

Press Release on the 49th Annual IMIA Conference 2016, Doha

IMIA, the International Association of Engineering Insurance held its 49th annual conference from 3rd to 5th October 2015 in Doha, Qatar.

The IMIA Meeting in Doha, Qatar was the first hosted by an Arab country. Sponsored by Qatar Central Bank and Qatar General Insurance and Reinsurance Company. 103 Member Delegates participated plus 15 local Guests for the Tuesday presentations.

Before the actual working meetings Qatar General arranged a formal & official Opening Ceremony which a large number of government and insurance Officials attended. In his welcome address, his Excellency **Sheikh Abdulla Bin Saoud Al-Thani**, Governor of Qatar Central Bank, highlighted the importance of insurance in order to maintain stability and avoid risks in the light of the current status of the global economy. He welcomed all delegates to Qatar, trusting the conference will have direct benefits on the local and international companies working in the region by sharing their expertise with professionals and experts.

The conference working sessions were opened by **IMIA** Chairman **Oscar Treceño** together with acting **President Maurizio Colautti** of the sponsoring Qatar General Insurance and Reinsurance Company. Beginning with the Anti-Trust statement that is to be observed by all Participants.



Oscar highlighted in his opening address IMIA's achievements and activities since the last conference and expressed IMIA's gratitude to Maurizio of QGIRCO for the excellent conference infrastructure and support. In view of the current soft market situation, Oscar pointed out how important expertise and know-how is when underwriting Engineering business and in this connection the value institutions like

IMIA provide to the community of Engineering underwriters by offering network platforms, access to a broad knowledge and training opportunities.

Stephan Laemmle of Munich Re gave an overview of “**What happened in the Insurance Market in the last 12 months**“. Stephan identified the challenges the insurance markets are faced with like the switch from traditional energy production to renewable energy as result of global warming, expansion of infrastructures, cyber risks, smart construction, etc. Changes in political structures (e.g. BREXIT) might also have its influence on the insurance markets. Facing these challenges, diligence, professionalism and adequate terms and conditions are of utmost importance.

Utz Groetschel of IMIA Secretariat presented the **Engineering Premium and Loss statistics** compiled from the numbers reported by IMIA member countries. Overall a small increase (+1.2%) in premium and a minor decrease in losses (-2%) can be observed, while most countries had a negative development whereas a few enjoyed good improvements. The presentation is available on the IMIA website under “About IMIA” and “What is IMIA”.

Maurizio Colautti and Mohamed Elailah of QGIRCO presented in brief the specifics on “**How the local market works**“. Qatar is one of the world’s most important producers of oil and gas. With its National Vision 2030, Qatar strives for economic growth based on its human and natural resources. Several large construction projects are under way, the most important being the construction of five new stadiums for the 2022 FIVA World Cup and the Doha Metro project. Qatar insurance market premium (6 companies) is expected to reach USD 1.6 Bio in 2016. Engineering premium in 2015 reached nearly 3 Bio QAR (~USD 825 million).

Richard Radevsky of IMIA EC introduced the new **Working Group topics for 2017** to be presented at the IMIA Conference 2017 as follows:

- WG Paper 101 (17): **Waste to energy** / Chair Simon Dejung
- WG Paper 102 (17): **Rolling stock** / Chair Christoph Guntersweiler
- WG Paper 103 (17): **Diesel engines** / Chair t.b.a.
- WG Paper 104 (17): **Inconsistent Insurance and Reins.** / Chair Pascal Luethi
- WG Paper 105 (17): **Adequacy of sum insured** / Chair Martin Frey

The Working Groups met for a kick-off meeting and initial discussions on how to proceed.

During the **Break-out session**, six selected topics around Engineering Insurance were lively discussed:

- **Soft markets and quality of risk management** (Chair: Marina Zyuganova)
- **Impact of company internal reorganisations on Eng. Ins.** (Chair: Stephen Worrall)
- **Quality criteria distinguishing good/bad contractors** (Chair: Milind Bhatawadekar)
- **What drives the local markets?** (Chair: Peter Tailby)

- **Economic conditions in Middle East and impact on Eng. Ins.** (Chair: Dieter Spaar)
- **Sandwich panel use in construction and fire Exposure** (Chair: Olivier Stein)

By rotation of the groups – each group had the opportunity to give its input to the other topics – the result of the outcome could be steadily improved and ended in comprehensive findings for each of the topics.

Six new **Working Group papers** elaborated in 2016 were presented:

Supercritical Boilers – WGP 95(16) - presented by Patrick Jennings, HSB

Coal is an important fuel for power generation as it is a widely dispersed resource, requires relatively low cost capital for extraction, and the technology required to convert coal to electricity is well established. New higher efficiency coal fired power plants are and will continue to be built to reduce the amount of pollutants generated per MW of electric output. These plants will utilize technology known as Supercritical, Ultra-Supercritical and Advanced Ultra-Supercritical technology. As the push for higher temperatures and pressures to increase cycle efficiency continues, there are new risks appearing in boiler technology that was considered mature. The paper broadly addresses aspects of coal fired power plants and discusses in more detail the latest and future trends in supercritical boiler technology. These new trends, primarily new material compositions, have led to recent large losses for large supercritical boiler projects and underwriters and engineers need to be aware of these risks to develop potential mitigation steps.

Cost Overrun in Project Insurance - WGP 96(16) - Presented by Caroline Hairsine, CNA Hardy

Significant cost overrun is a growing concern throughout the construction industry and can impact the client, the contractor as well as insurers. 98% of megaprojects and in excess of 50% of construction projects are suffering cost overrun for a number of reasons. How do these cost overruns arise and are they within the control of the contracting parties? How does insurance provide protection for cost overrun and any associated factors?

This paper attempts to identify the main reasons of cost overruns in construction projects, how these are currently addressed by contractors, project owners and insurers and identify measures that can be taken to help prevent cost overrun. Is the risk insurable? Engineering underwriters are faced with an increasing demand for covers of cost overrun and the question is how the insurance industry can support the demand with products already available or new solutions.

Construction Plant & Equipment - WGP 97(16) - Presented by Tom Wylie, Starstone Ins.

The drive to construct more complex building and civil infrastructure and the desire to promote larger scale, more efficient process technology within the global Construction and Engineering arena brings greater industry challenges associated

with design parameters, workmanship demands and material flexibility. As a consequence, the range and capabilities of the Construction Plant and Equipment required to assist in facilitating this development continues to evolve.

As such, an understanding of the key risk assessment features is paramount and this will fluctuate according to type of plant and equipment, intended construction method and usage and the environment in which it is designed to operate. Ensuring that established working practices and sustainable inspection and maintenance plans exist, becomes critical for reasons of human safety and for the protection of the plant and equipment itself. This detail needs to be collected and assimilated to ensure that a foundation is established upon which to develop appropriate and fair terms and conditions.

It becomes essential to gain an appreciation of the contract responsibilities between the Owner and the Hirer such that the structure of insurance requirements can be tailored to ensure that complete and adequate policy protection is provided to all parties. The insurance cover effected for Construction Plant and Equipment can be approached in a number of ways whether this be on the basis of an annually renewable arrangement or indeed in support of a specific project policy. In assessing the demands and requirements in this area, the principals associated with integrity of valuation, basis of loss settlement and standard policy exclusions need to be considered.

Finally, it is understood that no technical paper dealing with the insurance of Construction Plant and Equipment would be complete without the provision of an overview of actual claim examples. Therefore, a number of real incidents occurring on contract sites are included for completeness. It is hoped that the content of this Working Paper as developed, by a team of experienced Construction insurance practitioners, covers and achieves the objectives outlined.

Cyber Risks - Engineering Insurers Perspective – WGP 98(16) - Presented by Alexander Schmidl, Munich Re

“Cyber” is a generic term which can mean different things to different people. For clarity, this paper defines cyber risks and how they apply to Engineering insurance lines. Much is already known about cyber risk as it relates to electronic data, therefore this paper concentrates on the possibility of physical damage and consequential losses such as business interruption arising from a cyber event.

Cyber risk is real. Threat sources and the motivations for initiating a cyber-incident are manifold. They range from inadvertent and accidental incidents to theft of data, attempted extortion and the efforts of ‘hacktivists’ or ‘state-sponsored’ endeavours. Motivation is always expensive and sometimes impossible to prove. When evaluating cyber exposure with the intention of creating a potential stand-alone Engineering insurance product, or thinking about including cover by endorsement, or even if intending to impose an outright exclusion on a policy, a number of key factors analysed by the working group should be considered.

Dependence on Information- and Communications technology (ICT) grows every year, and so does its vulnerability with regard to cyber threats. Consequently this paper seeks to be of practical use for engineering insurance lines underwriters. The

recommendations provided are just that, recommendations. Insurance market considerations are not part of this paper and individual underwriters should determine their own risk appetite and approach to this exposure.

Natural Catastrophe Modelling for Construction Risks - WGP 99(16) - Presented by Tim Chapman

This document gives an overview of the most important commercially available Nat Cat models. Such models are typically designed for Property business and have significant gaps for Engineering business. The document discusses how such models can still add value in Engineering business and it outlines the most urgent development needs in order to make these models more relevant for this business segment. They include

- More accurately reflecting the build-up in value over time.
- More accurately reflecting the change in vulnerability over time.
- Combining these two to more accurately quantify the financial loss.

Support for Excavations – WGP 100(16) Presented by Harald Scheer, Helvetia

The ever-growing demand for construction works in urban areas, combined with deep excavations, poses geotechnical design and construction / execution challenges to ensure proper foundation works and not to damage the surrounding buildings, utilities and environment. Specialised contractors and special knowledge and techniques are required to manage the specific challenges of these works.

The paper gives an overview on types of excavations, soil conditions, impact and influence of deep excavations on the neighbourhood and also offers recommendations for underwriting.

All papers presented were declared “free for publication” and are available on the IMIA website.

Panel Discussion: “Is the Engineering Market sustainable?”

Moderator: **Max Benz**

Participants: **Thierry Portevin, David Walters, Jürg Buff, John Forder**

Summary:

Markets offer around the double in capacity compared to 5 to 10 years ago and in combination with broadening covers, increased demand for ALOP covers, long lasting projects, etc. underwriters need to be aware of the consequences of their decisions. The participants agreed that underwriters need to be even closer to client and risk and understanding client’s needs, exposures as well as technical and financial developments are of vital importance. Backed by financial strength, efficiency, claims payment capability, excellent services and – not least – brainpower, Engineering insurers are in a good position to adapt to the changes in the future.

Special presentation:

Adjusting Business Interruption Claims in Middle East, Carl Roberts, Cunningham Lindsay

Insurance markets in the Middle East are of small size and often influenced by large groups of companies throughout the supply chain. Lack of independent verification sources and different jurisdictions to insurance and reinsurance contracts make the adjustment of BI claims difficult. Business managers lack of experience in risk management, have no business continuity plan and there is often no competent local technical support staff available. Besides the difficulty to quantify losses, local commercial and civil codes supersede the policy conditions, which leads to long lasting court proceedings without decision.

War and terrorism – Collateral consequences for engineering and construction insurers - Richard Radevsky, Charles Taylor

War and terrorism situations make access to construction sites in such regions very difficult and long delays need to be taken into account. Due to the absence of security, extra time and costs are not to avoid and in some cases even army protection is needed to gain access. The question whether loss adjusters and surveyors have access to the site must be part of the underwriters risk analysis.

Providing Insurance for Doha Metro

**Paul Hampshire, Liberty USA, Sean Pearson, Liberty Dubai and Alan Duffy,
Insurance Manager Qatar Rail**

After an introduction to Liberty Specialty Markets, the speakers gave an overview of the Project and the underwriting aspects of this challenging mega-project (100 stations, 215 kilometers in 2 phases and further extensions). They gave details about Liberty's activities in Risk Management, Engineering and Assessment of this project.

IMIA Index Survey Stephan Laemmle

The IMIA Index will be a standard indicator for trends of engineering insurance rates based on information to be provided by IMIA members. Annually published, it will allow insurers to keep track of current pricing trends, compare them with past levels, and use the information to complement or fine-tune available rating tools. Compliance matters in this connection will be checked and clarified.

Invitation to IMIA Conference 2017 in Munich / Germany Andreas Schindler, GDV German Association

With a brief introduction to the German insurance market and the conference program 2017 in Munich, Andreas Schindler invited the delegates to the 50th IMIA

conference taking place from 1st to 6th September 2017 at the Westin Grand Hotel in Munich.

Internal Information: What's new at IMIA?

Hans Mahrla

Hans Mahrla informed about the new website, which will be operational soon after the conference. In an appeal Hans Mahrla encouraged the delegates to actively explore and use the website.

The Chairman's closing remarks

In his closing remarks, Oscar Treceño underlined again the importance of IMIA as an institution supporting good underwriting practice in an industry which continuously loses experienced underwriters with valuable know-how and in a commercial environment of deteriorating rates and conditions. He encouraged the delegates to contribute with loss examples, external papers, interesting articles, etc. which can be shared within the IMIA community.

Oscar closed the 49th IMIA Conference in Doha by thanking all those who contributed to the success of the conference and in particular to Maurizio Colautti and his team of QGIRCO for the excellent organisation of the event.

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