

Risky Business

Assessing Risks in the Risky Business of Construction

The construction industry poses certain risks that could cost a contractor their business. Two risks that contractors should be looking for when reviewing contracts are:

Design-Bid Build

In informal language, this clause says, a contractor must price on work that has not been designed. The risks of pricing a job where designs are not complete are obvious; especially with inflation of materials, as well as supply chain issues. This has led to underperforming contracts.

What can you do?

Contractors may agree to pricing sections of the job where design plans are final. As design is completed, add to the contract via addendum.

Bond Form Awareness

GC's and Owners may have their own required bond forms. Typically, these are not an issue. However, there are forms where language within these forms allows contracts to unilaterally increase at the sole discretion of the owner or GC.

What is wrong with this? The GC or the subcontractor could potentially withstand the increase could cashflow the increases and complete the work without incident. However, there have been other cases where the contracts have increased by such a large variant, that the contractor could no longer perform the job and default.

What can you do? Read the forms provided prior to signing the contract. Speak to your bond manager or attorney, and if something does not seem right, negotiate the terms.

Everyone wants to see a project successfully completed. If projects fail, this will negatively affect the industry. Be vigilant. Ask for assistance, and have a strong network of people collaborating with you.

Helping contractors succeed is our business. If I may be of service on this or any matter, please call me!



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