

elios 2 On Its Way

The first Progress Report of **elios2** which presented an overview of the work done since the beginning of the Pilot Project has been published. You can find it at www.elios-ec.eu. Considering the large scale of research of the project, it has been necessary to clarify the key notions addressed, the terminology used and the orientations adopted.

This preliminary phase in the project has allowed us to establish some concrete results which can be achieved, some possible tools which will facilitate access to insurance by self-employed builders and small firms so as to stimulate innovation and the promotion of eco-technologies in the European Union, especially concerning cross border activities.

On its way...but towards what?

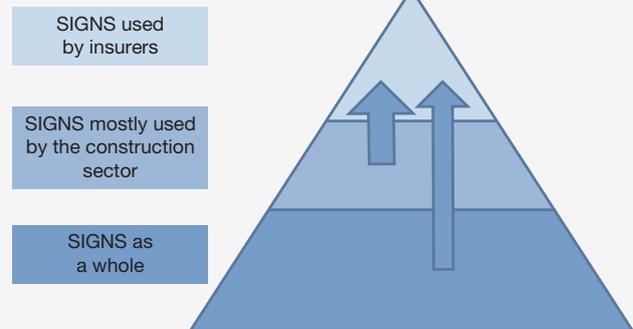
Work Package 1

Firstly, let us consider the quality signs which are being addressed in Work Package 1 (WP1). Some distinctions have been proposed in order to allow a typology and to facilitate an overview of the main signs used in the EU 27 countries.

The team has decided to adopt a pyramidal approach to strengthen the research on the quality signs that are market-driven, particularly on the signs commonly taken into account by the insurers.

This work could result in the creation of a detailed directory focused on the access to insurance. A limited number of signs are used today when an underwriter is asked to cover a risk linked to the construction sector, and this dedicated directory could potentially be quite exhaustive. The presentation should contain a critical analysis of the rationale and the relevance of the information provided by the signs and thus facilitate cross border activities.

What information is relevant?



Work Package 2

In the area of construction pathology, there could be an opportunity to initiate the creation of an “Eco-technologies Warning Procedure” (“Procédure d’alerte”) for some specific eco-technologies.

Work Package 3

The core area being addressed in the Work Package 3 (WP3) is insurance schemes. The team is updating the information gathered during the elios1 pilot and will present a “market state of play” in order to highlight existing trends of the different insurance markets.

These issues are particularly important, bearing in mind that a recent Communication of the EC mentions the necessity to make preliminary recommendations about “insurance schemes to cover performance guarantees by small building contractors” (Communication from the Commission to the European Parliament and the Council-Strategy for the sustainable competitiveness of the construction sector and its enterprises, 31.7.2012, COM 2012.433).

I hope you find this newsletter useful and informative; we welcome any feedback you may have.

Jean Roussel

On behalf of the elios2 partners

CEO of Centre d'Etudes d'Assurances

Work Package 1: Quality Signs

Establishing Trust and Confidence in the Construction Process

To deliver any successful construction project, trust and confidence must be placed in a range of areas. We must be able to trust and have confidence in construction processes and products, employees' professional skills, manufactured elements and pre fabricated systems, to name just a few. Most actors within the supply chain have never worked together and are unlikely to ever work together again after completion. Therefore an indication of how reliable products, processes and skills are is essential.

The elios2 project proposes to use the term "quality sign" to refer to any kind of sign or mark which construction stakeholders take into consideration when choosing between construction products, actors or processes available on the market. Examples include: Certificates, CE marking, labels and technical assessments.

Directory of Quality Signs

WP1 aims to highlight the variety of "quality signs" in the EU-27 countries in order to increase understanding of their content, purpose, usage, added value as well as highlight the similarities and differences between local approaches. This is a way to tackle the information asymmetry often found in the construction process.

The efforts of Work Package 1 (WP1) will now focus on the creation of an EU-directory of these quality signs. The value of this directory will lie in its outline of how each quality sign is established; there is an important difference between a quality sign resulting from self declaration and one resulting from a third party verification for example.

Further contractual questions will be addressed later in the project, such as identifying compatibility and complementary issues of existing "quality signs" with the CE marking, or assessing the impact of quality signs on the competitiveness of the construction industry and practices of the insurance sector.





Work Package 2: Eco-Technology

Case Studies of Eco-Technologies

As part of the work for Work Package 2 (WP2), our UK based consortium partner NHBC has drafted case studies which examined closely 10 eco-technologies currently being used across the EU. Each case study addresses the following points:

- Introduction and overview of the selected technology
- Available types of the technology
- Strengths, weaknesses, opportunities and threats (SWOT analysis)
- Building pathology, defects and an outline of what can go wrong
- Key findings

Building Pathology of Photovoltaic panels (PV's)

One of the case studies investigated photovoltaic panels including the reported pathology of photovoltaic cells.

The following defects of this technology were reported most frequently:

- Incorrect installation documentation and user documentation
- Performance of the system not as claimed because of disappointing yield (not as promised in sales brochure) due to for weak fine tuning after installation or deficient installation work, for example
- Failure in installation
- Commissioning failure
- Product failure once installed
- Poor transport of product during delivery

When translated into “insurance terms”, a provisional conclusion can be drawn that most reported defects refer to liability claims, such as commissioning failure, deficient installation by the installer or performance claims, such as disappointing yield.

Very few “traditional” insurance claims such as fire or storm damage, or water leakage were reported by the respondents as reasons for failure or defect. However, despite this, we cannot conclude that “traditional” claims do not appear at all. In further stages of elios2, we hope to collate additional information on reported defects from insurers on these “traditional” insurance risks.

Work Package 3: **Insurance**

Extending Descriptions to Market Considerations

While the legal aspects of the mapping carried out in elios1 is being updated, we have been gathering information in extending the descriptions to market considerations from a range of sources. First results indicate that, as already outlined in elios1, existing legal insurance schemes across EU-27 are very different. These differences are even greater if we consider the insurance market. Beyond these differences, within countries where insurance is not compulsory, there appears to be further differences in the way insurers offer protection and assess risk.

Improving Accessibility by Facilitating the Free Exchange of Information

Further initial results indicate that performance guarantees are very scarce and that there are few financial mechanisms to protect investors' interests. As standardisation of guarantees across Europe is not a realistic global solution, improving accessibility should focus on facilitating the free exchange of information. The main solution would be to create a single point of contact that would present companies with the legal risks, insurance requirements and how to take it out, for each EU country. This information could be given through an "insurance guide". Other possible ways of helping companies locate insurance in a foreign country and demonstrate compliance, could include the provision of information on the local construction techniques and normative framework, as well as improving the transparency of existing insurance covers and financial offers.



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