

# SubSecure<sup>SM</sup>, A Subcontractor Financial Benchmark Service

Subcontractor default presents a high risk. A struggling subcontractor can have far-reaching financial and performance consequences on construction projects. Not only can profit margins be in jeopardy, but a defaulting subcontractor can adversely impact relationships between the contracting parties if the project is delayed. Avoiding the risk of subcontractor default requires a thorough review of subcontractor qualifications prior to subcontract award. Marsh's Construction Practice can help you analyze a subcontractors' financial situation and provide guidance for managing the risk of subcontractor default.

## Benchmark Service

The Marsh Construction SubSecure<sup>SM</sup> Financial Benchmark Service measures financial factors to identify subcontractors that present a high risk.

The benchmark analysis process consists of the following:

- Evaluation of the subcontractors' financial reports against standard financial reporting guidelines. This analysis includes a review of the opinion letter, financial statements, supplementary information, open and closed job schedules, and footnotes to the financial statement to determine if adequate information and disclosures are provided to properly analyze the subcontractor's financial position.
- An analysis that scores the subcontractor's balance sheet, work in progress, income statement, cash flow, working capital, and net worth by comparing them to ratios commonly used by sureties in their underwriting reviews.

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### Who it's for

- General Contractors, Construction Managers, Specialty Subcontractors, Owners and Lenders who have subcontractor default risk and realize the need to have critical support in analyzing subcontractors' financial information prior to award.
- General Contractors or Construction Managers who have or are considering any kind of subcontractor default insurance product such as Subguard®.

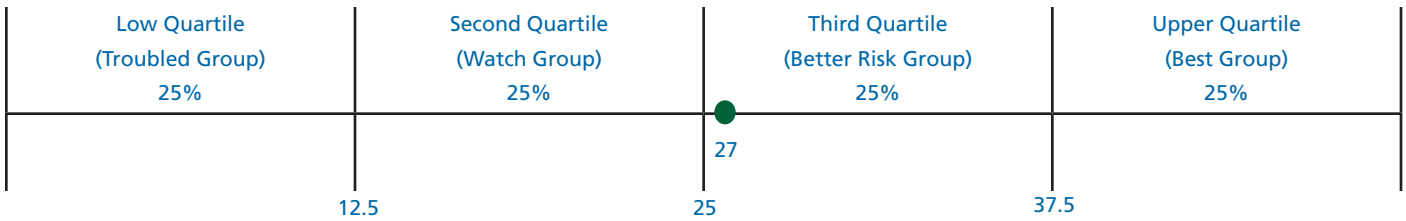
### What you get

- Individual Subcontractor Benchmark Report that scores a subcontractor's financial factors against 10 important areas to identify if they present a high risk for potential default.
- An individual subcontractor Z-Score Report that is widely recognized as an indicator of potential financial problems.
- A Subcontractor Portfolio Report, to analyze the overall credit/financial quality of your subcontractors.

- A review of a subcontractor credit report to determine the existence of any liens, judgments, or lawsuits outstanding.
- Z-Score for each subcontractor analyzed. This score is a measure of corporate financial distress & potential economic bankruptcy.
- The Marsh Construction SubSecure<sup>SM</sup> Financial Benchmark Service separates each subcontractor's risk score into four quartiles. Quarterly reports are provided reflecting the overall quality of your subcontractor portfolio.

## Sample Individual Subcontractor Benchmark Report

Financial Risk Score: 27



Score and Comments are provided for each of the 10 financial areas analyzed.

## Sample SubSecure<sup>SM</sup> Portfolio Benchmark Analysis Report

	Financial Risk Benchmark Score				
	High Risk			Low Risk	Totals
	1st Quartile 0.00 – 12.50	2nd Quartile 12.51 - 25.00	3rd Quartile 25.01 – 37.50	4th Quartile 37.51 - 50.00	
Number of Subcontractors	18	17	15	15	65
Total Contract Value	14,877,549	41,052,737	17,587,752	25,561,755	99,079,793
	15%	41%	18%	26%	
Average Contract Value	826,531	2,414,867	1,172,517	1,704,117	1,524,305

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Contractor failure is unpredictable and caused by a number of factors that together lead to a default. It is possible for contractors with a high score and identified as a low risk to default or fail to continue in business. Marsh will not independently audit, verify or authenticate subcontractor financial statements or reporting, nor will Marsh have any liability for errors, deficiencies or omissions in any benchmark analysis or scoring performed by Marsh based on any such inaccurate or incomplete financial statements or reporting. Marsh does not expressly or impliedly guarantee, assure or warrant in any way the quality of the contractors or that the contractors will be able to complete their obligations under the contracts for which they are engaged with the client.

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