

CONSTRUCTION & ENERGY

General trends

The recovery momentum in construction sector activity, which began in 2021 is being tempered by inflation. This is because the end of the Covid-19 crisis and geopolitical tensions are creating a gap between demand, which is rising, and supply, which is struggling to keep up.

Difficulties in sourcing building materials together with rocketing energy prices is slowing down building projects and increasing construction costs. The global market is once again under pressure.

At the same time, the required changes in regulations bring about new constraints leading to different construction methods and ways of operating to which the sector must adapt (reuse, renewable energies, etc.).

The insurance market is suffering the same fate, as inflation will have repercussions on premiums and claims costs over time.

Despite the renewed appetite of insurers for major projects and the development of innovative and alternative solutions (digitization, analytics, captives, etc.), economic uncertainties weigh on the sector and it will be several years before we see a return to pre-Covid-19 levels.

The complexity of the global economic context and the variety and speed of change will create a positive dynamic in which brokers will play a more decisive role than ever before with the "ultra-specialization" of their expertise to generate added value for their clients.

Market capacity

Overall market capacity remains stable, particularly for Construction "All Risks" policies, but the trend towards a reduction in the share underwritten by each individual insurer is intensifying.

For Contractor's Liability policies, average cumulative capacity available remains constant at around €500 million but is nonetheless insufficient for major projects.

The market is still very reluctant to cover certain risks, particularly in the field of Decennial Liability for renewable energy, innovative techniques and geotechnical activities.

Developments in coverage

In recent years, technical and regulatory developments have forced insurers to adapt:

- Construction / Erection "All Risks": coverage extension required for activities located outside of the construction site: this type of coverage is increasingly common due to assembly sites linked to industrial construction methods.
- Liability/Decennial Liability Policies: ER 2020*/ Performance commitment (energy savings and production)

As with TR 2012* on the reduction of greenhouse gas (GHG) emissions, we can expect insurers to offer specific coverage for ER 2020. This may be either coverage of non-attainment of regulatory performance or expected production. This coverage is still generally limited and often designed to avoid the decennial liability scheme which can still be used in case of irregularities.

Most insurers are still ruling out coverage of actual performance despite growing demand in the market.

*ER: Environmental regulation

*TR: Thermal regulation

Pricing trends

The French construction insurance market continues the bullish policy it began to pursue in 2020 and 2021.

The surge in the cost of building materials could not be foreseen by insurers due to its scale and speed (on average: wood up 35%, structural steel up 27%, concrete sand up 21%).

This increase in the cost of raw materials has an immediate bearing on the financial impact of claims and will probably continue to do so over time.

Following on from the increases in 2020 and 2021, we are seeing a stabilization of pricing for Construction/Erection "All Risks" and Contractor's Liability policies in 2022. To date, the cost of materials has created uncertainty as to whether this pricing stabilization will continue in 2023.



PARTNER OF THE “BOOSTER DU RÉEMPLOI” REUSE PROJECT, ER 2020

Diot-Siaci participates in the innovation groups of the “BOOSTER DU RÉEMPLOI” initiative which brings together some forty contractors who are involved in reuse on a practical level in their operations.

We bring our technical expertise to alleviate the legal and insurance hurdles associated with the reuse scheme that are shaking up both technical certainties and the usual mechanisms of liability and remedy across the chain of players in the construction process.

With 46 million tons of waste produced each year in France, the construction industry is the most polluting. In comparison, household waste represents 30 million tons of waste per year. More and more of this waste is recycled, however less than 1% is “re-purposed” or reused.

ER 2020 sets the new mandatory construction rules for construction permits beginning January 1, 2022.

The sector is preparing to move towards a mass uptake of reuse. The extension of Producer's Liability to manufacturers of construction materials should bring about a significant increase in potential reuse players and sources, with the creation of eco-organizations accelerating the phenomenon.

However, insurers remain cautious due, among other things, to:

- the lack of perspective on re-purposed materials,
- the qualification of re-purposed products, the chain of responsibility and the problems of remedy.

Insurers are careful not to adopt a position of principle on this subject. Nevertheless, the required coverage can be obtained on a case-by-case basis.

DIOT-SIACI'S EXPERTISE

What is our operational technical expertise?

The diversity and the technical and legal plurality of our teams, combined with our experience, mean the Diot-Siaci Construction teams can assist and support all clients, whatever the nature, size, complexity or location of their projects.

How do we assist and support you?

Our aim is client satisfaction. Faced with new risks and constant changes in regulations and their application, the relationship with our clients is based on our rigor and a spirit of mutual trust that makes it possible to establish long-term partnerships.

What can we offer you?

Dedicated technical teams. Proven negotiation and administration methods in both production and claims. High-performance systems and tools for meaningful analysis. Comprehensive knowledge of the construction industry.

What makes us different?

- Experience, technical, legal and contractual skills and expertise.
- Reliable data from the wide variety of our client base, the insurers and markets allow us to offer the most competitive terms and conditions at any given time.
- A modern vision of the insurance sector and an in-depth knowledge of the construction industry and its insurers.
- High-performance tools/management/control and reliability of data.
- A vision of tomorrow's brokerage in pragmatic areas.
- Specific coverage.



2 operational business units combining Production and Claims



105
specialists



450
clients



€ 185 million
premiums under
management



+22,000
claims handled
per year

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