



The Objective Power of Insurance Claims Data and Finding the Ideal Project Delivery Model

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The global construction market is currently experimenting with a wide variety of project delivery models to find the ideal mix of risk allocation between owners, design firms and contractors. Never have so many delivery models been actively used by owners in all major construction economies worldwide.

Given this wide array of project delivery models in the market, how are construction stakeholders measuring the effectiveness of each model? Well, the answer to that question isn't quite clear, as there are very few metrics for objectively measuring the success of each model. In fact, there are very few data points that come out of construction projects that all construction stakeholders view as being truly objective in nature.

Before we tackle the question of how to source objective project data to measure project delivery model effectiveness, let's have a quick look at the various procurement models being utilized within the global construction market and what are the major differences between each delivery model. A primary characteristic that differentiates these various project delivery models is the degree to which the three primary construction stakeholders are expected to collaborate. The following represents a high-level overview of the various project delivery models:

Harnessing the power of insurance claims data may lead the construction economy in a successful direction when making procurement decisions and delivery model choices.

Project Delivery Model	Expected Collaboration	Level of Pre-construction Effort
Design Bid Build – Owner contracts with a design firm to develop full detailed design, and design firm assists the owner in construction tender process. Through the tender process, a contractor is chosen, and the owner enters into a construction contract with contractor, often for a lump sum amount.	Low	Low
Design-Build – Owner awards design and construction work under a single contract (often seeking bids from various design-build contractors). Most often the design-build contractor is a construction contractor that subcontracts the design to a design firm.	Low-Medium	Low-Medium
Construction Management – Owner engages a construction manager during the pre-construction stage. The owner often contracts the same construction manager to deliver the contract under a cost-plus-fee arrangement that sometimes includes an option to guarantee the price.	Medium	Medium
Progressive Design-Build – This delivery model fosters collaboration between the owner and the contractor. Before entering into a final fixed-price contract, both sides work together to define the project requirements, design, pricing and risk allocations.	Medium	Medium
Integrated Project Delivery Model/Alliance – A contract is formed by the owner, the design firm and the contractor (sometimes key subcontractors). This contract covers planning, design, construction and commissioning of the asset. Compensation under the IPD/Alliance contract is directly tied to cost, schedule and profitability milestones of the overall project.	High	High

Note: This is by no means an exhaustive listing of project delivery models. Additionally, some may use different terms for models outlined above.

The above spectrum of construction project delivery models provides the construction marketplace with many options when deciding how an asset will be designed and constructed. Many of the construction stakeholders have varying opinions on which procurement model is the best to achieve on-time, on-budget and on-quality outcomes. Further, some believe it is all about the procurement model, while others believe the model has little to do with it and it is all about the members of each construction stakeholder team. Either way, there is no shortage of opinions as to what makes for a successful construction project. However, there is very little when it comes to clear objective data that shows which project attributes lead to success.

Given this lack of objective data, perhaps it is about time that construction stakeholders start getting their data houses in order so that we can harness that data to determine if it can lead the construction economy in a successful direction when it comes to procurement decisions and delivery model choices. We all have a hypothesis about what procurement model works best or which stakeholder attributes lead to success. However, we don't have true quantitative analysis to prove these hypotheses.

Power of Insurance Claims Data

To provide this objective, quantitative proof, perhaps the data collected from the insurance industry can play a defining role. Insurance data is objective as each stakeholder looks to the insurance sector for indemnity from the various project insurances put in place on the construction project. Every project has project-specific insurance policies to cover property events and liability or casualty events. Further, some projects have policies put in place to cover design errors (professional liability insurance), environmental events (environmental liability insurance) and even workmanship or performance failures (i.e., surety bonds and subcontractor default insurances).

The proposition is simple, could you organize the claims data from various project-specific insurance and performance security policies and correlate that claims data to the various project delivery models? The answer is you most definitely

can, and further, several of the more progressive construction stakeholders are already capturing this data, providing their own claims data, and creating correlation studies for project delivery models. In addition, data collaboration efforts are underway involving multiple construction stakeholders, whereby they are sharing their project insurance claims data to gain a much more statistically significant analysis around this very important question.

Conclusion: The Final Takeaways

If you are a construction stakeholder, you must ask yourself the following key questions:

1. Do I want to find out which project delivery model has the best insurance claims results?
2. If yes, do I have my risk management and claims data captured at a project level?
3. If yes, can I collate this claims data by using a project delivery model to determine the level of correlation?
4. If yes, am I partnering with other construction stakeholders via a data trust or alliance to gain improved statistical significance around these data insights?
5. If yes, am I using this potentially very important data to help negotiate with other construction stakeholders to create better construction project outcomes?

If you can provide positive answers to the above questions, you are way ahead of your peers, and you are putting your organization in an ideal position to create positive outcomes for yourself and your partners.

Questions? Contact:

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