

# Blog: Construction cries out for planning help

## **Insurers and reinsurers will only be too aware of the insured losses that arise on an annual basis from the UK construction industry.**

Whether via personal injury, design & construction or car policies, UK market insurers are widely exposed to the fall-out from various types of construction-related losses.

What might be surprising is the sheer scale of construction industry losses within the UK, which have recently been estimated at an annual total of between £10bn and £25bn.

Given their investment in the construction industry, are insurers doing enough at a strategic level to reduce the scope for losses?

Some helpful research has recently been carried out by the Construction Industry Training Board together with leading construction industry players, experts and the Institution of Civil Engineers, collectively known as the Get It Right Initiative.

In a report entitled Improving Value by Eliminating Error, the initiative has analysed the construction activities that generate the highest quantity of annual financial losses. Using that analysis, it then investigates which systemic factors are most likely to contribute to a higher frequency of errors and losses.

The construction activities that generated the highest financial losses were identified as: concrete works; mechanical systems; façades/cladding; electrical systems and finishes.

The most frequent root causes of error were identified as: inadequate planning (from task through to project level); late design changes; poorly communicated design information; poor culture in relation to quality; and poorly coordinated and incorrect design information.

If losses are to reduce, it is important for insurers and brokers to help the construction industry grapple with these fundamental causes, and the following might be good starting points:

## **Management ethos**

The findings are clear in highlighting the central importance of senior management giving proper emphasis and encouraging quality requirements and attention to detail. Sites adopting practices which result in high quality and with few defects are generally safe and efficient almost certainly because there is good management.

## **Design management**

The lack of a properly coordinated design results in clashes on site and consequent rework and delay. This can stem from:

- (i) lead designers and/or design managers lacking the skills, appropriate fee or desire to coordinate the design properly;
- (ii) ambiguity and confusion as to who is responsible for design coordination in some design and build contracts; and
- (iii) trade specialists responsible for key parts of the design not being involved in the pre-construction phase so that design coordination happens very late in the overall process.

## **Thorough construction planning**

Ineffective planning is the single biggest cause of errors in the construction industry. The shortage of suitably skilled and experienced construction planners is problematic. Another key issue is that although plans are made, circumstances will certainly change, rendering plans obsolete. Businesses need to plan for the unexpected and develop a standard practice for when things change.

Dealing with the first two issues, employers and contractors need to identify and appoint suitably qualified lead designers and design managers, make their responsibilities clear and pay them enough to do the job properly. Regarding the third point, the use of building information modeling should deliver a rigorous design process from inception to completion and will be the key to good design delivery.

The research carried out by the Get It Right Initiative is a useful resource that should be explored and drawn upon to support construction clients. Given the sums at stake, there are very obvious benefits for insurers in taking action supporting a strategy for change.