

Minutes of Forum Meeting 4

Time and date

Tuesday 11 June 2013 at 14.00-17.50

Venue

Meeting Room 12/A, BREY building, Avenue d'Auderghem 45, DG ENTR, 1040 Brussels

Participants

Carmen BELL, Insurance Europe
Sabrine BERNARD, Hannover Re
Daniel BEURMS, CEBC
Alexandre BIED-CHARRETON, ALLIANZ
Godlive BONFANTI, AQC
Lukas BORTEL, DG MARKT
Elisa SETIÉN, European Federation for Construction Chemicals (substituting Antonio CABALLERO)
Martine Okito COETS-GAIBILI, COBATY International
Pierre COLPAERT, CEA Belgium
Steven DAELMAN, ACE
Michel Van DROOGENBROEK, CEA Belgium
Thomas DUNAND, Hannover Re
Jean-Jacques DOREAU, Allianz
Alice FRANZ, European Builders Confederation (EBC)
Kim HAUGBØLLE, Aalborg University
Dragana KONSTANTINOVIC, TZUS
Cserkuti NANDOR, AEGON, Hungary
Ulrich PAETZOLD, FIEC
Koumaran PAJANIRADJA, Ministère de l'Écologie, du Développement Durable et de l'Énergie
Antonio PAPARELLA, DG ENTR B.1
Jan van der PUTTEN, EFCA
Jean ROUSSEL, CEA
Alain SAGNE, G30 Association of Architects
Jean-Luc SALAGNAC, CSTB
Jacques TIMMERMAN, G30 Association of Architects
Henk VERMANDE, ARCADIS
Jacques VERTESEN, SPF Economie, P.M.E., Classes moyennes et Energie
Susanne WARREN, DG ENTR B.1

Agenda

- 1) Introduction and welcome – by the European Commission
- 2) Mapping of construction insurance – by Thomas Dunand/Sabine Bernard, Hannover Re
- 3) Discussion of selected WP3 themes – moderated by Thomas Dunand, Hannover Re:
 - Theme 1) Update of the mapping of insurance regimes in the EU-27
 - Theme 2) Financial mechanisms for sustainability and protection of investor interest
 - Theme 3) Information needs about construction insurance
 - Theme 4) State of the art of insurance schemes in the EU-27 and transition paths
 - Theme 5) Analysis of conditions for greater mutual recognition of construction insurances regimes
- 4) EQEO (Eco-technologies Quality European Observatory) by Jean Roussel and Michel Van Droogenbroek
- 5) Progress report on WP1 Quality signs – by Jean-Luc Salagnac, CSTB
- 6) Progress report on WP2 Building pathology – by Henk Vermande, ARCADIS
- 7) Progress report on WP4 Forum and dissemination – by Kim Haugbølle, Aalborg University
- 8) Summary – by the European Commission
- 9) Closing

Minutes

1) Introduction and welcome – by the European Commission

The European Commission welcomed the participants and introductions were made.

Mr. Paparella starts with pointing at a few parallel activities of the Commission, related to insurance that may be relevant for Elios:

- The Communication on a strategy on the sustainable competitiveness of the construction sector, 'Construction 2020'. A number of thematic groups are set up to discuss how to implement this Communication and the different recommendations that were presented by the Commission in the action plan of this communication. One of these thematic addresses insurance.
- The Commission has put in place an Insurance expert group, to examine the problem of insurance contracting in the context of cross border services. The group has already met two times. The scope is to examine the state of the art, what the problems are, fact finding, not to propose concrete measures to implement.
- Internet consultation on Professional liability insurance. It is important for all operators in the construction sector to present their problems. The Commission listen what the concrete problems and issues are.

The European Commission stated that the project is halfway through, and the consortium is about to implement some tools (structures have been defined), and encouraged the project team to check that the tools being developed are useful, to ensure that what is delivered is in line with expectations of the potential users and to give more visibility to the work through the newsletter.

The Commission is only catalysing the process, but at the end the tools will be used by the insurance sector, to the professionals. The Elios consortium must start to do some self-assessment on the usefulness of what we have developed. This could be done through the Newsletter, but there be could other means to communicate on the expectations, the gains, and what the consortium has developed.

The European Commission explained that the focus of this Forum meeting is on WP3, but suggested an amendment to the agenda in order to have a status on where the proposal of an Eco-technologies Quality European Observatory (EQEO) stands.

2) Mapping of construction insurance – by Thomas Dunand/Sabine Bernard, Hannover Re

Thomas Dunand gave a brief overview of the progress on WP3 and introduced the five themes for discussion today. All of the activities of WP3 are well in advance and on track.

3) Discussion of selected WP3 themes – moderated by Thomas Dunand, Hannover Re:

Theme 1) Update of the mapping of insurance regimes in the EU-27

Alexandre Bied-Charreton introduced the update of the mapping of the insurance regimes in the EU-27. Data is gathered through interviews and a questionnaire circulated in the networks or branches of Insurance Europe, Allianz and Hannover Re. The update of the mapping has grouped the countries in three: significant modifications, minor modifications and no modification needed.

Jean-Jacques Doreau explained the model describing types of insurance. The two dimensions are time (from start of work to hand-over and on to + 10 years) and types of insurance (damage versus liability). A third dimension included is the cover in relation to the requested capacity.

The Commission asked when the mapping will be finished. The mapping is intended to be finished and validated before June next year by cross-checking information from the three main data sources.

A Forum member wondered why “damage to the work itself” is only relevant after hand-over and not before hand-over. It was explained that there are different covers in some countries and some insurances depending on whether the defective part is included or not.

Another Forum member asked for the goal of doing this mapping. It was replied that an updated mapping is part of the information sharing needed to handle the cross-border issues identified in the Elios 1 study.

Theme 2) Financial mechanisms for sustainability and protection of investor interest

Thomas Dunand gave a presentation on the financial mechanisms to protect investor interest with a focus on energy performance guarantees. Financial instruments exist only to a very limited extent. Two main types are Energy Savings Insurance (ESI) and Energy Performance Contracts (EPC). Insurance of the energy consumption of individual housing present Important hurdles such as difference between expected theoretical design and real life consumption, difficulty to appraise the behaviour variable, and difficulty to identify the origin of an energy overconsumption.

Thomas Dunand mentioned some examples of financial support schemes in Germany, United Kingdom and Belgium.

It was pointed out by the Forum that for example KfW Bankengruppe does not provide insurance, but rather finances work based on approved materials, specifications and the design that will normally provide energy savings. There is no performance guarantee involved. If you want to insure energy saving, there are so many variables. So why cover something that does not have to be covered? Not everything has to be insured.

Thomas Dunand replied that ESCO's try to get new coverage of expected savings. Insurance can be seen as a tool to transfer and manage the risk, and therefore encourage the adoption of new and better technologies and globally improve the sector.

Further, it was argued by the Forum that insurance is market driven but no metrics are in place yet.

These objections were recognised by the project team, who pointed out that the finance itself can be insured. If we can provide insurance, then energy saving performance could be the result. Thus, it is essentially about promotion.

The Commission asked how we can set performance for dwellings and cope with user behaviour of different types or groups of users. This is difficult replied the project team.

A new public procurement directive is expected to be adopted in autumn with more focus on lifecycle costing as one of the important criteria. A Forum member asked if similar aspects are being covered in the Elios study. Sabine Bernard answered that this is not directly covered in this work.

Theme 3) Information needs about construction insurance

On behalf of Emmanuel Amy de la Bretèque (excused due to a transport strike), Thomas Dunand did the presentation on information needs

Considering its importance, the presentation focuses on the role of Technical Inspection Services inside the more global construction insurance information needs.

It was firmly stated by the Forum that this presentation was mixing up things. The Construction Product Regulation does not cover the building as indicated in the presentation, but the products. Further, Technical Assessment Bodies ONLY certifies products, not buildings. Regulation of buildings is done through the national building regulations. Likewise signs like CE marking are only part of what is used to inspect a building. The project team explained that it is aware of this, and that the seven requirements were used as inspirational source, but maybe there is confusion as to what a technical inspection service (TIS) is. The Commission stated that applied terms need to be explained and clarified.

The Forum argued that the statements on management and control of risks are very broad and imprecise. Several critical questions were raised like: How will you get feedback on the risk? How will you implement the tools to do the risk assessment? Where do we find the feedback of defects of eco-technologies or eco-innovation? How can a surveyor assess a risk that he doesn't know? How are you going to implement risk assessment and to give proof of feasibility of technologies? How do you intend to identify risks before they become serial defects? Will technical inspection services/surveyors be an obstacle to innovation?

The project team acknowledged the questions raised by the Forum. It was first clarified that the use of the CPR terminology was only intended to have a common language between the different stakeholders, notably in the questionnaire. We are here talking about how insurers use technical inspections as part of their work, not about the regulation, its applications, the certification process or the inspection procedures as part of this certification. Considering the misunderstanding generated by this choice, references to the CPR will be removed.

It was pointed out by the Forum that it is not enough to find a solution for manufacturers but also for contractors. Focus of this study is not on products' insurance but is much wider.

Forum asked to what extent would risk assessment be an obstacle for bringing innovative solutions to the market, and using them, in an ever increasing competitive environment? In the market, consulting engineering firms and contractors deal with these problems on a daily basis. The client doesn't ask for innovative solutions, he is not inclined to pay more. It is the market that offers innovative solutions in order to be competitive, optimizing the budget to a maximum, giving added value. That's the big dilemma. The counter question to the insurance world was: can we find a solution for this? The big challenge is indeed for bringing insurance solutions and innovation to the market. That is actually the point of the study.

The project team gave an example of how an insurance company prices a risk of new technologies adopted by one of their major manufacturing/industrial clients through the use of comparison with historical data on adopting new technologies combined with making a technical assessment using their own engineers.
Forum:

Commission informed that it will be organising a conference in October on innovation that deals with this question.

Commission asked what the Commission should do with respect to the concluding question of the Powerpoint presentation ("How can European institutions help the adoption of Inspection?")? The Commission asked what the specific problem are in this process, and what makes it relevant to deal with from a European perspective rather than a member state level? What would the project team like to address to the Commission? Is it a problem of lack of transparency, a problem of cross border? Project team replied that the question is rather "what can be done at a supranational, hence European, level?", anticipating our next presentation on convergence paths that solutions may be more a matter of

communication or sharing information at a European level, for example through cross border warning systems.

It was stressed by the Forum and the Commission that other early warning procedures and safety systems exist in Europe like the RAPEX for consumer products and ICSMS (Information and Communication System on Market Surveillance) for the exchange of information on risky products. The project team was asked if we wish to create a new tool (website) or make use of already existing systems?

Forum pointed out that it is not enough to look only at the specific technology, and the Forum encouraged the team to integrate the design process into our study.

Theme 4) State of the art of insurance schemes in the EU-27 and transition paths

Kim Haugbølle presented the work on transition paths based on the work of Frank Geels. It was argued that we need a multi-level perspective to understand and implement transitions. The levels addressed are: 1) Technological niches, 2) socio-technical regimes, and 3) landscape developments. Socio-technical construction regimes are markedly different from country to country. Four systems may be identified:

- A liberal system (Anglo-Saxon).
- A corporatist system (Nordic).
- An étatique system (French).
- A mixed emergent system (Eastern Europe).

Sociotechnical regimes of construction may change if appropriate pressure from the landscape (e.g. European Union) is placed on the regimes and alternative technologies (like eco-technologies) are available within various technological niches. The development or transition paths will depend on the combination of landscape pressure and niche technologies, but may follow either of or a combination of the following paths: 1) reproduction, 2) transformation, 3) technological substitution, 4) de-alignment and re-alignment, and 5) re-configuration.

Based on the example of the Danish Building Defects Fund, it was discussed if insurance can promote or stifle innovation.

Theme 5) Analysis of conditions for greater mutual recognition of construction insurances regimes

Thomas Dunand presented the analysis of conditions for greater mutual recognition of construction insurance regimes. Based on research on European public policies, Holzinger & Knill (2005) have identified five core mechanisms for policy convergence among member states. These five mechanisms include: 1) imposition, 2) international harmonisation, 3) regulatory competition, 4) transnational communication, and 5) independent problem-solving. For each of these five mechanisms the factors affecting the scope, degree and direction of convergence is discussed.

4) EQEO (Eco-technologies Quality European Observatory) by Jean Roussel and Michel Van Droogenbroek

Jean Roussel and Michel Van Droogenbroek introduced the EQEO as a proposal of pilot database making extensive information on some eco-technologies available on a European level. Based on a contractual agreement, the EQEO would gather key national actors holding some records or databases about quality and pathology for their local markets and interested in this approach and in pooling information. The EQEO holds three functions: 1) overview of the pathology recorded, 2) hazard notification procedure, and 3) state of the art of the specific quality signs.

The European Commission asked if an agreement was already in place. Jean Roussel answered that the team is working on it and has written a draft version. A contact has also been taken with a renowned specialized lawyer, M^o Claeys (Eubelius).

A member of the Forum pointed out that focus of the proposal is on eco-technologies. Eco-technologies are important, but technologies in general are important as well as the processes.

The Forum argued strongly that focus must be on prevention, then follows defects management including registration of defects.

The Forum reminded that there may be confidential and legal problems involved. If for example a manufacturer suspects a defect, he/she may ask a consultant or laboratory to help identify and rectify the problem. However, this often implies signing a confidentiality agreement, which makes it problematic to get hold of data. The project team replied that this is in fact the reason why we got in touch with a specialised lawyer for the EQEO. But also in RAPEX or ICSMS these problems exist (because the name of manufacturers and the brand name of the products are mentioned), and they seem to have been tackled.

The Commission pointed out that language issues must also be taken into account.

The Forum stressed that there are other options available e.g. a pilot project funded by DG Environment on a procedure for Environmental Technology Verification (ETV). This is a complete methodology for verification of systems and products (in case of building we would speak of inspection). The pilot project is still going on. It is not known whether these are used by insurers. It doesn't provide information on defects.

The Commission has also financed another project called Eco-innovation Laboratory. A report on source efficient construction materials has been drafted, but this database doesn't provide information on pathology.

Insurers could make of these tools, but this is a matter of communication.

In connection to this, the Commission stressed that there are other options than the EQEO, each with its own advantages and drawbacks, and that the consortium should be aware of these other options.

5) Progress report on WP1 Quality signs – by Jean-Luc Salagnac, CSTB

Progress on WP1 was not debated due to time limitations. Please refer to the attached slides for details.

6) Progress report on WP2 Building pathology – by Henk Vermande, ARCADIS

Progress on WP2 was not debated due to time limitations. Please refer to the attached slides for details.

7) Progress report on WP4 Forum and dissemination – by Kim Haugbølle, Aalborg University

Progress on WP4 was not debated due to time limitations. Please refer to the attached slides for details.

8) Summary – by the European Commission

The European Commission stated that interesting discussions had taken place today, but some matters remain open. The minutes and slides from the presentations will be distributed, and the Forum members are invited to comment.

As mentioned at the beginning of the forum, feedback from the potential users about the developments of the project is necessary to know if adjustments have to be made.

The European Commission reminded the participants of the next forum meeting, which will take place 21 January 2014 at the same venue.

9) Closing

The meeting was adjourned at 17.50.