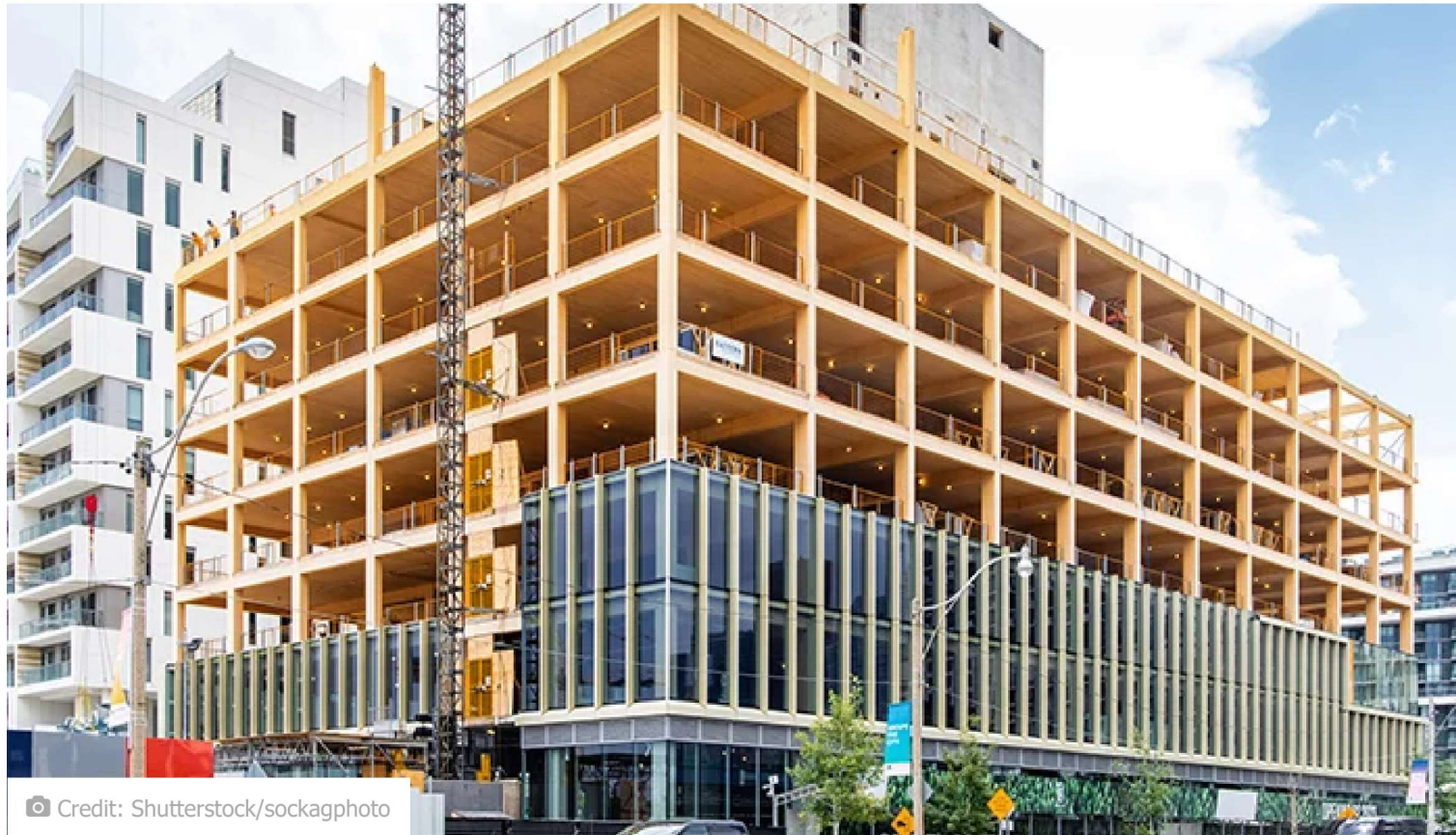


# Lack of data on new construction technologies still hindering transfer options

👤 Tony Dowding • June 7, 2023



New technologies and methodologies in the construction sector are proving a challenge for insurers due to a lack of data, and greater collaboration between carriers, brokers and risk

managers is required to help solve the issue, according to a panel at Commercial Risk's Construction Risk Management Europe conference.

The construction sector is having to deal with the transition to net zero and decarbonisation. As a result, a lot of new technologies and methodologies are being introduced. The insurance industry has been wary of some of these new risks, leading risk managers to ask why the market is not doing more to help with the green transition.

Speaking at the construction event in London, Blanca Berruguete, global industry solutions director – construction at AGCS, noted that new construction materials and technologies have had to be introduced in a short period of time. She said technologies keep developing at a fast pace and they are unknown risks for insurers.

"New technologies involve new risks for insurers. We need to work hand in hand and get access to data, to understand the risk," she said. "We understand that there is a need for new solutions and innovation in products, but we need to understand the new risks because insurers really like data, and these new materials and methodologies imply no data is available."

She added: "I think we need more empathy with the construction industry, and they need to understand why we ask so many questions. Questions are a good sign that we are interested in your risk. We need to understand and get to know more because faulty design is one of the key causes of losses."

Berruguete said insurers, brokers and clients need to sit together to find solutions. "Our engineers need to speak to the client's engineers at a very early stage, and allow us to access the premises, to check submissions. We want to help you, but we need to get the

data that we are missing. We don't have past data on these new technologies," she said at the event with Aon as headline partner.

Andy Kane, head of construction and engineering at QBE Europe, said that new technology is one of the biggest risks facing construction firms and their insurers. He pointed to hydrogen fuel as an example. "The concern for the insurance industry is that we don't repeat the same mistakes that the power industry had with gas turbines and the losses that it produced, and similarly the mistakes in the UK around waste management and massive professional indemnity and engineering losses," he said.

Another tricky new risk is no cement concrete, for which there is simply no track record, said Kane. He said that there is also a challenge around timber-framed buildings in the UK where capacity is restricted. Kane added that UK building regulations do not require sprinklers in such buildings.

"Industry has to respond by saying we are going to manage these risks responsibly and carefully and engage with insurers at an early stage, not just construction insurers but also property insurers," said Kane.

Tom Anderson, executive director at Aon, said that the insurance market has shown previously that it can step up when faced with difficult risks. "One of the things we are thinking now is that in order to keep some sort of control over innovations and new ideas and protect all sides, codes of practice need to be implemented," he said.

Chris Dulake, global sector leader, transport at engineering consultant Mott MacDonald, highlighted the UK's new Building Safety Act, which focuses on people, processes and products. "There will be a new statutory body that is looking at new products and

compliance. Relying on those bodies that have been set up as part of the new buildings act will allow insurers to get confidence. It is important to tap into that and understand what is going on," he told the conference.

Berruguete said the hard construction insurance market over the past few years has had a big impact and insurers are feeling more comfortable with the terms and conditions that have been secured lately. "The main challenge we see now is due to climate change – high severity losses, with greater frequency. That is our main fear. Inflation is also having a big impact, as a replacement costs more and takes longer because of supply chain disruptions," she said.

The insurer said inventories need to be up-to-date and sum insureds need to be correct to avoid underinsurance. "So that when losses hit, we can all feel comfortable about the right replacement cost," she said.

Kane agreed the insurance market is in a much more sustainable place than it was in 2019 but noted claims inflation remains a big concern for insurers. He said reserves for professional indemnity cover continue to deteriorate.

Anderson concluded that the big risk is not learning lessons from the past. "If we look at the state of the UK market, we are still amidst the cladding crisis, born in 2006 after building regs were relaxed so that more cladding could be used to insulate homes to avoid fuel poverty taking hold," he said.

"Now, with decarbonisation, if we do not collaborate with all financial markets, investors and insurers, construction is in a very real danger of in ten years' time, at a conference like this, talking about how we failed," he said.

