

# Unveiling the Reality: Subcontractor Defaults in Construction



2024 Surety Bonding and Construction  
Risk Management Conference

# Results from the 2024 AGC/FMI Risk Survey



# Study – Quick Facts

Results are based on responses from risk managers in AGC's Surety Bonding and Construction Risk Management Forum.

Data was collected in December 2023 and January 2024.



# Key Themes

- Top risks today
- Project cancellations/delayed starts
- Subcontractor distress/default
- Risk mitigation strategies



# Top Risks Today

| Rank | 2024                                | 2023                                       |
|------|-------------------------------------|--|
| 1    | Lack of skilled/craft workers       | Price increases<br>(materials & equipment) |
| 2    | Design-related issues               | Lack of skilled/craft workers              |
| 3    | Changes in insurance<br>terms/costs | Lack of field supervisors                  |
| 4    | Project delays or cancellations     | Design-related issues                      |
| 5    | Changes in contract language        | Changes in contract language               |



# Project Cancellations/Delayed Starts



Nearly **50%** of respondents have experienced project cancellations or delays due to subcontractor defaults.

# Subcontractor Defaults

**70%** of survey respondents reported an increase in subcontractor distress or defaults compared to one year ago.



# Subcontractor Defaults

## Top 3 reasons for subcontractor distress/defaults



# Subcontractor Defaults

Top **3** trades experiencing an uptick in default/distress

1

Electrical



2

Plumbing



3

Concrete



# Risk Mitigation Strategies

What changes are AGC risk managers making to their sub prequal approach?

**27%**

Enhanced thoroughness of financial and staffing evaluations

**21%**

Sought out new/additional subcontractors

**19%**

Increased frequency of financial and staffing reviews

