SURETY BONDING & CONSTRUCTION RISK MANAGEMENT
2020 CONFERENCE

January 27-29, 2020 | Bonita Springs, FL
Performance Security and Infrastructure Development: Why is liquidity king and what to do about it?

Moderator: Adrian Pellen, Marsh, SVP – Infrastructure Leader US & Canada
Panelists: Barry Normet, Managing Director, Marsh, Central Zone Construction Leader Canada
Kevin Li, Senior Vice President – Infrastructure Finance, DBRS
Courtney Walker, Senior Vice President, Berkshire Hathaway Specialty Insurance Company
Caryn Maxfield, Vice President – Strategic Projects, Walsh Group
TOPICS OF DISCUSSION

Rise of The Mega Project: Seismic Shifts in Construction – Adrian Pellen, Marsh

A Rating Agency Perspective: Construction Risk & Performance Security – Kevin Li, DBRS

Types & Key Benefits of Alternative Surety Instruments – Barry Normet, Marsh & Caryn Maxfield, Walsh

A Surety’s Perspective – Alternative Surety Instruments – Courtney Walker, BHSI

Panel Discussion

Q&A
Seismic Shifts in Construction: The Rise of the Mega Project
Seismic Shifts in Construction

Rise of Mega Projects

Productivity Gains / Tech?

The Infrastructure Deficit

Global Competition

Funding Gaps
A Rating Agency Perspective:
Construction Risk, Performance Security & Credit Enhancement
Rating process for the construction phase

• Rate to default (as per the MTI)

• “Building blocks” approach, starting with the credit rating or internal assessment of the general contractor

• Project rating can be enhanced beyond the contractor’s rating; focus on the replaceability of the contractor

• Project resilience or a project’s “survival rate” can be improved by both internal and external sources, including:
  
  o Internal: highly rated contractor, last man standing, conservative budgeting / scheduling, standardized contract and risk profile to entice replacement, ample time allowed to replace, longer long stop date

  o External: pre-funded cash, non-recourse LC, surety products
When assessing the quality and degree of ratings uplift provided by construction enhancements, DBRS considers the size, timeliness and certainty of the package.
Types & Key Benefits of Alternative Surety Instruments
Surety Products

- Performance Bond
- Payment Bond
- On Demand Bond*
- Combination Performance/Liquid Bond *
- Expedited Dispute Resolution Bond

*Not issued in the US to date
Traditional Bond Benefits

- Job Completion
- Subcontractor/Supplier Payment
- Subcontractor Ratification & Warranty

Alternative Product Benefits

- Liquidity
- Expedited Dispute Resolution
A Surety’s Perspective – Alternative Surety Instruments
Surety Points to Ponder:

- Job Completion Impact for different Surety Instruments
- Payment Impact for different Surety Instruments
- Dispute Resolution
- Liquidity and Balance Sheets
Mega Projects: Surety Considerations

- Competition
- Transfer of Risk
- Capacity
- Project Delivery Requirements
- Project Duration
- Timely Dispute Resolution
- Liquidated Damages
Panel Discussion
Q&A