## Minutes of Forum Meeting 6

## Time and date

Wednesday 11 June 2014 at 13.00-16.30

## Venue

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

## Participants

Sabine BERNARD, Hannover Re

Daniel BEURMS, SECO scrl. (representing CEBC)

Godlive BONFANTI, AQC

Frédéric BOUGRAIN, CSTB

Pierre COLPAERT, CEA Belgium

Michel Van DROOGENBROEK, CEA Belgium

Thomas DUNAND, Hannover Re

Martine Okito GAIBILI, COBATY International

Kim HAUGBØLLE, SBi/Aalborg University

Christian HAUKE, DG ENTR

Dragana KONSTANTINOVIC, TZUS

Clémentine LEROY, Insurance Europe

Tapani MIKKELI, DG ENTR (left at 14.30)

Antonio PAPARELLA, DG ENTR

Jan van der PUTTEN, EFCA – European Federation of Engineering Consultancy Associations (arrived 14.00)

Jean ROUSSEL, CEA

Alain SAGNE, G30 Association of Architects

Jean-Luc SALAGNAC, CSTB

Emmanuel VALLENS, DG MARKT

Henk VERMANDE, ARCADIS

## Agenda

1) Introduction and welcome – by the European Commission

2) Progress reports from technical work packages

* Directory of quality signs – by Jean-Luc Salagnac and Frédéric Bougrain, CSTB
* Building pathology database – by Henk Vermande, ARCADIS
* Mapping of insurance schemes – by Thomas Dunand, Hannover Re

3) Discussion: Recommendation on accessibility to insurance – by Thomas Dunand, Hannover Re

4) Discussion: EQEO – the next steps after conclusion of ELIOS2 – by Jean Roussel, CEA

5) Next Forum meeting – by Kim Haugbølle, Aalborg University

6) Summary – by the European Commission

7) Closing

## Minutes

1) Introduction and welcome

The European Commission welcomed the Forum members. The purpose of Forum Meeting 6 is to discuss the following subjects:

* To report on lessons learned since the launch of directory and database.
* To discuss recommendations for implementation.
* To discuss further work.

The European Commission reminded the attendees of the staff working document on access to insurance published in March 2014.

No comments on the minutes from the previous Forum meeting were received.

2) Progress reports from technical work packages

Jean-Luc Salagnac and Frédéric Bougrain, CSTB gave a joint progress report on the directory of quality signs. They addressed the following:

* Since February 2014, the web platform for the inventory of quality signs has been operational at <http://signsdirectory.elios-ec.eu/>. Until now, a limited number of examples of signs have been included but spontaneous registrations were recorded.
* An example of the use of quality signs in the agro/food business was given for comparison with the construction sector.
* The critical analysis of the perception and use of quality signs is in progress. A web-based questionnaire in French and English has been developed. It has been distributed to some 25,000 potential respondents through a distribution list from the communication department of CSTB, members on the Elios2 newsletter distribution list, etc. Some 7-800 answers from mainly French respondents have been received so far.
* The questionnaire will be supplemented with interviews. Meetings with stakeholders are in preparation in e.g. Denmark.
* An overview of deliverables was provided.

Several Forum members questioned the approach adopted to circulate the questionnaire. The European Commission wanted to know if other avenues had been pursued to increase the number of respondents outside France. Frédéric Bougrain replied that 5 % of the people on the distribution list from CSTB come from outside France. The invitation has also been circulated among members of the Elios2 newsletter distribution list who are mostly from other countries. Despite a reminder, only a small number has replied. Further, the invitation to respond to the questionnaire had been circulated among members of the ECTP and FIEC. However, only two respondents had replied to the invitation – both of them being French. A Romanian researcher had responded and translated the questionnaire into Romanian and circulated the questionnaire. The project team are awaiting the responses.

It was suggested to ask the network for European building research institutes (ENBRI) to circulate the invitation. CSTB is a member of ENBRI.

Forum members asked how the respondents had been selected. Frédéric Bougrain explained that the CSTB list of 45,000 entries had been reduced to 25,000 by selecting respondents belonging to the five target groups of clients, designers, manufacturers, contractors and insurers.

It was pointed out by several Forum members that a new approach is required. It would for example be much easier and thus increase response rate if an email, interactive newsletter or similar simply contained an active direct link to the questionnaire. Frédéric Bougrain explained that the applied technical platform does not allow to as requested, but requires a personal invitation by email.

The Commission asked what the difference between e.g. branding and reputation is. The team was encouraged to analyse the responses carefully and reconsider the difference between the various terms used in the questionnaire. It was also pointed out by the Commission that the responses reported on how the CE marking process is undertaken underlines the need for awareness.

The Commission concluded that the present state of responses is not yet representative and urged the team to develop another approach to obtain responses from the other member states.

With regard to the directory of quality signs, the Commission enquired about status. Jean-Luc Salagnac explained that the numbers of reported signs are still limited. The Commission pointed out that the methods to populate the directory need to be refined. The Commission asked what Plan B is in order to populate the directory. Jean-Luc Salagnac replied that one element could be to limit the directory to technology domains targeted by the pathology data base, i.e. PV, heat-pumps and bio-sourced insulation systems.

Jean-Luc Salagnac concluded the progress report of WP1 by summarising the next steps until Forum meeting 7:

* Promote and populate the directory of quality signs.
* Collect information through survey in EU-28.
* Interviews to complete collected information.
* Final draft versions of deliverables.

Henk Vermande, ARCADIS, gave a progress report on the building pathology database. He addressed the following:

* The web platform for building pathology database is now operational. The database was shortly demonstrated.
* Some 65 cases are now available in the database of three different types of eco-technologies – PV panels, heat pumps and bio-material insulation.
* The preliminary findings include: Hardly any detailed project-related pathologies are reported; most cases are based on collected experiences and lessons learned; a number of input fields are not used; and the distinction between defect and failure is difficult to grasp for the respondents.
* Three different business models for the future database/EQEO were presented:
  + 1) Operation on a non-profit basis with free public access.
  + 2) Operation on a (semi)-commercial basis with access on a subscription basis.
  + 3) Operation on a “give-and-take” basis with limited access to a group of partners.

Insurance Europe informed that a consultation among members had taken place. The European Commission has been informed in writing by Insurance Europe of the outcome of the consultation. The members found the idea of EQEO interesting but would not be willing to provide statistical data. The members expressed concern about the cost of operating the observatory, but the members would not contribute financially. In addition, the idea raises a number of other questions that should also be dealt with.

The Commission asked who the observatory would be useful for except for insurance. The project team answered that construction clients, consultants and other construction professionals could also benefit from the technical insights provided by the observatory.

Insurance Europe wanted to know which model will be recommended in the final report. The project team replied that the free access model is the preferred option, but a recommendation has not yet been settled, because it awaits the feedback from stakeholders.

The Commission stressed that the three different models must be further elaborated from a qualitative point of view, criteria must be given for which solution to prefer, who should have the initiative, the leadership must be qualified (not only the EC), what type of information source is going to be used etc. Further, it was recommended to compare with similar models at national level with regard to e.g how they are they organised and financed.

Thomas Dunand, Hannover Re gave a progress report on the mapping of insurance schemes. He addressed the following:

* Significant modifications for Croatia, Austria, The Netherlands, Sweden and Spain have been required.
* The next steps until Forum meeting 7 includes integration of Technical Inspection Services in the mapping, visit of German contacts and draft of final recommendations.

As the presentation continued directly into the next item on the agenda, questions and answers were postponed.

3) Discussion: Recommendation on accessibility to insurance

Thomas Dunand, Hannover Re, presented some preliminary recommendations on improving accessibility to construction insurance:

* Two main recommendations or rather possible avenues for improving the accessibility to construction insurance were discussed: 1) Improving access to the existing “construction systems”, and 2) modifying the “construction systems” themselves.
* Energy Performance Guarantees are faced with strong hurdles for increased implementation.

The Commission asked why Sweden is abandoning its IDI. Thomas Dunand and Sabine Bernard replied that answers are mixed, but the objective of the IDI was to improve quality, and apparently the scheme has not been successful in achieving the objective. A Forum member pointed out that there are other measures to ensure quality that may be relevant.

The Commission enquired why this was the case when the Danish Building Defects Fund has apparently been successful in improving quality. Kim Haugbølle replied that the Danish Building Defects Fund (BSF) has indeed been successful, but this probably has to do with the special circumstances of the scheme. The Danish Building Defects Fund is not a typical insurance company. The scheme has been in operation for a long time (+25 years); it is specifically aimed at one particular part of construction namely social housing companies; it is mandatory; it is cheap (premium is 1 % of construction costs); independent third-party inspections are carried out after 1 and 5 years only by companies with experience within social housing construction; and elaborate feedback mechanisms to the building owner and the construction industry are in place. Recent developments include the extension of the scheme to also cover renovations of existing social housing.

Kim Haugbølle also reminded the Forum that other schemes are in existence in Denmark (besides the five-year liability according to the agreed document AB92 on General Conditions for the provision of works and supplies within building and construction). These covers:

* The second Building Defects Fund for pre-war multi-family dwellings – very similar to BSF, but smaller.
* A private insurance scheme for private developers of more than six houses in one project.
* Huseftersynsordningen (HEsyn) – an insurance scheme covering almost all sales of single family houses. The scheme relieves the seller of the usual 20-year (now 10-years) liability for hidden defects if certain conditions are met: A standardised technical inspection report has to be made before the sale, an insurance cover has to be offered to the buyer, and the seller must pay half of the insurance premium.
* BYG-ERFA – a knowledge dissemination centre on defects and correct measures established by the two building defects funds, the trade association of insurance companies, SBi and some of the large public building clients.

Jean Roussel reminded that during Elios1 it was found that there were 6 countries in EU with a compulsory insurance system for defects after completion, and in 4 EU countries a compulsory insurance system was about to be implemented. Since then the situation has changed a lot. We have observed in the beginning of 2012 (with Elios2), that none of those 4 countries have implemented such a system, and of the six countries with a compulsory system, one of them is about to abandon it. Our impression is that this has to do with the economic situation. If you want to have protection through a compulsory insurance system you have to pay for it. It is expensive. That is perfectly true for Belgium. A second trend can be observed that could explain the situation is the trend to have more private actors involved instead of (semi-)public actors. For example in the case of the Netherlands the control will be done by private inspectors (private building control).

It was pointed out by the Forum that accreditation of technical inspection services (TIS) requires respect for many different criteria.

The European Commission pointed out that the present legal basis does not make it possible to oblige the Point of Single Contacts of member states to use more than one language or to impose other obligations, such as to give information on insurance in a country. Setting new requirements to the Point of Single Contacts thus entails a change of the service directive.

More Forum members enquired why the project team proposed both an extension of Solvit and the establishment of an Ombudsman for construction insurance. It was pointed out by the Commission that Solvit is for a private individual or company who experiences a problem with a member state authority, and it is not related to solving market problems between for example a construction company and an insurer if there is not a public authority involved. On the other hand, Solvit can step in if there comes an issue such as a reference to the Service Directive, where there is a need for member state authority to recognize the validity on things on own territory of an insurance provided in another member state.

EFCA mentioned a recent comparative study about consulting engineers’ liability and insurance requirement across Europe. The study is available on EFCA’s website:

* <http://www.efcanet.org/Portals/EFCA/ELOKET/12868/EFCA%20booklet%20Land%20I_May%202014_final.pdf>

The Commission asked about status on energy performance guarantees. Thomas Dunand replied that only a few are in existence. There are several challenges to assess the risk, establish appropriate covers etc.

4) Discussion: EQEO – the next steps after conclusion of ELIOS2

Jean Roussel and Michel van Droogenbroek, CEA outlined the next steps and described some possible follow-up scenarios after the conclusion of Elios2. They addressed the following:

* Two key aspects must be in focus: 1) The interest of a better exchange and a broader dissemination of information about pathology, and 2) the necessity to improve the “mutual recognition” between the different insurance systems (Staff Working Document "Access to insurance for services provided in another Member State” dated 31 March 2014).
* Two possible follow-up scenarios were described: 1) A European Observatory (EQEO), and 2) the establishment of an Ombudsman for the European market for construction insurance.
* Five different possibilities for improving cross border activities were suggested:
  + Organise a system of equivalencies.
  + Reduce the diversity of the insurance systems in EU-28.
  + Facilitate information exchange on existing systems and available insurance.
  + Institute a constraining tool like the French “Bureau Central de Tarification”.
  + Appoint an interlocutor – a European Ombudsman for the construction insurance market.

The Forum asked whether the project team had received any other responses to the proposal. The project team replied that a formal response had only been received from Insurance Europe, but the objective is to have other feedbacks and to organise other bilateral meetings.

Insurance Europe was doubtful of the scale and extent of problems with cross-border insurance as stated in the Staff Working Document. The proposal to strengthen the information exchange by the Point of Single Contacts (PSC) was supported.

The debate continued on the provision of cross-border insurance by an insurance company in another country. The example of an Italian insurance company providing insurance for an Italian contractor who wants to go to France was discussed. Should the insurance company then comply with the French rules? Or should the contractor comply? The team replied that the level of cross-border European wide coverage for SME’s by insurers is very low today. Those who provide such coverage would likely stop doing this if they should comply with different national regulations. Jean Roussel pointed out that the content of the guarantee delivered as well as the contractual relationship between the parties will be ruled by the host country law. But, even in this case, the control of the insurer will be done by the home country prudential authority and according to the home country law.

With regard to the system of equivalencies and recognition of the appropriateness of insurance provided in another member state and the protection for the consumer resulting from this, Insurance Europe stated that a consultation with members is needed before a statement can be made. DG MARKT, European Commission invited the project team to a meeting on insurance law to clarify any uncertainties.

With regard to the proposal of an ombudsman, Insurance Europe found it relevant for complaints but expressed uncertainty as to the scale and extent of the problem. The European Commission asked if the team had explored the possibility to have a kind of arbitration rather than an ombudsman, so that market actors can solve problems with cross-border insurance themselves. Jean Roussel answered that it will be difficult to have such a market-driven solution. The European Commission asked the project team to clarify the role of the ombudsman, express the added value and clarify how legitimacy from both construction and insurance can be achieved.

5) Next Forum meeting

Kim Haugbølle, Aalborg University reported on the progress of WP4. The fifth newsletter has recently been issued. The next and last Forum meeting will take place:

* Wednesday 12 November at 13.00-17.00 in room 12/A, BREY building.

The draft version of the final report will be forwarded to the European Commission no later than 21 October. The draft version will be circulated by the Commission some two weeks ahead of the final Forum meeting. Thus, the draft version will be available around 1 November.

The seventh and final newsletter will be replaced by a flyer summarising the main results of the Elios2 study.

As a final remark, a Forum member asked about if there were any cross-fertilisation of ideas between the Elios2 project and the ECTP. The team admitted that only sporadic contact on two occasions had been made with the ECTP. It was suggested to contact Luc Bourdeau from CSTB and ECTP.

6) Summary

The European Commission summarised the Forum meeting as follows:

* Re. WP1: The project team was invited to use another approach to do the questionnaire survey.
* Re. WP2: The project team should appraise better the different options for business models.
* Re. WP3: A better integration between WP3 and WP5 (EQEO) is required.

7) Closing

The meeting was adjourned at 16.30