The construction industry will be one of the many sectors hard-hit by the impacts and disruptions from Coronavirus (Covid-19). Construction general contractors are faced with unprecedented uncertainty caused by wide-spread project shut downs, labor and material shortages, subcontractor performance issues and defaults, and questions about the application of contract and insurance language. While understanding these problems is a prerequisite to defining solutions, there are several best practices that contractors should consider now to prepare for a recovery that will happen.

Alliant has prepared the following checklist for general contractors to consider.

1. **Develop a strategy for different impact-period scenarios by assessing internal and external risks, and then defining and prioritizing actions. Update the strategy frequently.**

   - Consider the financial viability of owners, subcontractors, and vendors.
     - Consider who can withstand a severe impact and for how long as a basis for go-forward decision making and communication tones.

   - Evaluate each project.
     - Develop a spectrum from **financially strong** to **potentially insolvent** for all projects.
     - Determine where each project fits along that spectrum.

   - Assess project team.
     - Project team retention, based on project “history” knowledge and expertise
     - Redundancy of project personnel; ability to backfill staffing in the event of virus exposure among project team member(s). (Critical in leadership roles.)
     - Ability to relocate staff to active projects
     - Added staffing needs as project(s) re-start

   - For projects that may struggle financially or potentially become insolvent – consider alternate measures.
     - Requests for financial guarantees for owners.
     - Assistance with prompt or interim payments for struggling subcontractors and vendors.
     - Evaluation of replacement or supplemental forces.
     - Ensure timely notices are given based on contract and insurance requirements.
» For those that are financially strong – promptly discuss potential alternatives depending upon the outcome, duration, and impact of the event.
  - Consider some or all of the actions noted for higher risk projects noted directly above.

» Evaluate and prioritize decision making within the context of the project and corporate exposure.
  - If your resources are limited – put the necessary resources where they are needed the most and where they will make a difference.
  - Ensure adequate resources are dedicated to contemporaneously give notices, document schedule and cost impacts, manage work forces, and proactively consult with legal and risk management advisors.

2. **Assemble a ‘Response’ Team**

» The response team should have dedicated responsibility to coordinate action throughout the organization relating to the pandemic and its impacts to projects.

» Depending upon the size of the organization, the size and participants on this team may vary. Team members may include members of: executive management, financial, legal, operations, and risk management.

» Identify applicable project representatives for each project empowered and accountable for carrying out the corporate action.
  - Prioritize information needed from project representatives, such as estimates to complete, labor/subcontractor issues, project status (cost and schedule) at the beginning of the impact, project management summaries regarding pending changes/claims/notices/owner directives, among others.

» Identify external advisors such as legal, insurance, surety and performance security and claims consulting; place “on-call” as needed to ensure availability.

3. **Physical Project Sites**

» Follow proper and recommended health and safety practices to ensure worker and public safety.

» Strictly follow all government restrictions and instructions.

» If faced with a project shutdown:
  - Properly secure the site.
  - Make-safe all ongoing operations and conditions.
    - See **Alliant’s Project Shutdown Checklist** for further information
  - Thoroughly and accurately document project status.
  - Video / Photographs / Aerial Photographs.
  - Annotated progress plans.
  - Secure the project administration trailer/office.
    - Safeguard all computers, IT, and confidential documents.
    - Assume you will not be able to return to your project office for an unknown length of time.
    - Make sure you have possession of, or access to, critical documents and items, such as:
      - Insurance policies,
      - General Contracts,
      - Subcontracts,
      - Project diaries,
      - Project directories and key contacts,
      - Other critical documents.
4. **Notice Requirements**
   - Review contracts, subcontracts, and insurance policies and understand applicable provisions.
     - Seek guidance and assistance from counsel, insurance brokers, and consultants as may be necessary.
   - Submit all necessary notices to applicable parties.
     - Understand and strictly comply with format, recipients, and requirements.
   - Verify whether one notice or multiple notices may be required.
     - Often best to note that your notice will ‘remain as a standing notice’.
   - Typically best to note situation is evolving and that impacts are yet unknown and unable to be currently or fully identified or quantified.
     - This is applicable especially in cases where a contractual term may require quantification of impacts within a certain timeframe.

5. **Collaboration with Owners, Subcontractors, and Vendors**
   - Evaluate each project and project team.
     - In other words – “If this pandemic does not end quickly, who will be cooperative moving forward and who are we likely to end up in a dispute with?”
   - Develop a spectrum from collaborative to potentially adversarial/hostile for all pending projects.
     - Determine where each project fits along that spectrum.
   - Develop a separate spectrum for each project in order to evaluate project team participants.
     - Determine where each/critical project team participant fits along that spectrum.
   - For those that are collaborative – promptly discuss potential alternatives depending upon the outcome, duration, and impact of the pandemic.
     - For those that may be hostile or adversarial – consider more aggressive actions to protect your rights and strictly comply with all of your obligations.

6. **Applications for Payment**
   - Promptly submit all necessary payment applications so that they are up to date.
     - Do not wait until progress at the site resumes.
     - To the greatest extent possible, make sure they comply with project requirements.
       - If there is no ability to conduct the typical ‘pencil review’, submit in final form.
   - Verify that progress reflected in the pay application is consistent with the progress at the site.
   - Include all pending changes and requests.
   - Consider status and value of onsite and offsite stored materials or those being procured.
   - Depending upon the outcome of the situation and how a project may or may not resume, this current pay application may be the critical measure of the value of the project when construction ceased.
     - Consider the owner’s evaluation of the general contractor’s progress, as well as the general contractor’s evaluation of the subcontractors’ and suppliers’ progress.
7. Schedule Status

» Review and verify understanding of all applicable contract provisions relating to scheduling and updates.
» Completely and thoroughly update the schedule status.
  - Accurately evaluate incomplete and pending work at the site.
  - Accurately evaluate incomplete and pending deliveries.
  - Accurately evaluate incomplete and pending submittals and approvals.
» Evaluate the impact of changes to the work.
» Prepare a narrative to accompany the schedule update.
» Include and annotate relevant photographs, videos, and other substantiating documents to validate progress.
» Ensure that the schedule status update is consistent with the current application for payment.
» Assemble and maintain contemporaneous issue file documents (emails, meeting minutes, schedule updates, etc.) to support positions on delay causation, entitlement, and quantification.

8. Supply Chain, Procurement, and Deliveries Evaluation

» Evaluate the current status and potential disruptions to the supply chain, including availability, current lead time, location (in warehouse or in transit), estimated delivery dates, etc.
» Expedite all pending approvals and outstanding procurement matters.
» Determine ability for current vendors to meet future demand.
» Evaluate potential cost impacts due to disruptions and communicate to Owners.
» Consider possible alternatives to overcome supply chain disruptions.
  - Promptly communicate with Owner and Vendors to identify and determine acceptable alternatives.

9. Project Management Status

» “Make sure your house is in order, current, and complete.”
» Analyze all pending and unsubmitted changes and requests.
  - Focus on bringing all outstanding and time-critical matters up-to-date.
  - Identify changes with exposure – those submitted but unapproved and/or proceeding while being priced.
» Pending RFIs should be prioritized now based upon need at project re-start.
» Shop drawings and approvals should be prioritized based upon need at project re-start.
» Bring all up to date and communicate to necessary parties.
» Prioritize action items.

Should you have any questions or concerns, please engage your local Alliant contact immediately or you can visit:

https://insurance.alliant.com/COVID19-questions