Rank	2019	2023
1	Improve communication with design firms	Improve communication with design firms
2	Facilitate communication with outside firms	Increase supervision of design firms
3	Increase supervision of design firms	Perform in-house design
4	Perform in-house design	Facilitate communication with outside firms
5	Develop formal expectation for design work	Develop formal expectation for design work



Sabine Hoover

Chief Marketing Officer

Sabine.Hoover@fmicorp.com | 720.289.6767