

# **Risk Transfer – Who best to take the load?**

Infrastructure Partners Conference

2024-10-08

**DIALOG**

# Introduction

Civil Engineering – U of A

Previous general contractor experience

Practice-wide exposure in a multi-disciplinary design firm



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# Objectives

1. Critique the practice of **risk transfer** by identifying situations where it **increases collective exposure** to inherent risks.
2. Outline a **collaborative risk management framework** leveraged by AI and industry associations, by defining risks and how they can be **assigned to the appropriate parties** based on their role and control.
3. Highlight the **value of collaborative contracting** to proactively mitigate risks before risk transfer.

# Risk Transfer

Not always the best method of  
managing risk

# RISK

Avoid

Transfer

Control

Accept

# Avoid



Photo Credit: Maureen Downey, Atlanta Journal-Constitution

Risk



Opportunity



# RISK

~~Avoid~~

Transfer

Control

Accept



Vs.



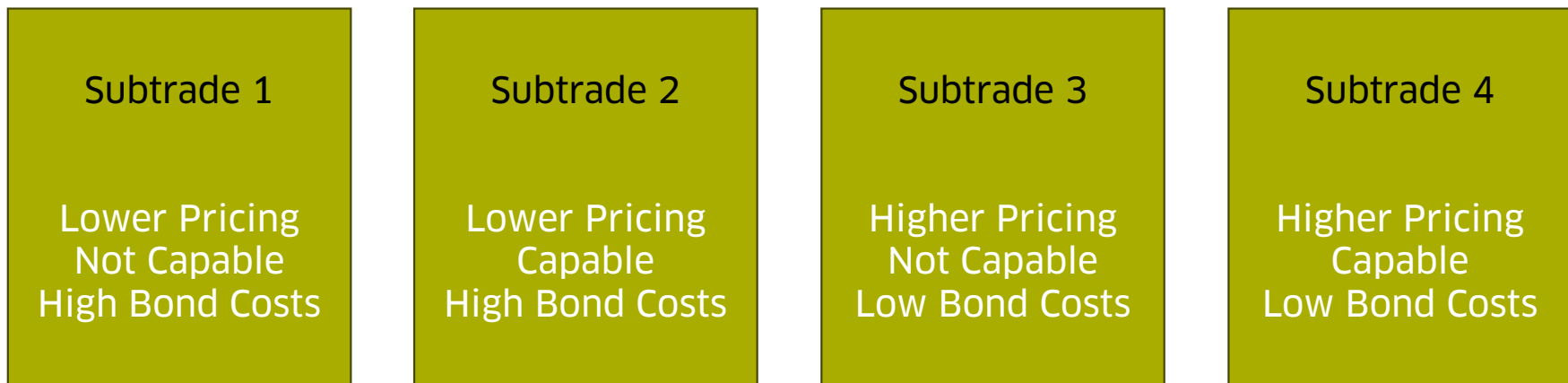
## Risk Transfer Example

Construction Management Delivery: Subtrade bonding cost by the CM

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Construction Management Delivery:

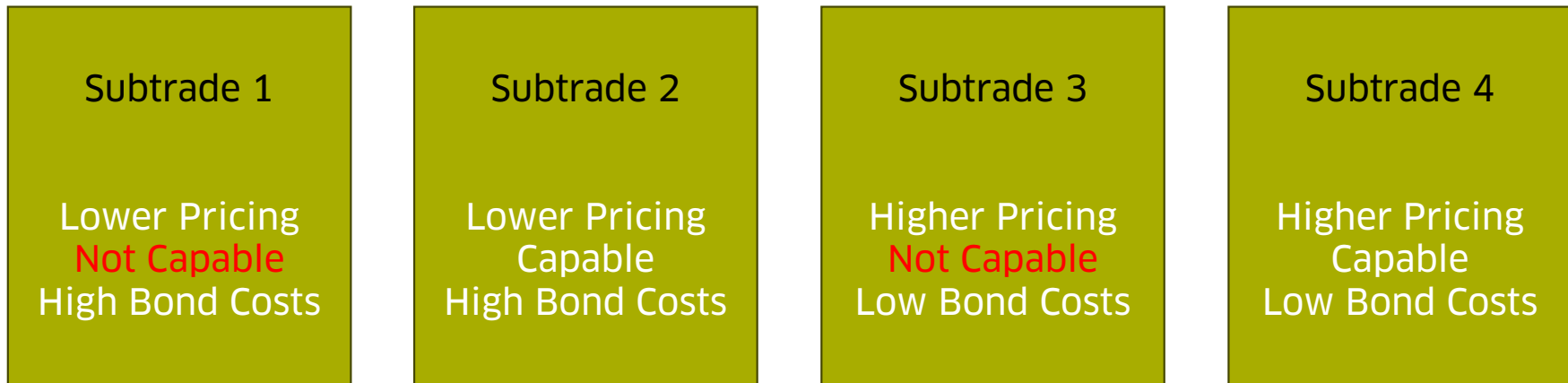
Subtrade bonding cost by the CM under lump sum CM fee



## Risk Transfer Example

Construction Management Delivery:

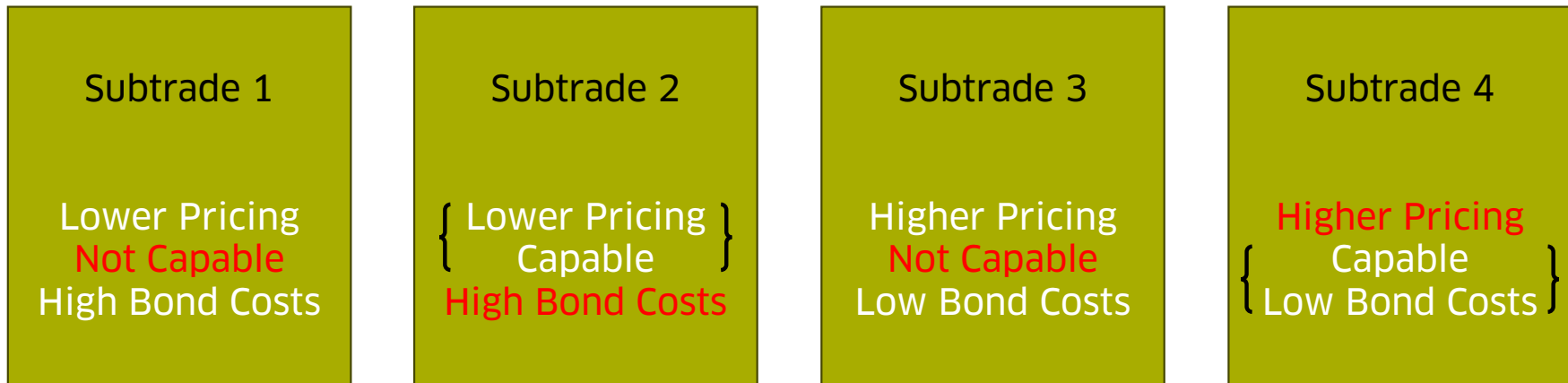
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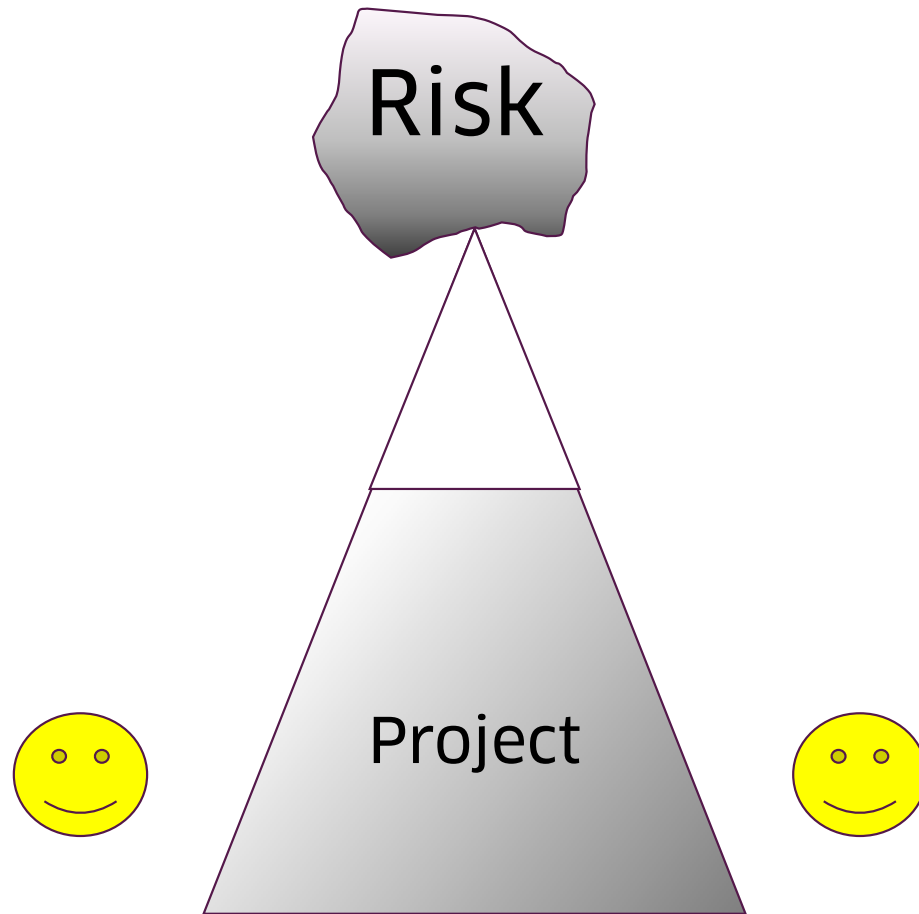


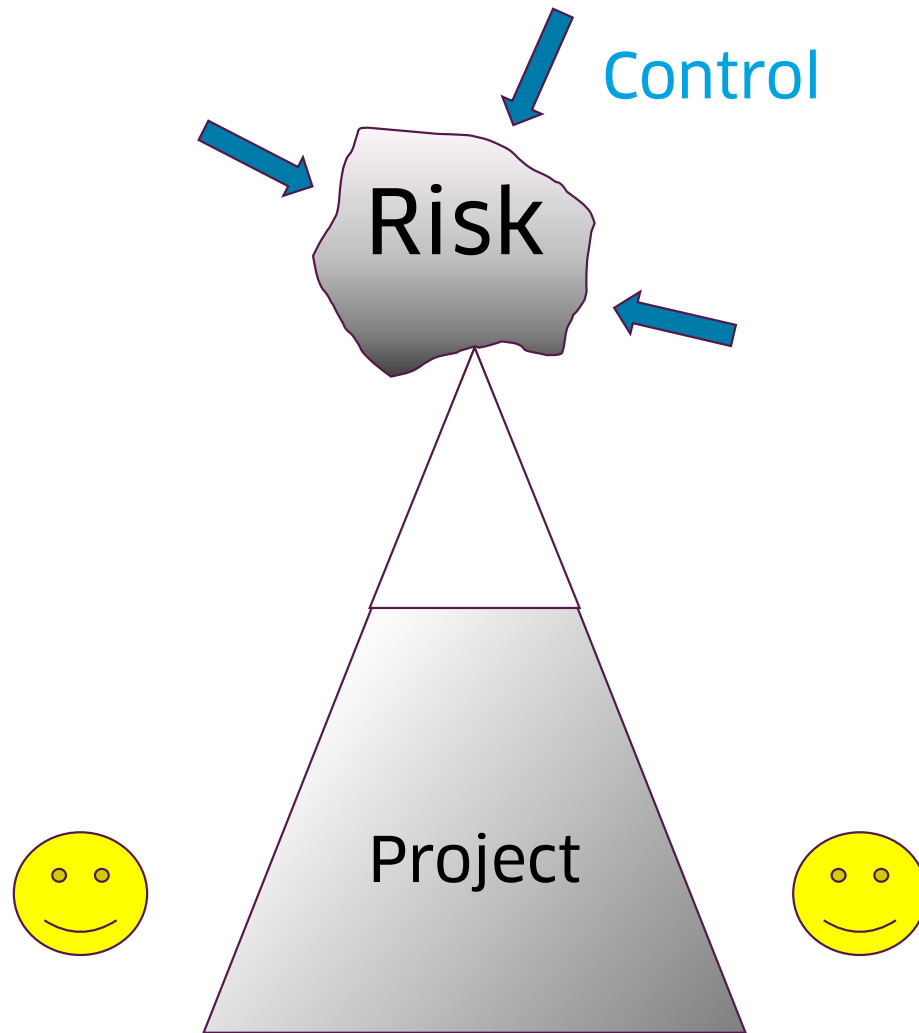
## Risk Transfer Example

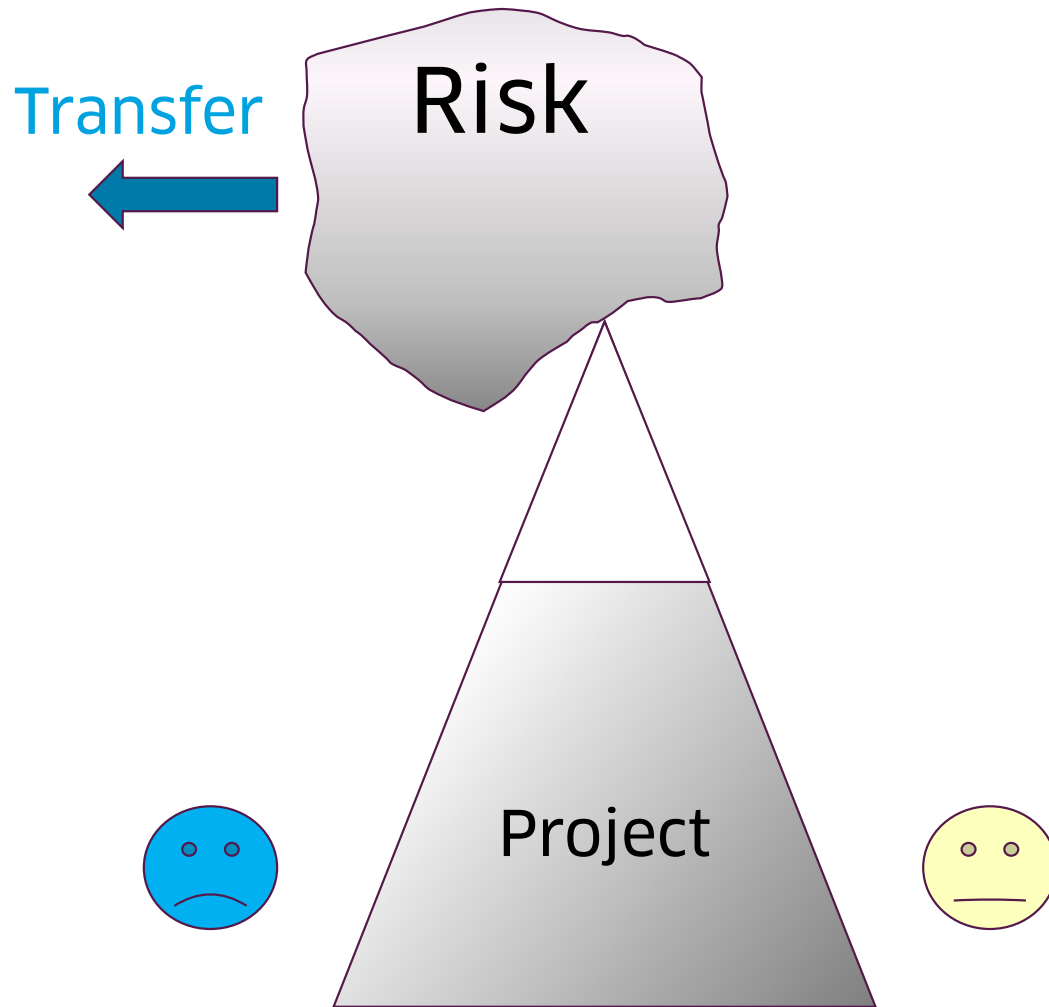
Construction Management Delivery:

Subtrade bonding cost by the CM under lump sum CM fee









# Risk Transfer

The “rock” grows bigger when:

“Provide cost certainty of your services for the project... over its five-years+ duration.”

“Provide cost certainty of your services for the project... based on ambiguous scope / subsurface conditions / etc.”



# Risk Transfer

Transferred to the party best able to manage or influence that risk.

The extent of that risk transfer should be well defined and well understood.

# **Tri-Party Approach to Risk Transfer**

**Alberta Infrastructure's Industry  
Liaison Risk Allocation Subcommittee**

# Industry Liaison Risk Allocation Subcommittee



Risk	Risk Description	Risk Retained By:			Comments
		Province	Contractor	Consultant	
18.	Inclement Weather	• Schedule and cost risks associated with weather.	x	x	

		Risk Ownership By:			AI Reference
		Province	Contractor	Consultant	
16.	Inclement Weather	Inclement weather events that are demonstrated to be beyond a reasonable range of what could be expected and would be considered a Force Majeure event.	Inclement weather events considered to be within a reasonable range of what could be expected.	N/A	18

# Industry Liaison Risk Allocation Subcommittee



Risk		Risk Description	Risk Retained By:			Comments
			Province	Contractor	Consultant	
33.	Delegated Design	<ul style="list-style-type: none"> <li>Detailing that is not clearly defined in the Construction Documents</li> <li>Process changes from design/build to build then prepare as-builts</li> <li>Liability for the final design</li> <li>Lack of communication</li> </ul>		x	x	

		Risk Ownership By:			AI Reference
		Province	Contractor	Consultant	
29.	Delegated Design	Performance failures of the Delegated Design provisions by the Consultant, provided those failures fall within the Standard of Care.	Performance of the design including meeting Specification requirements, timely submissions, and liabilities specific to the Delegated Design portion.	Performance within the Standard of Care of: <ul style="list-style-type: none"> <li>Providing clear and reasonable objectives of the Delegated Design</li> <li>Review of the delegated design relative to the function of the overall design</li> </ul>	33

# Collaborative Contracting

Supports risk mitigation as a first step

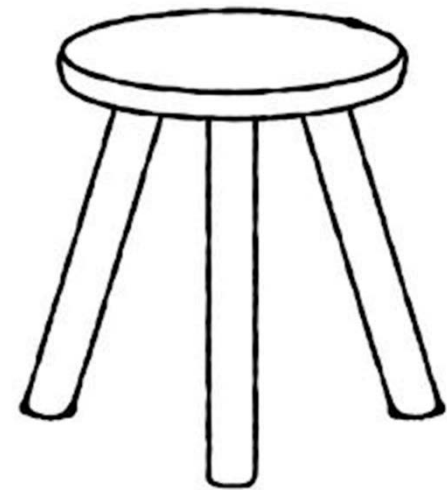
## Collaborative Contracting

Design Build >>> Progressive DB

Stipulated Price >>> Construction Management

Integrated Project Delivery

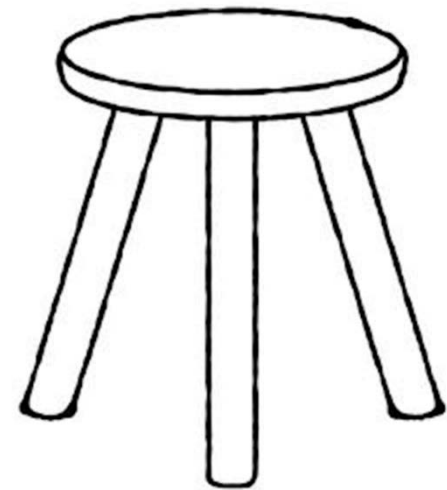
Alliance



## Collaborative Contracting

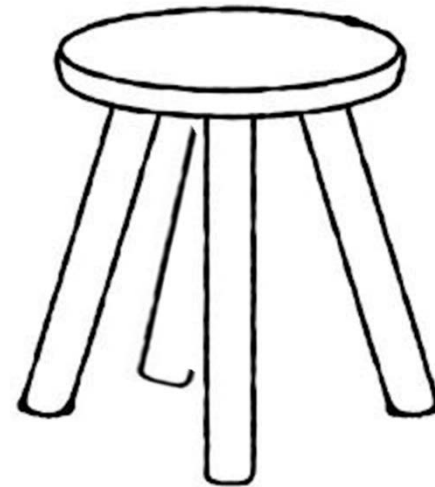
Gets the key parties to the table earlier

Collaboratively analyze the risks and assess who should own them based on their ability to manage or influence that risk



## Stabilize the Stool

Supported by  
insurance and surety  
as partners





# The Wrap

**Engage early and collectively assess the risks from the lens of the project first**

**Shrink the rock before intending to push it over**

**Maintain transparency and clarity for remaining risks**

# Thank You

Available for questions following the breakout sessions.

**DIALOG**