



## **Dar Al Riyadh Insight #94**

### **Events Typically Excluded from 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 5.

### **Events Typically Excluded from Event Contingency**

Risk events with a high probability of occurring, say 85-90 percent or more, are typically included in cost contingency versus event contingency. They should still be retained on the owner's or project risk register as appropriate and actively managed.

Certain elements of event risk are typically considered outside of the engineer's or contractor's control and are excluded from event risk, but only to the extent they are clearly indicated as remaining with the owner in the contract. Examples include:

- Client caused delays such as delayed authorization to proceed (outside any contractually indicated window); delayed client approvals to initiate various elements of work due to no fault of the contractor; delayed receipt of client furnished materials or equipment or client required out-of-sequence work.
- Client requested project acceleration or slowdown.
- Scope changes.
- Certain legal or regulatory changes (these need to be well bounded and described).
- Client costs.
- Consequential damages beyond any agreed to liquidated damages.
- Undisclosed, uncharacterized, or not readily quantifiable (at time of contract) hazardous materials and substances.

- Human remains (This was a specific exclusion requested by the contractor associated with the early and enabling works at the World Trade Center rebuild).
- Third-party delays (contractor may agree to assume certain delays with respect to approvals, right-of-way acquisition, and utility relocations).
- *Force majeure* (beyond an agreed minimum number of days).