

Engineering Insurers Meet to Discuss Their Ongoing Challenge: Adjusting to Ever-Changing Risks

Engineering insurers around the world combine their efforts to share experiences, discuss new technologies and investigate and share knowledge on emerging issues at the IMIA, the International Association of Engineering Insurers, which held its 40th annual conference in Tokyo from 1-3 October 2007. Here, we present you extract of the press release report on the Conference which saw the attendance of delegates from 17 countries.

Five new papers were introduced by the IMIA Working Groups this year. They were:

1. Engineering Insurance Exposure Related to Wet Risks

This paper helps underwriters to understand wet works construction to build up awareness for the wide variety of perils the construction of wet works is exposed to and to perform professional risk analysis and underwriting. It also draws underwriters attention to possible loss scenarios by some illustrative loss examples. The paper explains in the first part various types of wet works and the technical aspects of wet works construction. In the second part, the paper describes a variety of exposures, individual underwriting considerations, typical loss scenarios as well as risk management, safety and security aspects. Finally, the paper closes with the description and illustration of typical losses and loss scenarios.

2. Emerging Technologies: Insuring What Has Not Been Insured before

The paper describes and illustrates some tools that are useful in meeting the challenge of insuring new technologies. Risk models can be used to guide pricing and quantify portfolio risk, in particular information risk and technology risk, so important in the case of insuring new technology. It is shown how to quantify the value of information. The use of expert opinion to develop risk models is discussed and Bayesian updating is suggested as the best way of updating risk models with data as claims data becomes available for new covers.

3. Rehabilitation Works and High Coverage Limits for Existing Property

The exposure to existing property may vary substantially depending on type and extent of the works, the value of existing property and the extent of its involvement in the works. Where a smaller contract is taken out in an environment of existing property of high value, the contractor's insurer may find it problematic to include high limits for existing property in the contract works policy. Whenever important rehabilitation works are undertaken and high coverage limits for existing property are required, contract works insurance is often taken out by the principal for all parties involved. The principal is the most interested party in seeking adequate covers for his interests in the existing property as regard property damage and business interruption.



4. Revamping and Modernisation of Machinery and Equipment

This paper deals - very similar to the above topic - with material damage and business interruption exposures to existing production facilities during revamping and modernisation works.

5. Water Distribution Systems in Buildings during Construction

Water damage in buildings during construction has become a major and increasing problem to insurers in certain markets. The increasing sophistication of water distribution systems in buildings means an increasing risk of damage caused by the accidental escape of water from such systems in buildings while being constructed, extended or refurbished. The paper increases the awareness among IMIA members and the wider engineering insurance community of the problem of water damage associated with water distribution systems during the construction of buildings and proposes a framework for a code of practice which could be adapted as required by contractor's all risk insurance (CAR) insurers worldwide.

Material Change of Risk

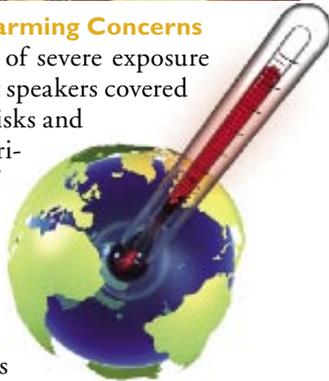
In breakout sessions, conference participants exchanged views and shared experience on topics like the future of software insurance, engineering covers affected by material change of risk, ways and options to expand IMIA's

role and to obtain increased commitment from delegates, tunnelling risks and the broker's role in today's insurance market environment.



Earthquake and Global Warming Concerns

Japan is situated in a region of severe exposure to natural hazards. Two guest speakers covered topics related to earthquake risks and global warming. Prof S Midorikawa of the Tokyo Institute of Technology presented methods on how to reduce the effects of earthquakes by reinforcing existing buildings and improving construction methods for new structures



as well as an earthquake early warning system. Prof T Nakajima of the University of Tokyo presented a modelling study of the earth's environmental change and global warming phenomenon.

Analysis of losses plays an important part in engineering insurance. Interesting cases of a tunnel loss and losses in decennial insurance were presented and discussed. Papers presented by IMIA working groups and conference participants as well as by guest speakers will be soon available in the library section of the IMIA website. Please refer to www.imia.com

Scotland in 2008

The member country hosting next year's conference is Great Britain. It will be held at Gleneagles, Scotland, in September 2008.



Mr Masami Suzuki

This year's conference was hosted by the Japanese delegation to IMIA. Mr Masami Suzuki of Tokio Marine & Nichido Fire Insurance and IMIA President for 2007 (left) welcomed the delegates from 17 countries to the Tokyo conference. IMIA Chairman



Mr Detmar Heidenhain

Detmar Heidenhain of Munich Reinsurance (right) opened the three-day meeting by focusing on the achievements since the last conference and the goals for this year's meeting.

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