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In this issue

<table>
<thead>
<tr>
<th>Topic</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plugging the construction skills gap</td>
<td>3</td>
</tr>
<tr>
<td>The China-Pakistan Economic Corridor</td>
<td>8</td>
</tr>
<tr>
<td>DSU de-mystified</td>
<td>12</td>
</tr>
<tr>
<td>Our new company: A truly compelling combination</td>
<td>15</td>
</tr>
</tbody>
</table>
Plugging the construction skills gap

Around the world, the construction industry is facing a skills crisis. As competition for talent heats up, some firms are looking at various ways of plugging the skills gap, to varying degrees of success.

Activity is finally picking up in those countries worst affected by the global financial downturn. But seven years of inactivity and lack of investment has seen staff numbers tumble.

The effect of the global financial crisis on the construction workforce was felt across the globe, but differently and to varying degrees. For instance, in the situation in Europe was exacerbated by the Eurozone crisis and construction slowdown in Europe’s PIGS [Portugal, Italy, Greece and Spain] economies. At the height of the crisis in 2008, construction activity in countries such as the US and UK ground to a halt and work was in scarce supply.

“In the US it was much more a depression, rather than a recession, starting in 2008 when the crisis hit,” explains Paul Becker, Chairman of Construction for North America at Willis Towers Watson.

“Many of our clients had work, which they finished off over the next year or two and then two million workers in the US lost their jobs, just in construction.”

“It wasn’t just labourers,” he continues. “Many were senior people - project engineers with advanced civil engineering degrees, individuals with architecture backgrounds and degrees. The work simply was not there.”

“For about five years there was very low employment in the business and some really good people were lost, and the next generation of talent was not hired into the business,” he adds.
“Talented people were coming out of school with engineering degrees and there simply wasn’t space for them to go to start their careers, so we ended up with this gap. As work began to rebound in 2013 and 2014, construction firms had difficulty finding the workers needed as many had permanently left the business for more stable employment and the ones left did not have the experience to do the work.

Project delays were not just limited to developed markets. Even Dubai, after its $10bn bailout by sister city Abu Dhabi, saw many large infrastructure projects put on ice. The city’s investments were highly leveraged as it had borrowed extensively between 2004-2008 to fund a major push into commercial and residential property. But the real estate bubble burst dramatically when the crisis hit, and by the end of 2009 $451 billion worth of projects in the UAE were on hold.

While most parts of Asia were fairly well insulated during the global downturn, numerous mega-projects prompted a fierce battle over skilled workers as governments tighten the rules on foreign workers. When Macau was undergoing its major transformation into the region’s gambling Mecca, several major casino projects were taking place at the same time and contractors were required to hire one local worker for each foreign worker they employed.

These dynamics produce a significant strain, explains Duncan Urquhart, head of Construction Industry and Broking – Asia, for Willis Towers Watson. “The limitation on foreign workers in Hong Kong, Macau and Singapore puts a lot of pressure on construction. The governments are trying to do the right thing and support local labour but it does cause problems. You also get unskilled labour which creates problems as well because you don’t get the skills and experience necessary.”

“The large megaprojects – such as these tunnelling projects in Hong Kong – are more automated than labour-intensive,” he continues. “But here the skilled labour is aging, so it’s hard to find young talented experienced workers for these projects. Whether it’s MTR or the subsea tunnelling project for the Hong Kong Macau Zhuhai Bridge, the projects are all competing with each other to make sure they get the best of the labour force.”

A lost generation

The impact of the financial crisis has had long term ramifications on the global construction industry. In the US, for instance, 86% of contractors reported they were struggling to fill hourly craft jobs or salaried professional positions, according to a survey by the Associated General Contractors of America in September 2015. Compounding the labour shortages is the fact that young people - or millennials - are not entering trades that an aging workforce will soon leave behind. As contractors compete for engineers, architects and labourers, salaries are rising steeply.

It is a similar story in the UK. About a fifth of all vacancies within the construction sector are persistent and hard to fill because employers cannot recruit staff with the right skills, qualifications and experience, according to the UK Department for Business Innovation & Skills. It found the shortages were evident mainly in skilled trades and professional occupations, including bricklaying and quantity surveying.

Such shortages are leading to increased costs, delays, inefficiency and lost business. There is also a fear that due to slim pickings, firms are increasingly employing under-qualified workers. “The subcontractors can’t come up with enough labourers and we have concerns that it will leak over into quality because the people they are bringing in are not properly trained,” says Becker. “They’re either new or they do many different tasks. So there’s sort of a crisis within a crisis that we think is five to seven years down the road.”

“The large megaprojects – such as these tunnelling projects in Hong Kong – are more automated than labour-intensive, but here the skilled labour is aging, so it’s hard to find young talented experienced workers for these projects.”
Construction markets heating up

As global markets come out of recession, it is anticipated that the talent crisis will become even more of a challenge, with implications for sector competitiveness. In the US alone, total construction starts for 2016 are set to rise 6% to $712 billion, following gains of 9% in 2014 and an estimated 13% in 2015, according to Dodge Data and Analytics. A similar situation exists in the UK. Economics director Francis Noble recently reported in the Construction Enquirer that by 2019, total construction output is expected to be £20bn higher than in 2015, but that employment in the industry remains 324,000 lower than it was over seven years ago. And that “The most pressing issue is whether the wider construction industry actually has the skills available to deal with double-digit growth in the infrastructure, commercial and private sectors at the same time.”

There are also a significant number of megaprojects fuelling the uptick in activity in many countries. And this particular type of project tends to produce a significant demand for construction labour with a broad spectrum of skills. In the Gulf Cooperation Council (GCC) countries - including the UAE, Saudi Arabia and Qatar - close to $100 billion of megaprojects are underway in 2016, including the Doha Metro and King Abdullah Economic City.

In the US, major projects in the pipeline include the Dulles Transit Extension in Washington DC and Alaskan Way Viaduct.

“The market has improved dramatically in construction in the last three years and there’s a tremendous need suddenly for all levels of workers,” says Becker. “From project engineers and management supervision through to trades people... there’s a great need, it’s just not plain available.”

In the UK, the outlook for the construction sector is also looking rosy, with major infrastructure projects such as HS2 - the UK’s second high speed railway linking the north and south of the country - about to get underway. The challenge facing contractors bidding on these and other projects, is how to secure the right team for the job, following seven years of underinvestment in human resources.

“Some of those projects are going to go on for ten or 20 years in duration,” says John Roberts, UK construction industry leader at Willis Towers Watson. “HS2 is a 20 year project. Building the UK’s nuclear proposition is going to take another 25 to 30 years.”

“Employee numbers have fallen 13% since 2008,” he continues. “So we’ve already got a 330,000 shortfall. People have not been interested in doing traditional apprenticeships and we all know it’s a major issue and it is paramount we look at all the ways and means of ensuring that people are attracted back into the sector. It’s a question of who is going to win the race and hold on to the people.”
Attracting and retaining staff

One solution to the talent crisis is to offer higher salaries as an incentive. In the UK, wages in the construction industry are rising at three times the national average of 2%, according to a survey by the RICS. But simply competing on salary is not viable long term, explains Michael Rodriguez, senior actuarial consultant at Willis Towers Watson. “The solution is really more about creating that link with the employee where they want to come and work for your organisation,” he says. “Where you have an employee value proposition that they agree with and buy into.”

“It’s times like now where the employees really are holding most of the cards, there are a lot of jobs out there and employees can be relatively selective that it’s really important a company has an employee value proposition that resonates with the people they’re trying to recruit,” he adds.

What that value proposition is will vary depending on the employee and profession, according to Rodriguez. The draw of relatively unchartered territory - such as projects within the nuclear power industry - might prove enticing to a professional engineer, for instance, while greater job security and continuity might be considered more valuable for a skilled labourer.

“A lot of times skilled craft labourers are hired for a certain job and then once the job is over they’re terminated until another job comes up, and then the employer reaches back into that pool,” he explains. “I work with one employer who makes a real effort to ensure those manual workers are not out of work for too long between projects. It moves them around from one job to a next a lot more often and try and help employees understand there’s a long term path.”

The global construction industry also needs to work harder at attracting young talent back into the sector, at both an apprenticeship and graduate level. Part of the challenge is changing misconceptions about careers in construction trades. “As a society, we have denigrated the nobility of the trades,” says Chris Terrill, CEO of HomeAdvisor. “Why shouldn’t the trades be a good place to go?”

In Asia, the competition for talent has led to contractors offering more competitive benefit packages, and also paying more attention to onsite health and safety. “It’s not just about salary anymore, it’s medical and healthcare, the wellbeing of the employees and particularly here it’s the safety of the workplace,” says Urquhart. “In the past workplace safety took a secondary role to the profitability of the project, but now I think employees are looking at that more closely.”

Migration not a panacea

In the meantime, migrant workers are meeting staffing shortfalls in many countries. In fact, in the seven major labour importing countries, 40% of all non-nationals were employed in construction. Levels are particularly high in rapidly developing countries like India, where the skills shortage is currently to blame for 30-35% of delays in real estate projects, according to the RICS. Rodriguez thinks that migrant workers will continue to play an important role in filling gaps on building sites around the world. “It’s definitely an import of talent marketplace,” he says.

In Latin America, for instance, there is a limited pool of qualified engineers, in particular civil engineers. To remedy this, many European contractors have been using expat talent to deal with a shortage of skilled workers. This includes not only workers from the headquarters’ country but also from other countries in Latam. The rotation of a specific worker between countries is larger than ever before.

“While the use of expats in developing markets to address skill shortages is one solution, it is not without complications however. There can be significant restrictions on cross-border labour movements, for instance. Many national licensing regimes and laws act as a barrier to the free flow of skilled labour in regions such as East Africa. And once a project has been completed, expats tend to return to their home country, thereby not sustaining the pool of skilled staff longer term.”
Using benefits to attract and retain staff

- The six most popular benefits currently received by both contract workers and permanent employees include bonus (17%), healthcare (14%), IT equipment (phone/laptop etc) (10%), accommodation allowance (9%), company car/vehicle (8%) and flights to/from point of hire (7%). 2% of respondents receive no benefits at all.
- This is in direct contrast to the top six the respondents would prefer to see included in their package: Healthcare (66%), flight to/from point of hire (50%), bonus (44%), life insurance (42%), IT equipment (39%) and contributory pension (37%).

Is your company facing skilled labour shortages?

| Yes: 53% | N/A: 10% | No: 27% |

Source: FMI

GCC: Projects On Hold, End-2009 (USD B)

- Bahrain: $13B
- Oman: $7B
- Saudi Arabia: $52B
- UAE: $451B
- Kuwait: $44B
- Qatar: $8B

Source: International Monetary Fund

The US construction skills gap in numbers

93%
Proportion of US construction respondents who believe the labour shortage is preventing their business from growing over the next year

25%
Proportion of US contractors who have had to turn down work because they lack the necessary labour

6.2%
Construction unemployment (as of October 2015)

(Source: HomeAdvisor, Associated General Contractors of America, Bureau of Labor Statistics)

Firms turn to technology to fill skills shortage

Technology is another way of plugging the skills gap. With the use of robotics, computer-aid design, drones and 3D printing increasingly being utilised within the sector. “On the one hand technology will reduce the requirement for some of these skilled people, but the professional element of it - the engineers, architects and the computer specialists - they are still going to be in huge demand,” thinks Roberts.

In January 2015, China-based WinSun Decoration Design Engineering Company revealed ten homes which were almost entirely 3D printed using recycled material. The structures were unveiled at the Suzhou Industrial Park, in China’s Jiangsu Province. A Dutch company is also understood to be using 3D printers to build a bridge out of printed steel.

3D printing is one solution to solving the global housing crisis, according to Italian engineering company WASP (World’s Advanced Saving Project). In 2014 the company showcased a 4.5 metre tall printer that could work with simple but highly-versatile materials such as mud, clay or natural fibres. Now, it has gone even bigger with a record-breaking 12 metre tall printer called the Big Delta.

Meanwhile, Japan’s infrastructure ministry plans to use drones, automatically controlled construction machinery and other IT, such as 3D printing, to resolve its labour shortages. The shortages are blamed on an aging workforce, where 1.1 million out of 3.4 million skilled workers are expected to retire over the next decade.

However, it is still very early days in terms of using 3D printing within construction and there is some concern that structures could be more prone to fracturing if the layers of “printed” concrete dry at different rates. The potential exposures need to be carefully assessed before the technology becomes more widely adopted, thinks Roberts. “There is still concern regarding whether Additive Manufacturing components should be considered as being prototypical or untried and tested,” he says.

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China’s “one belt, one road” (OBOR) initiative has become the centrepiece of China’s domestic and foreign economic development strategy. Chinese president Xi Jinping and Premier Li Keqiang first presented the scheme during high-profile visits to Central Asia and Southeast Asia in 2013.

Plans were outlined for the establishment of the New Silk Road economic belt (SREB) linking China to Europe, via Central Asia by road and rail routes overland, oil and natural gas pipelines, and other infrastructure at strategic junctures en route. The creation of a 21st century maritime Silk Road (MSR) was also touted, itself intended to be a complementary project to connect China with Southeast Asian countries, Africa and Europe, adjoining port infrastructure through several contiguous bodies of water including the South China Sea, the South Pacific Ocean, and the wider Indian Ocean.

However, in spite of the OBOR title, neither the SREB nor MSR concept are singular routes, but rather an expansive network of hubs and routes, supported by a range of additional infrastructure, and facilitated by economic and diplomatic agreements.

China-Pakistan Economic Corridor (CPEC)

An important part of the overall OBOR vision is the China-Pakistan Economic Corridor (CPEC), linking the SREB to the MSR, crucially allowing China and Central Asia access to the Arabian Sea via Pakistan. Entry to the Arabian Sea and adjoining waters will ease Chinese dependence on ports in the Yellow Sea, the East China Sea and the South China Sea, which contain many islands controlled by the allies of the United States and increasingly subject to political and military tensions. The CPEC will also circumnavigate maritime chokepoints which could be denied by hostile nations in times of increased tension or conflict. The Straits of Malacca, through which the majority of China’s sea-borne oil imports currently pass, is the prime example of this.
The importance of the CPEC was highlighted when, in July 2015, Beijing announced that USD $46bn would be allocated to the Pakistani leg of the project. China has promised heavily subsidised loans of up to USD $11bn for the project. Principle components of the Pakistani- leg of the CPEC include a vast network of highways and railways that will link China’s Xinjiang region to Pakistan’s deep-water ports, including the Gwadar seaport in Baluchistan province. In order to augment new and improved ground transit links, five tunnels have been constructed on the key Karakoram highway, between China and Pakistan, and border processing facilities have been improved.

In addition to transport infrastructure, other projects under the CPEC initiative include new power generation infrastructure and pipelines. Pakistan currently suffers from severe under-generation of electricity, which actively undermines the confidence of potential investors and in-turn has negatively effected the economy. Energy projects tied to CPEC will reportedly double Pakistan’s energy capacity. Prominent renewable energy projects include construction of the Karot hydroelectric plant, built on the Jhelum River, and the Quaid-e-Azam Solar Power Park (QASP) in the Cholistan Desert, Punjab. In total, 14 Chinese-constructed energy projects tied to CPEC are reportedly intended to provide 10,400 MW of electricity by March 2018, more than enough to make up for Pakistan’s 2015 energy shortfall of 4,500 MW.

Gwadar port

“If we see this whole region, it is like a funnel. The top of the funnel is this wide area of Central Asia and also China’s western region. And this funnel gets narrowed on through Afghanistan and Pakistan and the end of this funnel is Gwadar port. So this funnel, futuristically, is the economic funnel of this whole region.”

Former President of Pakistan Pervaz Musharraf, 2002: 22nd March.

Gwadar port is at the heart of the CPEC project. Gwadar was, until 1958, an Omani enclave. Gwadar’s location, allowing access to the Arabian Sea and approximately 600km from the Strait of Hormuz, through which approximately 20% of the world’s tanker borne oil transits, presents manifold economic and security opportunities as well as being the gateway to these diverse shipping routes.

When the Gwadar enclave transferred to Pakistani rule, ending over 200 years of Omani control, Gwadar itself was a small underdeveloped fishing village. In 1993 the Pakistani government conceived the plan to develop Gwadar into a deep-water port facility. Construction began in 2002, with the first phase completed with significant Chinese backing in 2006. Following completion, Pakistan signed a 40-year deal with PSA International (Singapore) to develop and operate the port. However, the deal with PSA was scrapped after just five years.

On 30 January 2013, Pakistan’s federal Cabinet approved a deal transferring control of Gwadar port from Singapore to China. Subsequently, on 11 November 2015, Chinese Overseas Ports Holding Company Ltd (COPHCL), a Chinese state-owned enterprise, officially signed a 40-year lease for over 2,000 acres of land in Gwadar. In addition to further developing the sea port, other infrastructure projects – including Gwadar International Airport, a fresh water treatment plant, 300-bed hospital, power stations, and construction of infrastructure for a Free Economic Zone – are receiving high levels of funding as part of the Gwadar development.
Security concerns in Baluchistan

As the CPEC project spans almost the entirety of Pakistan, the project is exposed to a broad spectrum of security challenges.

The most prominent threat to the security of this bold expansion is perhaps posed by the on going low-level insurgency in the Baluchistan region of which Gwadar is part. Baloch insurgents have waged a series of wars against the Pakistani government since the 1940’s, demanding independence whilst motivated by perceived marginalisation and lack of investment in Baluchistan, despite it being the most resource rich region of Pakistan.

A number of Baloch nationalist groups exist, including the Baloch Republican Army, the Baloch Liberation Front (BLF), the United Baloch Army, the Baloch Liberation Army, and the Balochistan Liberation United Front. Baloch insurgents have demonstrated the capability to use small arms, bombs, and indirect-fire weapons to attack their targets that include security forces, government infrastructure, communications equipment, and aerospace facilities throughout the region.

If the Baloch population continues to feel excluded despite massive levels of overt investment in the region, then it is likely that they will increasingly see infrastructure and personnel related to CPEC as viable targets. Indeed, the Makran-based BLF, one of the most active Baloch groups, claimed an attack conducted against Frontier Works Organisation (FWO) personnel, in Turbat during April 2015. The BLF believed the FWO were involved in constructing a highway to Gwadar’s deep water port. When commenting on the attack, that killed 20 labourers, a senior BLF commander purportedly called on “all those multinationals trying to settle and steal the resources of Balochistan on behalf of colonial empires” to cease their activities.

The Pakistani government is aware of the threat that Baloch separatists pose. Islamabad have announced a succession of security initiatives, including: a new 12,000-strong “Special Security Division” (SSD) composed of nine army battalions and six wings of civilian security forces from the paramilitary Rangers and Frontier Corps headed by a two-star general. Pakistan's chief of naval staff, Admiral Mohammad Zakaullah, has also stated that the Navy would protect Gwadar “against all asymmetric threats under the prevalent precarious internal and external security environment.”

National-level opposition

Outside of Baluchistan, CPEC could come under fire from the Taliban and other militant outfits that regularly conduct attacks against the state. Whilst the nationwide threat posed by the Taliban has receded in recent years, in large part due to a concerted military effort targeting militants in the northwest, the Taliban remain active, and have the capability to disrupt work on CPEC.

Furthermore, there have been growing divisions in Pakistan over the Pakistani government’s alleged rerouting of the corridor to favour the Sindh and Punjab provinces over the north-western Khyber-Pakhtunkhwa province. It is possible that as the CPEC develops there will be an increase in localised protests throughout Pakistan as different regions within the country seek to benefit from the huge amount of investment associated with the project.

The decision to divert the CPEC away from the north-western region of Pakistan may be due to the aforementioned security concerns. The Pakistani Taliban has a strong presence in Pakistan's western tribal highlands and they could pose a threat to both infrastructure and the Chinese workers involved in construction.

Xinjiang and Muslim separatism

China faces its own set of problems on its side of the border. Kashgar, where the CPEC starts, is located at the centre of Xinjiang, China’s only Muslim-majority region, which is home to Muslim Uyghur militants who have long fought for separation from China. Uyghur militants could target CPEC infrastructure in Xinjiang province, and the past few years have already seen an increase in militant activity which the Chinese government has described as “separatist terrorism”. With Uyghur Islamic extremists travelling to Indonesia and Syria as part of the broader extremist network China may find itself confronting separatism with a more international extremist flavour from both sides off the border between Xinjiang and Pakistan. However, history indicates that China has no truck with rebellion within its own boundaries and that the security of strategic expansion will trump secessionist or other militancy.

Operational risk – can Pakistan deliver?

In addition to security challenges, the success of the CPEC will depend, to a large extent, on the capability of Pakistan to deliver. There is a risk that corruption, incompetence and lack of transparency could lead to the failure of some deals to be implemented. However, in projects implemented by the Chinese in places such as Nepal it is interesting to note that the Chinese typically take an almost all-encompassing involvement in the project build, including the provision of labour, plant and management.
This has, in some previous instances, presented dishonest officials and contractors the opportunity to exploit their control of the project in order to profit from corrupt activities. However, Chinese officials have identified the threat corruption could pose to the CPEC initiative, stating that increased vigilance would be applied to the project and that no irregularities would be tolerated.

Geopolitical consequences

Many countries throughout Asia are unsurprisingly concerned if not aggravated by the geopolitical consequences of OBOR, particularly the CPEC segment of the project. The “Southern Corridor” which terminates in the Pakistani port of Gwadar, will run through much of Central Asia, which Russia has long considered to be its back yard. Increasing Chinese influence in this region could stress relations between China and Russia as CPEC develops. Furthermore, CPEC, and particularly the enormous development at Gwadar port, already fuels Indian anxiety regarding greater Pakistani and Chinese influence over the western Indian Ocean.

The concern for India is that Pakistan would be able to control strategically important shipping lanes in the Persian Gulf. India therefore may seek to increase its influence in the region through port-building of its own, specifically in Iran where it has invested in Chahbahar port which would give India closer access to the Indian Ocean.

Conclusion

As part of the first deliberate international expansion of trade hubs and routes since the British Imperial (but ad-hoc) expansion of its naval power in the 19th Century, CPEC may become a locus of strategic regional friction as well as a gateway for trade and development.

Internally, there are literally many bridges to cross within an increasingly fractious political landscape and a fragile economy. To succeed, China and Pakistan will likely cooperate in order to ensure that internal and local economic benefits become swiftly tangible to local populations and power-brokers. Regionally, India’s two “boogeymen” will have to dance deftly in order not to provoke insecurity and escalation within Indian waters as well as those of the China Sea.

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Special Contingency Risks (SCR) is the leading specialist insurance broker in the field of Kidnap and Ransom (K&R) and Crisis Management. SCR is a Willis Towers Watson Group company and works in partnership with the Global Construction team to assist clients in mitigating risks to kidnap & extortion, political and security evacuation, threat investigation, assault/workplace violence and PA/Business travel. SCR has its own 24 hour operations centre and security consultancy, accessed by clients via a premium bursary, to provide preventative advice, training and assistance in the event of a crisis. This streamlined approach provides a single point of contact regardless of whether a crisis is medical or security related.
DSU de-mystified

Construction Global Centre of Excellence Chairman, John Forder, opines on the critical but often misunderstood coverage, Delay in Start Up, and provides valuable insight on how to avoid some of the most common, but potentially dangerous pitfalls that can significantly affect the efficacy of this coverage.
DSU: What is it?

DSU or “Delay in Completion” coverage continues to be the least understood and most contentious - especially as regards claims - type of insurance for construction projects! As you will probably already be aware, this cover normally limits the insured to the party that will first suffer the financial loss that results from a delay in completion due to an insured CAR/EAR loss i.e. the Owner/Principal... and their Financiers/Lenders.

DSU pitfalls to avoid: Getting the basics right

While this coverage is infamously complicated, there are a few common pitfalls that, if avoided at inception, can make a real difference.

1. **The Sum Insured** – Ensuring clarity around what is comprised within it (e.g. Availability Payments, Debt Servicing/Rescheduling, Gross Revenue less variable costs etc.) and how it is calculated, including any known fluctuations or balloon payments during the chosen Indemnity Period can be very important in the long term.

2. **The trigger dates** at which the delay in completion creates the insured financial loss. While these dates may have been set correctly at inception, it is quite possible that they could change during the construction phase, for example due to an Extension of Time granted to the Concessionaire by the Authority when cover is for Availability Payments. These changes need to be monitored carefully and the policy endorsed to reflect any change to the trigger dates.

3. **The way in which a potential loss to the Insured is affected by any Delay Penalties** for which the Contractor is contractually liable. This is an actual loss sustained cover and if the Insured’s loss should be partially or totally made good by another party, then Insurers can and will expect that to happen. This is a whole subject of its own but suffice it to say that the right language in both the Construction Contract and the insurance policy can avoid duplication of protection that the Insured effectively pays more for – typically by a combination of contingency in the Construction Contract Sum and DSU insurance premium.

I have asked one of these schedulers how many times they have gone on site to investigate a delay claim and informed the insured that they are not actually claiming enough. Unsurprisingly, sadly, the answer was of course “never”.

DSU coverage and the claim: The claim, the experts, and who really matters

Having hopefully gotten the above basic essentials right, the next pitfall is likely to arise when there is a CAR/EAR (and/or perhaps tunnelling machines or other key items of construction plant and equipment) claim that is deemed to result in a delay in completion. At that point the Insurers/Reinsurers and Loss Adjuster will employ various experts to examine your loss.

This will undoubtedly involve a Scheduling Expert as regards the project time schedule and possibly a Forensic Analyst as regards causation of the loss. Other experts may be brought in by them to, for example, examine the appropriateness of the proposed or even completed repair methods. In my experience, the most important of these experts is usually the Scheduler. They may well have been involved throughout the project, having been appointed and paid for by insurers. Their job is to identify every uninsured or concurrent delay that reduce or nullify the DSU claim, regardless of the delay that the CAR/EAR claim will itself cause.

I have asked one of these schedulers how many times they have gone on site to investigate a delay claim and informed the insured that they are not actually claiming enough. Unsurprisingly, sadly, the answer was of course “never”. It must be remembered that the trigger date(s) is only relevant to the delay in completion claim to the extent that the insured can demonstrate that they would have hit that trigger date(s), had it not been solely due to the CAR/EAR section claim.
The importance of the schedule

Another issue is that there are always a number of versions of the project time schedule (the Contractors own, the Owners version etc.), and the Contractor often finds themselves in a difficult position providing the DSU claim information the Owner needs to pursue their claim, whilst at the same time lodging with that Owner an Extension of Time claim of their own!

Despite the fact that they are normally not an insured party under the DSU cover, it is of course the Contractor that needs to provide the vast majority of the information that the loss adjuster and these various experts demand. Moreover, those Contractors are likely to suffer significant cost overrun in terms of delay mitigation and works acceleration/rescheduling measures.

This again is a potential pitfall where insurers may argue that the Contractor is contractually liable to incur those costs and, as they are not insured under the DSU, the Insured has no claim! Fortunately, while this is a complication typically associated with this coverage, it is a potential pitfall that can be avoided with the right, tailored coverage, especially in today’s global insurance market.

So what I recommend...

So what do I recommend to our clients when they have a major potential DSU claim? Simple, bring in your own independent experts from the very beginning of the claims submission process, such as project timeline experts, claims advocates, engineers and forensic accountants. In many cases the cost of these experts will be covered by your insurance policy, to the extent reasonably and necessarily incurred. Willis Towers Watson has in-house capability in many parts of the world that can provide those services, or offer guidance on appropriate companies or individuals. Be prepared for a negotiation, DSU claims are NEVER easy - but if your broker provides a well worded policy and experienced claims team, you are off to an excellent start!

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“In many cases the cost of these experts will be covered by your insurance policy, to the extent reasonably and necessarily incurred. Willis Towers Watson has in-house capability in many parts of the world that can provide those services, or offer guidance on appropriate companies or individuals.”
Our new company: A truly compelling combination

A strong client focus, an emphasis on teamwork, unwavering integrity, mutual respect and a constant striving for excellence are the values at the core of the new Willis Towers Watson organization.

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Total: 39,000
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