



Dar Al Riyadh Insight #92

Preferred Method of Addressing Event Contingency

Dar Al Riyadh Insights reflect the knowledge and experience of our Board, executives and staff in leading and providing PMC, design and construction management services. Dar Al Riyadh believes in the importance of broadly sharing knowledge with our clients and staff to improve project outcomes for the benefit of the Kingdom of Saudi Arabia.

Six elements involved in event contingency are examined in this series of Insights:

1. Various financial components of a project's price
2. Event contingency as distinguished from cost contingency
3. Preferred method of addressing event contingency from a provider's perspective
4. Potential event risks warranting consideration (event risk checklist)
5. Events typically excluded from event contingency
6. Modeling of event risk in large complex projects

This Insight addresses number 3.

Preferred Method of Addressing Event Contingency

Including event contingency provisions in price is the least effective way to deal with event risk. Preferred strategies are avoidance and/or transfer. Avoidance strategies can include eliminating the possible event risk by changing the parameters of the project or project execution methodology and leaving the risk with the client in its entirety. Transfer strategies can include partial or whole transfer of risks within the provider's domain either to the owner or third parties. Examples of transferring event risk in part to the owner would be through limitations on LDs or sharing of the costs of certain risks with the owner where actions by both parties, together, are essential for effective risk management and mitigation.