

De-Risking Your Construction Business

Feb 2024

The Next 60 Mins

Tony Longhurst – 30 mins (ish)

- Setting the Scene for 2024

Ben Rickard – 30 mins (ish)

- Growth Opportunities In a Declining Market
- Risk Financing

First, a Bit About **101 BUILTÍN**

20+ years working exclusively in the construction industry

10 staff, Tauranga HQ

Over 2,000 customers nationwide from sole traders to +\$20m t/o

Member of Steadfast, Australasia's largest insurance broker network

Mission

“To help construction professionals manage their risk by being experts that are responsive and easy to deal with”

Values



We Give a St**

We care about our clients and each other



You Can Rely On Us

We do what we say we'll do



We Look After Construction

We support our clients and the building industry with advice and education



We Go The Extra Mile

To find solutions for our clients



We're Real People

We're a family business that gives expert service with a personal touch

A hand wearing a grey work glove is shown in the process of laying a brick on a wall. The wall is made of reddish-brown bricks with visible mortar joints. The background is dark, and the lighting highlights the texture of the brick and the glove. On the left side of the image, there is a decorative graphic element consisting of a white line and a thick orange line that curves downwards.

A Full Range of Risk Management Services

- Risk Assessment & Advice
- Insurance Programmes
- Contractors Bonds
- Claim Advocacy
- Business Continuity Planning

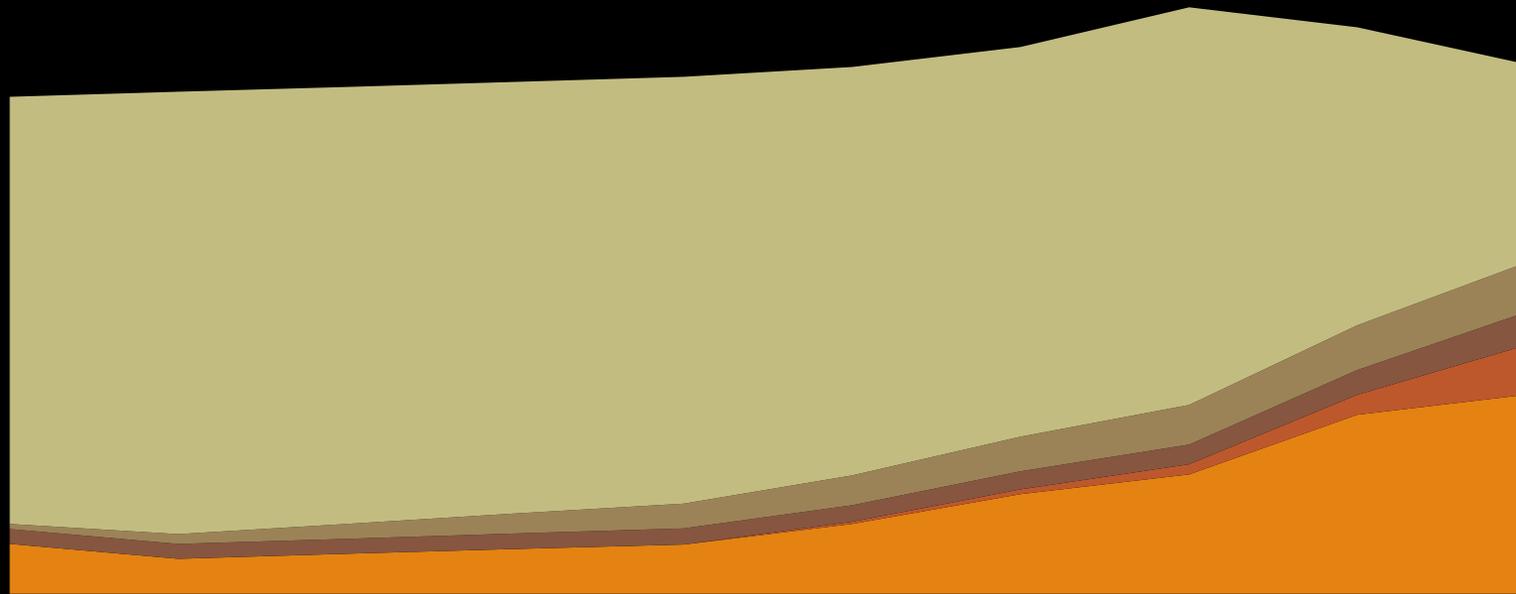
Over to You Tony...

Ben Rickard



Take Advantage of Trends

Even in a declining market there are always pockets of growth and opportunity.



Green Buildings

- De-carbonisation and energy efficiency top of mind for CEOs
- Regulation driving sustainability
- Green building rental rates include a premium



Medium Density Housing

- Increasing demand for medium-density housing
- Local plans/regulations enabling this

Whakaāhei wharenoho mātoru-waenga Enabling medium density housing

It is now easier to build townhouses across the city. Here are the rules that have been set for these kinds of development.

Until recently the Tauranga City Plan allowed one dwelling (house) on a residential site up to nine metres in height, with resource consent required for more than this. The new Medium Density Residential Standards now allow people to build up to three dwellings of up to three storeys (11m height) on most sections in residential zones as a 'permitted activity' – which means a resource consent isn't required.

Here are the key rules set under the Medium Density Residential Standards:

- No. of dwellings per site - up to 3 dwellings
- Building height - up to 11m (3 storeys) + 1m for pitched roof
- Height in relation to boundary - Within a 60° recession plane measured from 4metres high at side and rear boundaries
- Setbacks
 - at least 1.5m on front boundary
 - at least 1m on side and rear boundaries
- Building coverage - up to 50% site coverage (excluding an accessway)
- Outdoor living space dimension
 - ground floor unit: at least 20m², with a minimum 3m dimension
 - above ground floor unit: at least 8m², with a minimum 1.8m dimension
- Windows to street - at least 20% glazing on street-facing facade
- Landscaped area - at least 20% of the developed site with grass, plants, trees
- Outlook space



Accessible Buildings

- 1.1m reported to have a disability
- Legal requirements & standards
- Ageing population



Figure 3

Covered level entry and wide entry door.

Tiny Homes/Modular Construction

- Exploding in popularity
- Broad demographic
- Council and regulatory rule changes



Disaster Recovery & Resilience

- Post-earthquake innovations
- Remediation & repair
- Prevention & durability



Trends are Opportunities

- How can you position and market your business to take advantage of these trends?



Risk Financing



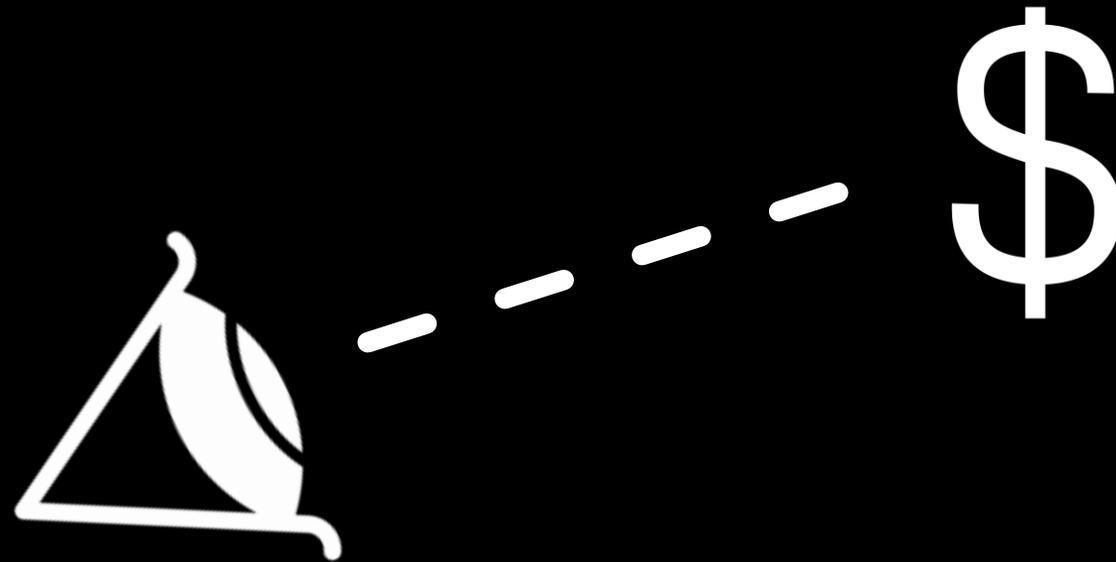


Risk Financing is...

*Determining how
an organisation will pay for loss
events in the most effective and
least costly way possible.*

Uncertainty affects objectives

The more you can put a cost to risks the easier it is to effectively manage them and eliminate uncertainty from your business.



Eliminating threats leaves more room for opportunities

**Potential Benefits
(Positive/UpSide
Risks)**



**Foreseeable Risk
of Harm**

Context

We've more than doubled what the previous five years was in terms of insured losses.



Losses incurred in 2023 from the New Zealand floods and Cyclone Gabrielle surpass the total of all weather-related claims in 2022.

Insurance is becoming less cost effective as a means to mitigate risk

- Reduced Limits
- Reduced Coverage
- Increased Excesses
- Increased Premiums
- Reduced Capacity



The True Cost of Risk

External risk transfer

(insurance premiums)

+ Self-insured losses

(insurance excess, uninsured assets, uninsurable liabilities, WorkSafe fines)

+ Risk mitigation

(HazardCo fees, NZCB/MB/BH fees, contract costs, training costs)

+ External consulting fees

(legal, accounting, risk adviser, business analytics, business coach, asset valuation)

+ Missed opportunities

(under investment in the business, failure to innovate)

= True cost of risk

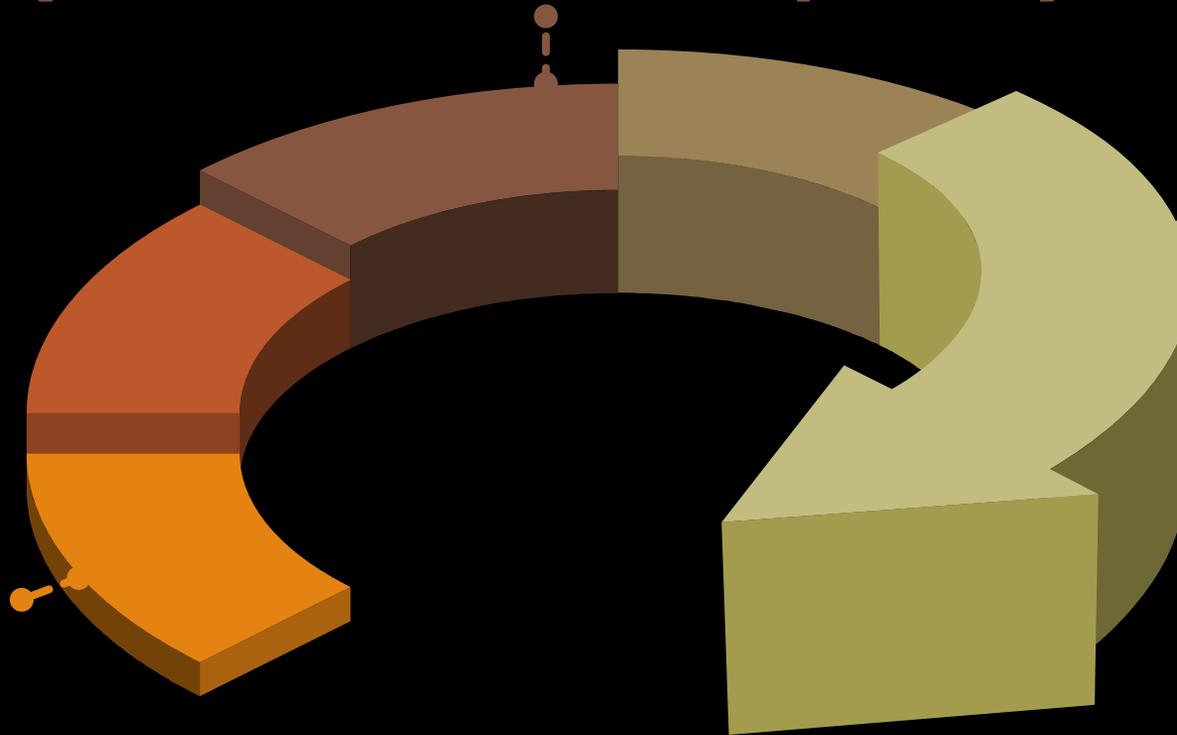
<https://rmas.fad.harvard.edu/faq/what-risk-financing>

Risk Financing is a Process

**Risk Analysis
(Likelihood & Consequence)**

**Risk
Treatment**

**Risk
Identification**





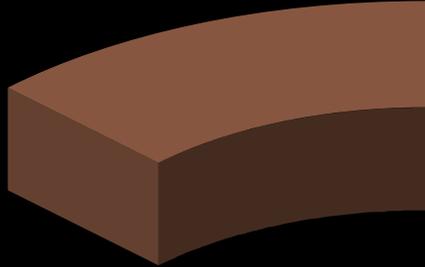
ONE: Risk Identification

Hazards are categorised

- **Natural Risk**
- **Security Risk**
- **Technology Risk**
- **Workspace Risk**
- **Supply Chain Risk**
- **Environmental Risk**
- **Product Liability Risk**
- **Financial Risk**
- **Economic Risk**
- **Human Risk**
- **Governance and Legal Risk**
- **Reputational Risk**
- **Business Risk**

TWO: Risk Analysis

Each risk is quantified

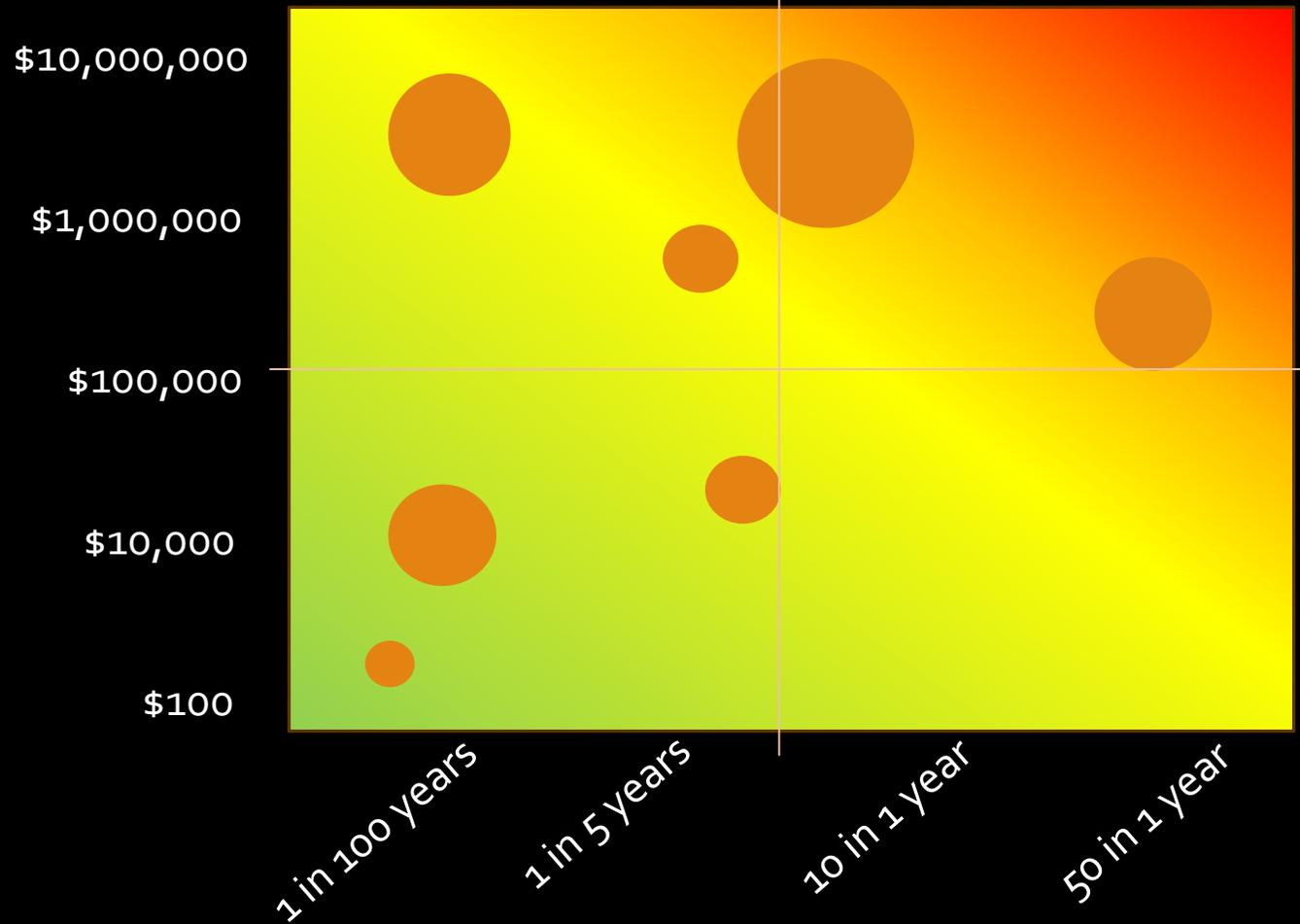
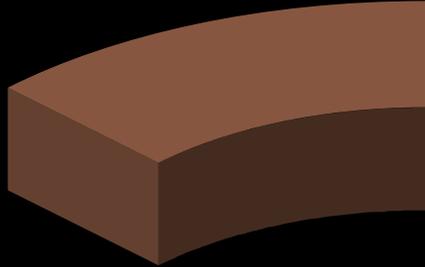


Natural Risk ⓘ 6 Natural Risks selected ▲

Risk	No/Yes	Likelihood	Loss Value	Annualised Value	
Severe Storm ⓘ	<input checked="" type="checkbox"/>	1 in 50 years	NZ\$ 200,000	NZ\$ 4,000	Edit
Flood ⓘ	<input checked="" type="checkbox"/>	1 in 50 years	NZ\$ 100,000	NZ\$ 2,000	Edit
Hurricane/cyclone/typhoon ⓘ	<input checked="" type="checkbox"/>	1 in 25 years	NZ\$ 1,000,000	NZ\$ 40,000	Edit
Earthquake ⓘ	<input checked="" type="checkbox"/>	1 in 100 years	NZ\$ 1,000,000	NZ\$ 10,000	Edit
Tsunami ⓘ	<input checked="" type="checkbox"/>	1 in 25 years	NZ\$ 25,000	NZ\$ 1,000	Edit

TWO: Risk Analysis

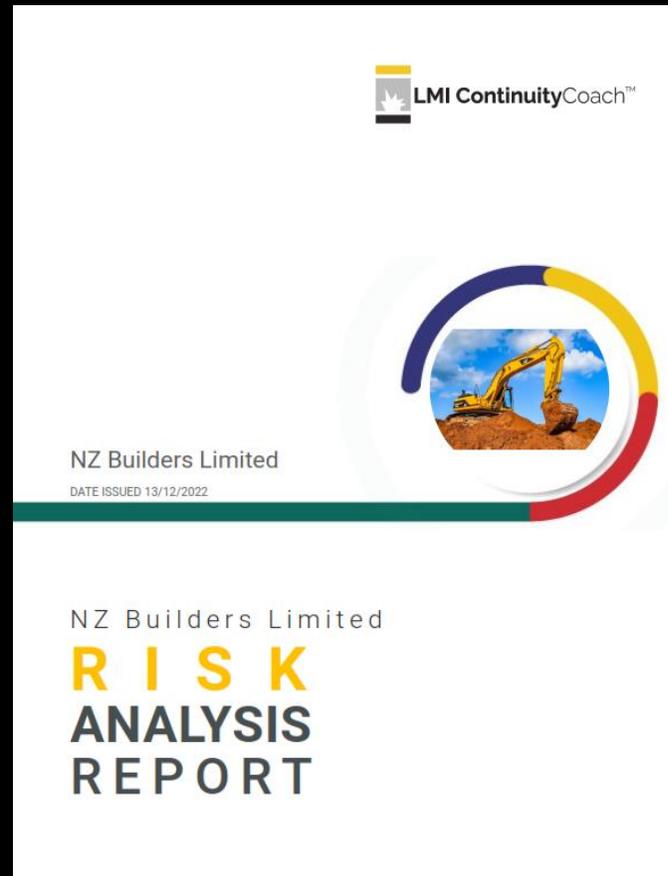
Each risk is quantified





THREE: Risk Treatment

A risk management plan is created





THREE: Risk Treatment

Bad Debts

* Likelihood:

1 in 5 years

* Loss Value:

NZ\$ 50,000

Annualised Value: NZ\$ 10,000

* Mitigation Strategy:

Terminate Tolerate Transfer Treat

* Does your Transfer Strategy include Insurance?

Yes No

* How will you achieve your Mitigation Strategy?

Monitor debtors for potential bad debts and ensure staff follow processes and procedures.

Subscribe to debt management service.

Mitigation Status:

Incomplete Ongoing Monitoring Complete

Responsible Person:

Eric Smith

Follow Up Date:

31/10/2024

Crisis Management & Business Continuity



There are many crises (big and small) that may require a response

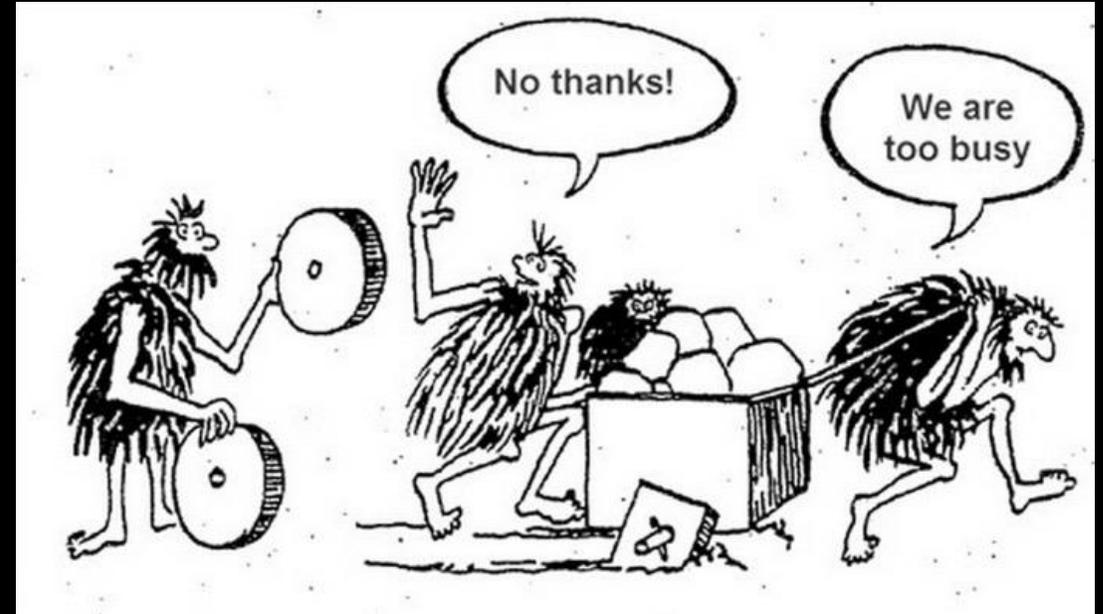
- **Terrorist attack**
- **Chemical or gas leak**
- **Building red-stickered**
- **Serious injury to staff**
- **Major fire**
- **Natural disaster**
- **Communicable disease outbreak**
- **Cyber attack/critical IT service failure**
- **Major utility failure**

A group of people, including children and adults, are holding hands in a circle. The image is dimly lit and has a dark overlay. The word "How?" is written in white, bold, sans-serif font in the center of the image. On the left side, there is a decorative graphic element consisting of a white line and an orange line forming a corner shape.

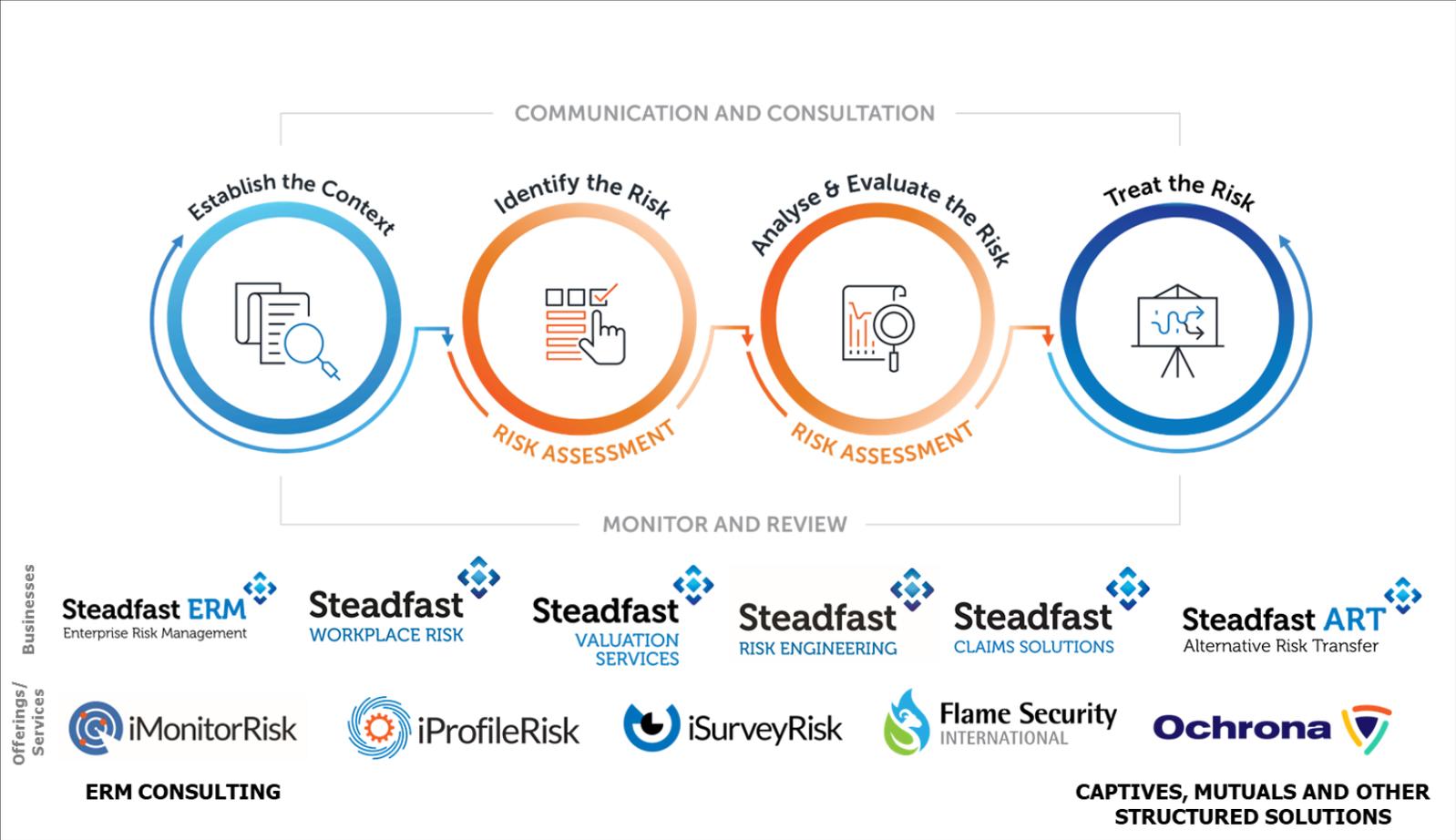
How?

You Don't Have To Start From Scratch

Since all Bultin's clients operate within the construction industry we can streamline and expedite the risk assessment process.



Engage Your Own Virtual Risk Adviser



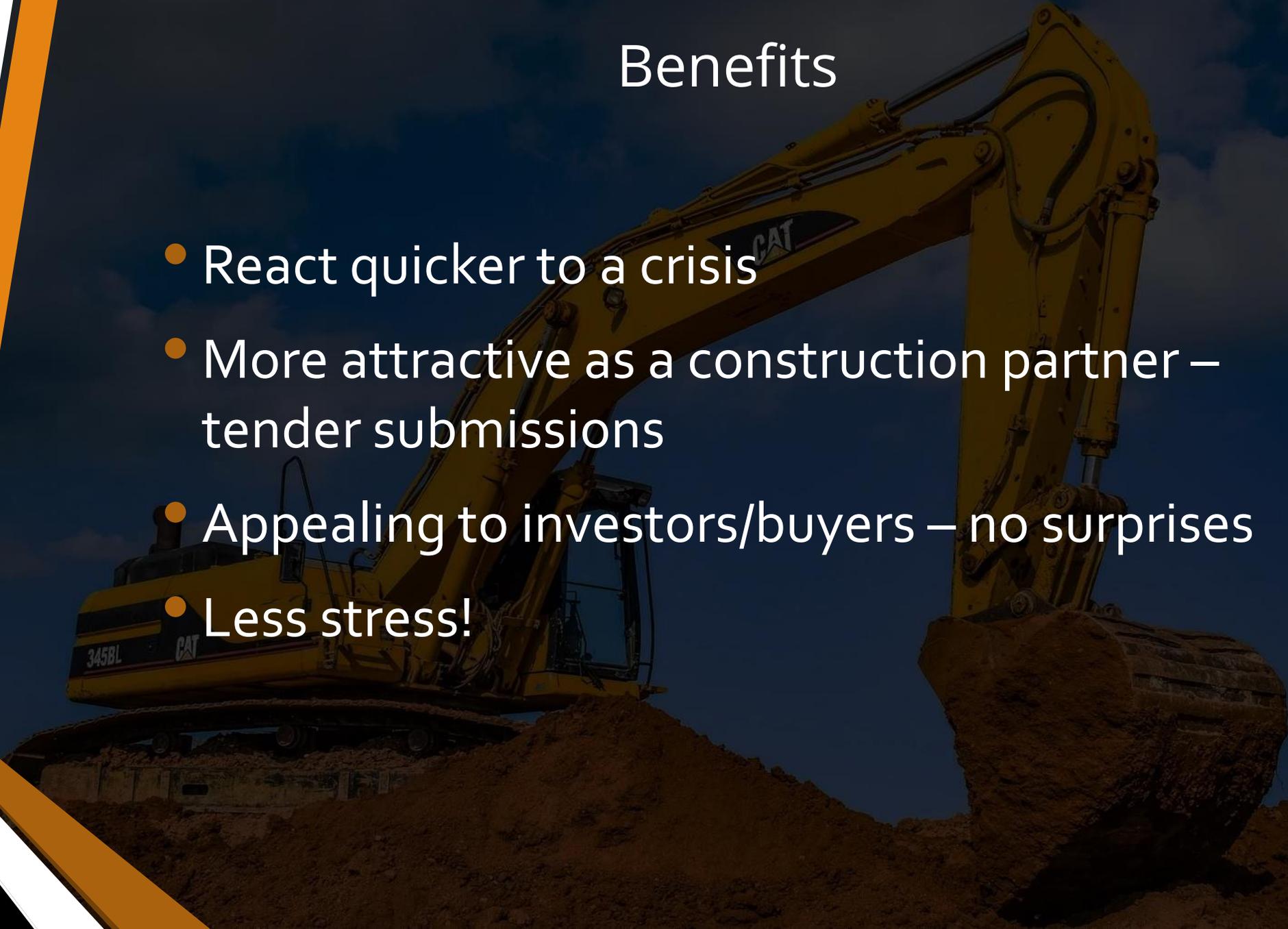
Populate Your Own Risk Management Portal

The image displays a screenshot of the LMI ContinuityCoach portal interface, which is used for managing risk and business continuity documents. The interface is divided into several sections:

- Plan Documents:** A section for managing organization documents, including instructions on uploading and organizing files.
- All Documents:** A central area displaying a grid of document thumbnails, each with a 'View' button. The thumbnails include:
 - BUSINESS CONTINUITY POLICY
 - BUSINESS CONTINUITY PLAN
 - RISK & INSURANCE REPORT
 - CERTIFICATE
 - EVACUATION PLAN
 - FLOOR PLANS
 - INSURANCE POLICY
 - INSURANCE SCHEDULE
- Organization Settings:** A sidebar menu with options such as Internal Contacts, Strategic Customers, Strategic Suppliers, Strategic Third Parties, Strategic Crisis Experts, Strategic Areas, Business Continuity Policy, and Plans.
- Document Headers:** Two document headers are visible, one for 'NZ Concrete Solutions Limited' (dated 22/10/2023) and another for 'NZ Builders Limited' (dated 13/12/2022).
- Document Titles:** The titles of the documents are 'BUSINESS CONTINUITY PLAN' and 'RISK ANALYSIS REPORT'.

Benefits

- React quicker to a crisis
- More attractive as a construction partner – tender submissions
- Appealing to investors/buyers – no surprises
- Less stress!



In Summary

- 2024 will be a challenging year
- Take advantage of growth opportunities/trends
- Get your house in order – identify, quantify and manage threats
- It's a step-by-step process



What next: book a meeting today, arrange a
presentation to senior business
leaders/stakeholders

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