

## CASE RMP

*Not your Grandfather's Risk Management Program!*

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The management of risk is something that we all do every day as we go about our activities. Whether driving 3 miles across town to the grocery store or flying 3000 miles across the country, there is a certain amount of risk involved. We measure the risk and make a decision, conscious or otherwise, to accept it or not. There are many factors to consider as we make these day to day decisions, and prudent individuals will do everything possible to mitigate risks. Before making the trip to the shopping center, you always make sure the car in which you will be traveling is well maintained, and everything is in proper working order.



**Risk Management Program**

You choose to avoid unnecessary traffic and congestion, and drive defensively. For the trip across country, you might consider the safety record of the airline before purchasing a ticket, evaluate the weather conditions along your route, and submit to the unpleasant but necessary security screening.

But what about the risks we face every day in our professional lives as structural engineers? Statistics from companies that provide professional liability insurance for structural engineers indicate that not only do we have the highest frequency of claims, but also the greatest severity. Are we doing everything possible in our day to day practice to mitigate risk? We live in a complex and litigious society with more lawyers per capita than any country in history and people are taught that nothing is ever their fault, if they are damaged then someone else should pay. Gone are the days of our grandfathers when hard work and good intentions were enough! We have to manage the risks everyday.

CASE (The Council of American Structural Engineers), celebrating its' 20<sup>th</sup> Anniversary this year, was organized in the midst of a liability insurance crisis to deal with risk management and business practice issues. Although the goals remain the same today, the methods have changed. In response to the changing environment, CASE's new Risk Management Program (RMP) is based on *The 10 Foundations of Risk Management*.

These ten foundations have been developed to help engineers in private practice focus on avoiding and minimize risk. The first five deal with the process of the engineering business, and the last five deal with project management. They are:

- **Culture:** Create a culture of risk management and claim prevention. Stress quality control and risk management as a core value of your firm, and come from the top down. It requires both strategic and operational planning, and should involve all levels of staff.
- **Prevention and Proactivity:** Act proactively, not reactively. Early planning can identify potential risks and early intervention can mitigate potential damages. Identifying risks and establishing priorities and protocols before hand can provide a framework with which to deal with problems as they arise.
- **Planning:** Plan to be claim free; it does not happen by chance. It begins by planning for staff hiring and retention, client selec-

tion, project selection, training and quality assurance programs. A project work plan will reduce risk through proper information flow, communication to other team members, contract negotiations and scope definition.



- **Communication:** Match expectations with perceptions. It is well documented that communication issues represent a large percentage of claims for design professionals. When all parties communicate their expectations to each other, "disconnects" can be avoided. It is essential to develop tools and procedures to aid the communication process.
- **Education:** Educate all team members. Proper training is the basis for expecting proper results. The skills gained by experienced professionals during their careers must be passed down to less experienced employees so that all can effectively participate in risk management. Owners who are unfamiliar with the design and construction process also need to be educated.
- **Scope:** Develop and manage a clearly defined scope of services. It will help avoid misunderstandings, establish a basis for negotiation of compensation, and draws the line between basic and additional services.
- **Compensation:** Negotiate fees that allow for quality and profit. Always negotiate compensation along with scope of work. Be ready to walk away from a project without sufficient fee, a client that has unrealistic expectations, or a project that poses too much risk for the reward.
- **Contracts:** Negotiate clear and fair agreements. A good contract can minimize risk on a project, but a poorly worded contract can greatly increase risk. A good contract will proportion risk to the parties in proportion to the benefit each will receive.
- **Contract Documents:** Produce quality contract documents. Plan the work effort and have the client approve the design criteria. Make the client aware of critical decisions. Take advantage of the available technology, and do not wait until the end of the job to do the quality control- build it into the process.
- **Construction Phase:** This is the time many claims arise. Do not let your guard down. Perform tasks such a submittal review, response to RFI's, and site visits in a timely fashion to eliminate reasons for delays. Keep good records. Establish non-adversarial relationships with the contractor. Be sensitive to situations that could lead to potential conflicts.

As you read and think about these principals, you quickly realize that there are no magic answers here for managing risk — just simple, sound, logical, proven concepts. If applied consistently, they can have a significant impact on your practice. The development of "tools" to assist firms with the implementation of the *10 Foundations* has been a priority for CASE for the last couple of years, and will continue to be so. Sessions on the *10 Foundations* will be presented at the 2007 Fall ACEC Conference in Maui on September 26 & 27, and at the 2007 CASE Convocation in Atlanta, on November 1 & 2. ■

For additional information about  
*The 10 Foundations for Risk Management*,  
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