

Press Release

Contingent BI in Engineering Insurance - Relevant Risk and Underwriting Considerations to improve Clarity and achieve Best Practice Standards

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The underwriter's concern is to be sure to have available everything he/she needs to make an appropriate calculation of the premium to cover the risk, to estimate the financial exposure of his/her company whilst insuring that risk and to control the risk during the period of insurance. He/she needs to evaluate the probability of an insured loss and the extent of the maximum probable loss.

If ALOP or Business Interruption extensions are required, the underwriter will also need to know which elements can have the greatest influence on the period of interruption. He/she would also need to clarify whether the Insured will be in the position to take action to minimise any interruption.

In accordance with normal insurance practice the underwriter would expect that all the above information will be disclosed to him/her, but in the case of Contingent BI extensions this is often left much to the imagination of the underwriter.

The control of the risk during the period of insurance also requires that in the event of a loss the insured notifies the Insurance Company and takes all necessary measures to minimise the loss, being thereafter prepared to cooperate with the appointed adjuster in providing all information needed.

These are basic elements of insurance that most of the time we take for granted but are we sure that in the case of Contingent Business Interruption Insurance all of these elements are as they are supposed to be?

In this paper considering briefly Contingent Business Interruption Insurance, commenting on the most common types of extensions applied at present by the market. It also highlights some of the problems that an underwriter can face, when accepting these types of extensions, in terms of assessment of the risk and of the exposure that an Insurer can face in the event that some basic elements are not kept under control during the underwriting process.

These considerations allow drawing together some ideas for best practice standards.