



NATIONAL CONSTRUCTION DEFECT CONFERENCE



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Construction Defects—The Importance of Risk Management



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CONSTRUCTION DEFECTS – THE IMPORTANCE OF RISK MANAGEMENT

- Preconstruction
- During Construction
- After Construction

Meet the Panelists:

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Risk Management



The Project Management Institute (PMI)[®] defines risk as “An uncertain event or condition that, if it occurs, has a positive or negative effect on one or more project objectives.”


Construction is an inherently risky business with unknowns, so it is unlikely that risk can ever be fully eliminated.

Risk Management is about understanding and managing the risk such that the level of risk incurred is offset by reducing risk at key opportunities.


Effective Risk Management: Preconstruction Phase



1. Due diligence and selection of design professionals and general contractors / subcontractors
2. Contracts
3. Insurance
4. Quality control
5. BIM, 3D modeling
6. Field risk mitigation procedures
7. Planning, Planning, Planning



(1) Due diligence and selection of design professionals and general contractors / subcontractors



(2) Contracts

Understand and select the best contract method for the project and ensure that what you are agreeing to perform in the contract matches your understanding of what you are bidding.



Proper Parties and Documentation



Key Elements of a K

Defense
Indemnity
Insurance
Scope



Document Retention Policies

(3) Insurance



Additional Insured Endorsements



Certificates of Insurance



Wrap policies



OCIPs and CCIPs



Enrollment manual

(4) Quality Control / Quality Assurance

QC / QA procedures must be in place preconstruction. This is to ensure that implementation will occur during construction.

Quality Control / Assurance Accountability Analysis to Include Some of the Following:

1. QA/QC Level of Sophistication:

- i. Does the builder have a written QA/QC program and internal assessment with documented corrective measures?

2. Management / Accountability:

- i. Is there a fulltime, dedicated QA/QC Officer?
- ii. Level of sophistication and accountability of scheduling procedures throughout the project.

3. Record Keeping / Documents:

- i. Are construction documents maintained and kept in a central location?
- ii. Are procedures and scope of work documents clear and recorded for each trade?

(4) Quality Control / Quality Assurance

Quality Control / Assurance Accountability Analysis Could Include Some of the Following (Continued):

4. Warranty:

- i. Is there is the written warranty program?

5. Construction Practices: Public Safety, Security Measures, Cleanliness:

- i. What measures for public safety, security, and cleanliness are present?

6. Other Important Construction Practices, Common Construction Defect Items:

- i. Soils and Foundations
- ii. Framing, Exterior Cladding, and Roofing
- iii. Interior Buildout
- iv. Water Intrusion Protocol

(4) Quality Control / Quality Assurance

Quality Control / Assurance Accountability Analysis Could Include Some of the Following (Continued):

Matrix Results, QC/QA Analysis	Score
Public Safety, Security, and Cleanliness	
Soils and Foundation	
Framing and Mechanical	
Exterior and Interior Finish	
Water Intrusion Protocol	
TOTAL ASSESSMENT	

Scoring Scale:
1 – 3.99 Unacceptable
4 – 7.99 Acceptable
8 – 10 Excellent

- A similar format can be utilizing by a builder / insurer, for ongoing QC/QA scoring.

(5) BIM, 3D Modeling

- BIM, or Building Information Modeling, is an often-used tool in construction.
- BIM can enable collaboration across project teams, allowing optimization of designs, improved accuracy, and connected design to fabrication to help deliver fast and more efficient projects.
- Likewise, builders are often utilizing 3D modeling to create detailed virtual representations of buildings and exteriors.
- 3D Modeling can be very helpful to communicate and execute a designer's vision to builders, investors, clients.




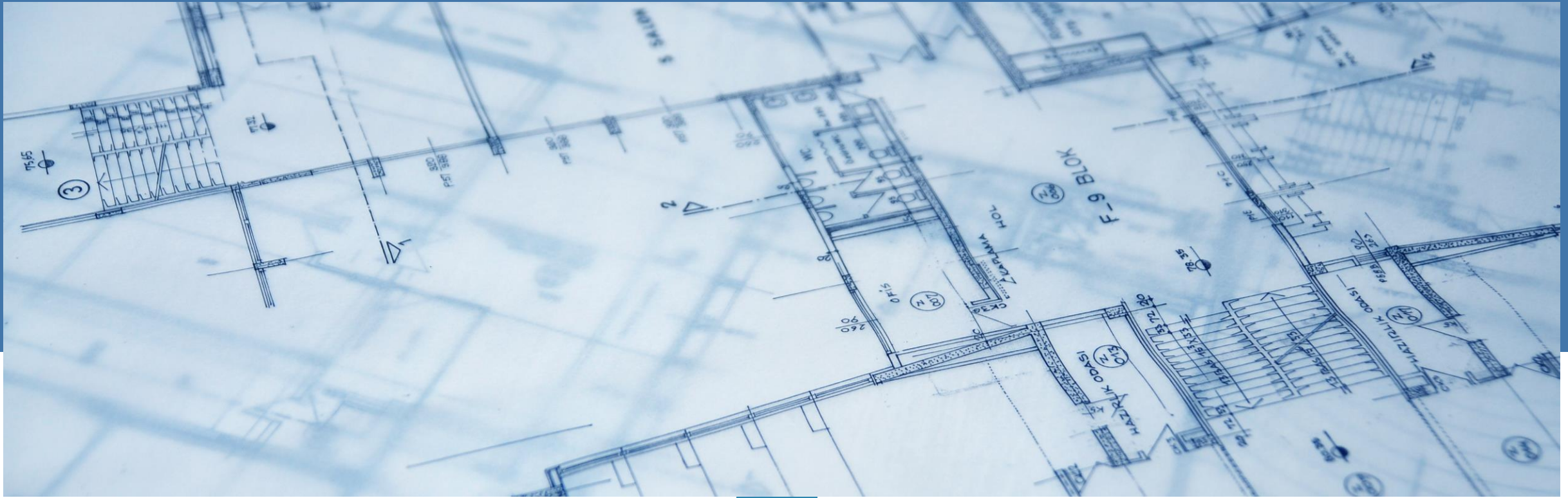


(6) Field Risk Mitigation Procedures

Major key is to establish procedures for mitigating field risks that do occur.

Does the builder have written policies to address unintended events? Examples include broken water lines, fire sprinklers, accidents, and more.





Takeaway:
(7) PLANNING, PLANNING, PLANNING

Effective Risk Management: Construction Phase

Quality Control

Utilization of Drones

Documentation and Field Notes

RFI's, Change Orders

Quality Control – Construction Phase



On-site personnel needed to implement QC/QA procedures established in the preconstruction phase



Builder QC Personnel, or Third Party

Utilization of Drones

Benefits of Drones

1. **Safety**
2. **Security**
 - Vandalism, Trespassing, etc.
3. **Progress**
 - Is the project on schedule?
4. **Quality**
 - Determining if construction is in compliance – no defects)



Utilization of Drones



Documentation and Field Notes

Document, Document, Document:

- Follow the plan, the more documentation the better, and specifically document where unforeseen conditions require a change to the plan.

Examples Include:

- Clarity in any quotes, bids, and contracts regarding the scope of work
- Application to contractor, subcontractors, and sub-subcontractors alike
- Clarity in instructions and documents provided, to ensure proper implementation of vision from plans, specs, and installation guides
- Clarity in Change orders
- Documenting remediation work that is done, reporting directly to the General Contractor, with resolutions confirmed in writing



RFI's, Change Orders

Other critical documents for risk management during construction are also important after construction.

Effective Risk Management After Construction

Claims arise after construction

Utilization of Documentation, QC/QA, Drones, and more are used to respond to claims

Risk Transfer: Utilizing contracts and insurance documentation



Thank you!