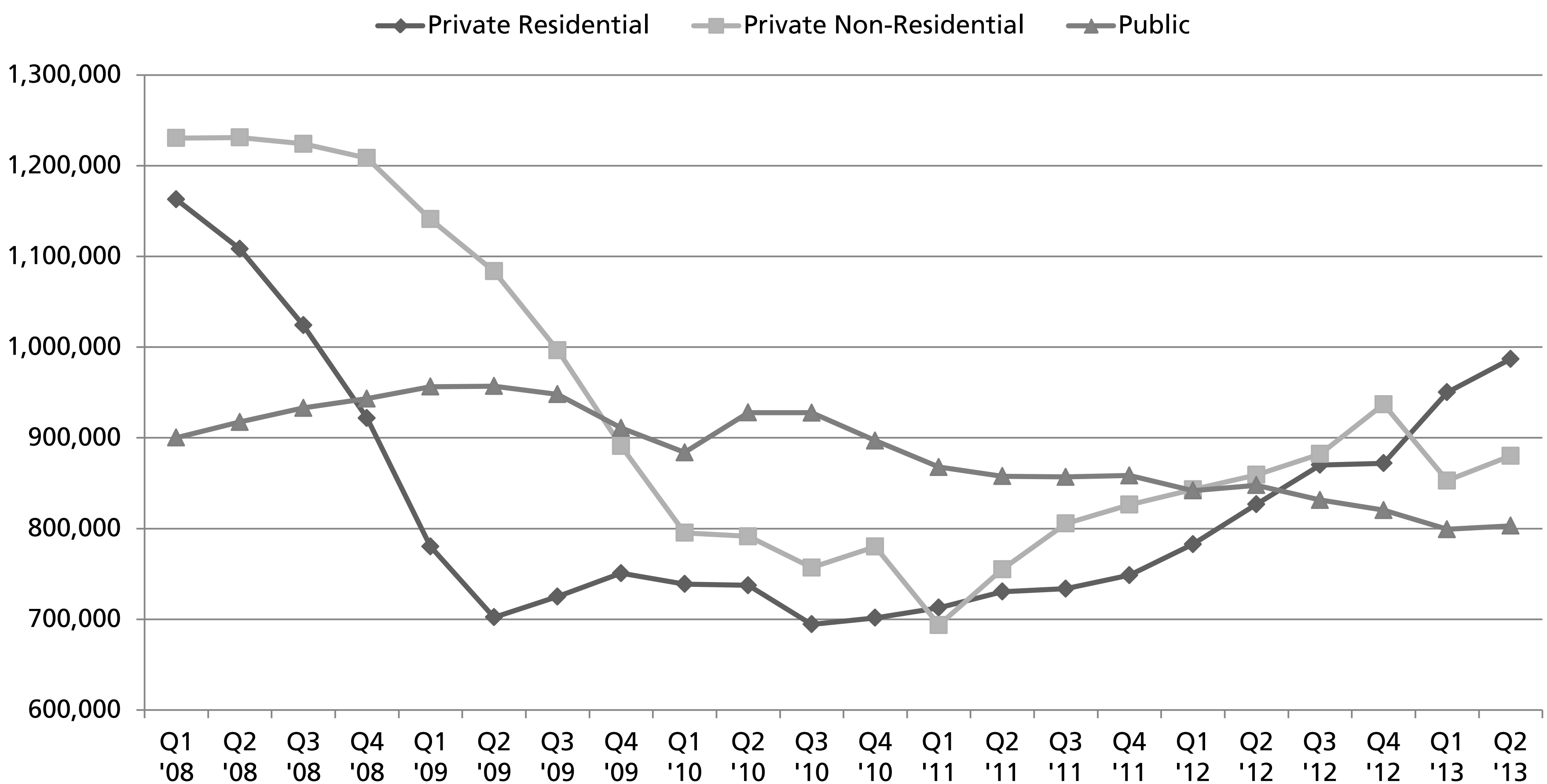
Risk in an
Interconnected
World

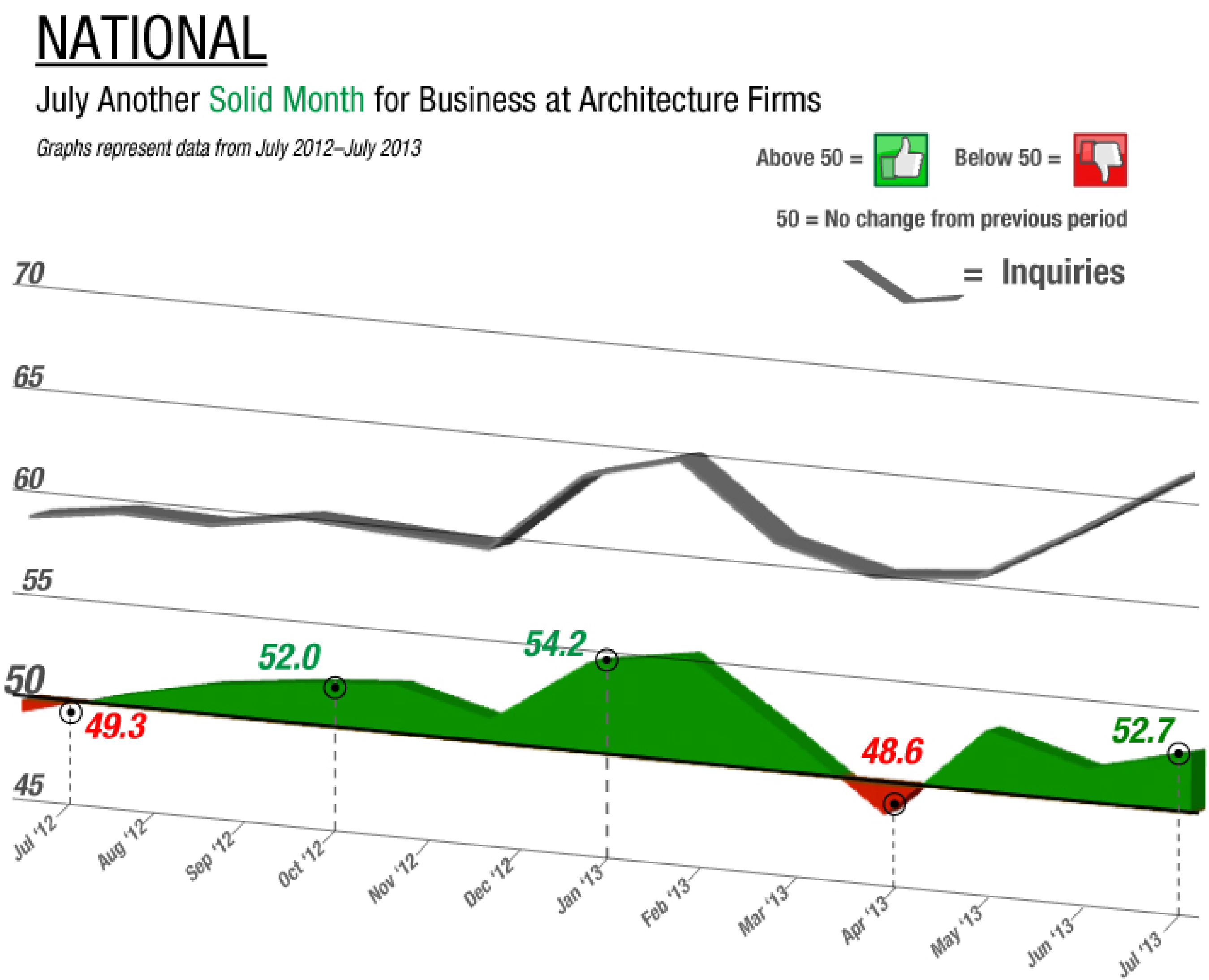
2013/14 Construction Outlook and Industry Direction

Construction Spending by Quarter
(in millions)



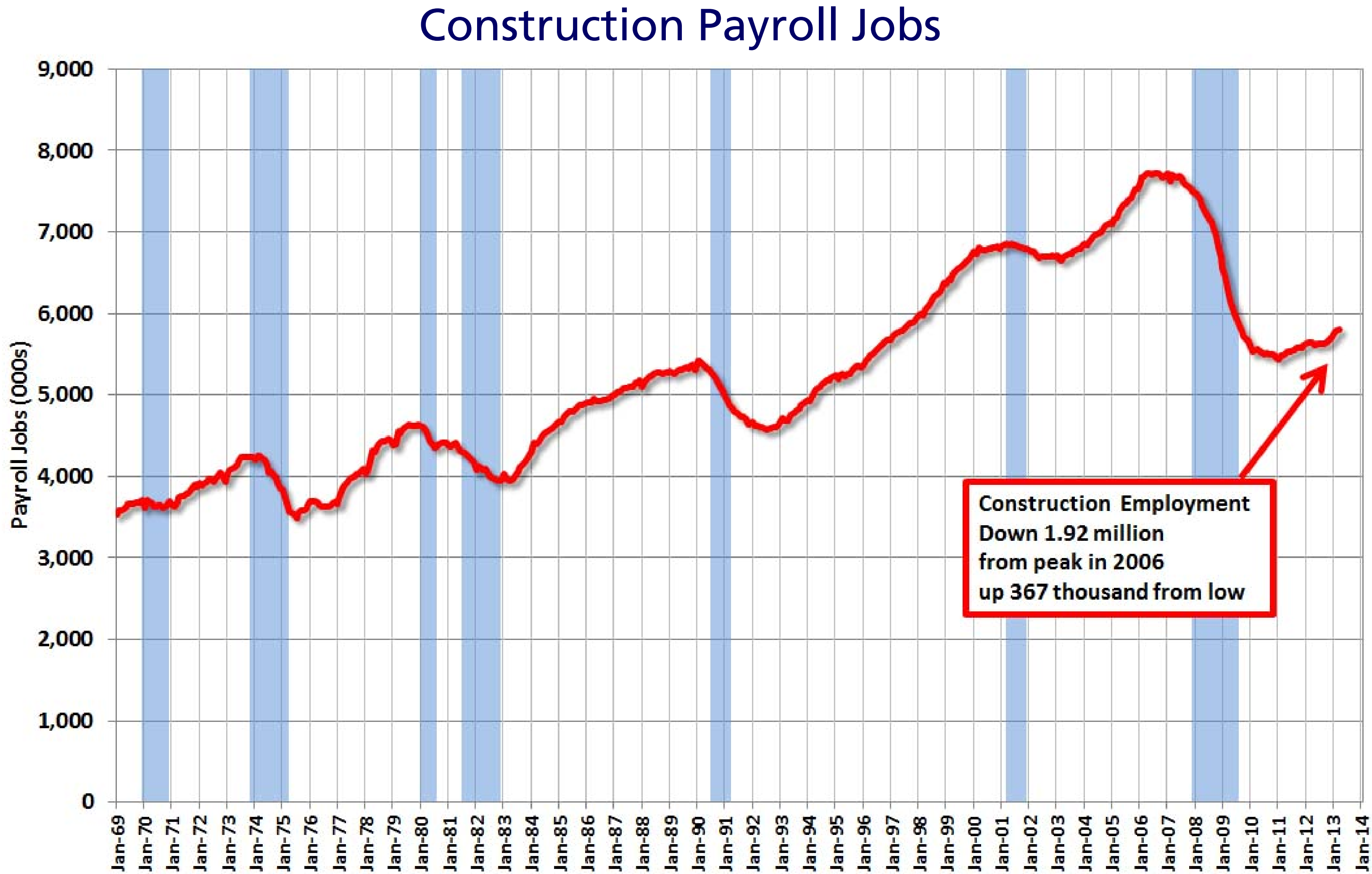
Source: U.S. Census Bureau

Predictor of Construction Demand
Architecture Billing Index



Source: American Institute of Architects

Construction Employment
1969 - 2013



Source: Calculated Risk Blog; BLS

Construction Employment
Boston Area

Area	Industry	May '12	May '13	% Change	Gain/Loss
Connecticut	Construction	51,500	55,000	6.8%	3,500
Maine	Construction	26,500	27,200	2.6%	700
Massachusetts	Construction	114,700	120,500	5.1%	5,800
New Hampshire	Construction	22,600	24,100	6.6%	1,500
Rhode Island	Construction	16,100	15,000	(6.8%)	(1,100)
Vermont	Construction	14,500	14,000	(3.4%)	(500)
Total		**245,900**	**255,800**	**4.0%**	**9,900**
Boston-Cambridge-Quincy	Construction	50,700	59,800	17.9%	9,100

Source: Associated General Contractors of America

Construction Employment

Sample Areas of Growth

Area	Industry	May '12	May '13	% Change	Gain/Loss
Boston, MA	Construction	50,700	59,800	17.9%	9,100
Phoenix, AZ	Construction	86,000	99,000	15.1%	13,000
Baton Rouge, LA	Construction	39,500	45,300	14.7%	5,800
Dallas/Fort Worth, TX	Construction, Mining & Logging	167,500	186,000	11.0%	18,500
Santa Ana, CA	Construction	69,300	75,700	9.2%	6,400
Denver, CO	Construction, Mining & Logging	72,400	77,900	7.6%	5,500
Los Angeles, CA	Construction	107,100	113,800	6.3%	6,700
Houston, TX	Construction	177,700	186,600	5.0%	8,900

Source: Associated General Contractors of America

U.S. Construction Market Outlook
2014

• Commercial Building	+17%
• Public	-5%
• Residential	+26%
• Overall growth	+9%

Source: McGraw Hill Construction

What is going on in Washington?

AGC's Legislative Agenda – 2013

- **Fiscal Cliff**
  - 10% cut in federal construction spending
  - Depressed demand for Public construction
- **Prime Contract Terms and Conditions**
  - Aggressive risk shifting downstream
  - Contract terms regressing
  - Federal contract requirements including veteran and disability rules
  - ConsensusDocs
- **Health of Subcontractor Community**
  - Owner selection of subcontractors
  - Risk pushed downward- can it be handled/treated?
  - Defaults

Insurance Impact Outlook

- Liability
  - Interest rates
  - Inadequate subcontractor coverage
  - Regulatory and judicial changes
  - Contractual changes
- Professional Liability
  - Project Delivery Methods
- Property
  - Increased catastrophes
  - Recovering market impact on scheduling

Insurance Impact Outlook

- Workers Compensation
  - NCCI adjustments to EMR calculation
  - New and returning employees to workforce
  - Aging workforce
  - Medical inflation

- Auto
  - Outdate Driver Selection & Training
  - Annual/Ongoing evaluation of MVR's
  - Personal Use
  - Distracted Driver prevention

Risk management practices for all contractors

- There are sound risk management practices that we expect to find in any well-managed construction firm, including:
  - Management and leadership commitment
  - Hazard identification and risk assessment
  - Employee selection, orientation and training
  - Substance abuse prevention
  - Fall management
  - Slip, trip and fall (STF) prevention
  - Soft tissue injury prevention
  - Fleet management
  - Return-to-work/absence management
  - Accident/incident investigation

11

Questions

This is intended as a general description of certain types of insurance and services available to qualified customers through the companies of Zurich in North America, provided solely for informational purposes. Nothing herein should be construed as a solicitation, offer, advice, recommendation, or any other service with regard to any type of insurance product underwritten by individual member companies of Zurich in North America, including Zurich American Insurance Company. Your policy is the contract that specifically and fully describes your coverage, terms and conditions. The description of the policy provisions gives a broad overview of coverages and does not revise or amend the policy. Coverages and rates are subject to individual insured meeting our underwriting qualifications and product availability in applicable states. Some coverages may be written on a non-admitted basis through licensed surplus lines brokers.