

## Press release on IMIA Conference Gleneagles

### IMIA, The International Association of Engineering Insurers held its 41<sup>st</sup> annual Conference at Gleneagles from 15<sup>th</sup> to 17<sup>th</sup> Sept. 2008

The President and host of this conference, David Smith (Chairman of the British Association BMIA and Director of Construction, Power and Engineering at RSA) welcomed the 70 Delegates from 21 countries to the Gleneagles conference and Chairman Detmar Heidenhain (Munich Re) opened the three days meeting referring to the progress IMIA has made in the past year and laid out the aim of this year's conference. He thanked for the many contributions received for the work of IMIA and the quality they have put into fulfilling this task.



The new premium and loss statistics of IMIA members for 2007 were presented by Hans Pöttker (Allianz). The presentation is now available on the IMIA website under Library.

John Forder (Willis) made a very interesting presentation on the specialities of the British Insurance market with a special view on Engineering insurance.

Three further brief country reports were given by delegates from Canada, Finland and Austria highlighting market developments and loss situation in these countries.

Five new IMIA papers were presented by the chairmen of the working groups:

#### **Contingent BI in Engineering Insurance**

This paper considers 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.

#### **Deregulated Electricity Markets**

In this paper some examples of how the electricity market can work are explained and how Business Interruption insurance is given. The paper gives valuable information on claims issues including a case study illustrating the difficulties encountered when assessing such losses.

### **Desalination Plants**

The third paper deals with the most common desalination processes and their technical aspects. In the second part it discusses a variety of exposures, individual underwriting and risk management consideration, as well as safety and security aspects. Finally it presents a few loss examples.

### **CO<sub>2</sub> Free Coal Combustion Technology**

The paper discusses technologies for carbon dioxide capture when burning fossil fuels for electrical power generation.

### **Bridges – Construction, Insurance and Risk Management**

The goal of this paper is to give the underwriters an understanding of bridge construction, to build up awareness of the wide variety of perils bridges are exposed to during construction, to help to perform professional risk analysis and underwriting and to draw attention to possible loss scenarios by some illustrative loss examples.

Other presentations presented by delegates and guests at the conference referred to special topics like:

**Liquidated Damages Insurance**, a special extension often insufficiently understood and evaluated. The speakers highlighted various highly problematic aspects of this cover and the problems experienced in claims handling.

Great interest was shown in a presentation on **Theft of Contractor's Plant** by Ian Elliott of the London Metropolitan Police who gave a clear picture of how the situation of theft of contractor's plant and machinery has developed and what measures are taken to counteract plant theft.

The implications of providing Contractor's All Risks (CAR) insurance for large projects like the **Heathrow Airport Terminal 5** were discussed in a paper presented by Swiss Re.

Most of these papers also appear on IMIA web site ([www.imia.com](http://www.imia.com)).

Five new topics of interest were suggested and new working groups formed to elaborate the IMIA papers for next year's conference.

The next IMIA conference will be held in Istanbul, Turkey 26<sup>th</sup> to 30<sup>th</sup> September 2009.

See also attached newspaper clipping of a report by Insurance Times of 2<sup>nd</sup> October 2008

## 16 Engineering

# LEAD THE WAY

Without engineers – and the insurers who cover their work – there would be no bridges, airports or tunnels.

Lauren

MacGillivray went to the 2008 conference of the International Association of Engineering Insurers to find out more.

From Foster's Millau viaduct to Rogers' Madrid airport, the architect always seems to get the credit. But if a structure fails, it's engineers who get the blame.

The International Association of Engineering Insurers (Imia) aims to change the perception of these unsung heroes. Its annual conference, which was held last month at Gleneagles Hotel in central Scotland, set out to help engineering insurers and reinsurers assess the risks associated with the bridges, tunnels and airports we all rely on. Human and technical errors, as well as natural disasters, must be guarded against.

The participants, who this year came from 21 countries, analysed technical advances, causes of loss and changes in the operation and maintenance of machinery. Each year, working groups make presentations on their findings and set targets for the next year.

Innovative ideas on numerous topics were presented at Imia's 41st conference at Gleneagles, with particular focus on plant theft, CO<sub>2</sub> combustion and the impact of the credit crunch on the construction industry.

"We contribute to maintaining a certain standard in the ability of assessing risks and understanding technology," says Detmar Heidenhain, the chairman of Imia and a trained engineer. "To write engineering risks properly, you need to have a deep understanding of technology and this is easier for somebody who has a technology background as an engineer.

"But many underwriters have come from other lines of business. So for them, it is interesting to have a source of information. For example, when they're faced with a bridge or power plant, they can find out what they should take into account to analyse the risk."

Heidenhain, the senior executive manager of engineering for Munich Re in Spain, Portugal and Latin America, is due to leave his post as Imia chairman next September. He has named Neil Clutterback as an "option for consideration" for his replacement.

Clutterback, director of Allianz Engineering, was elected to the association's executive committee this year. One of the issues he is most keen to tackle is plant theft, an area where Clutterback believes the UK can take the lead.

"It was really apparent how extensive the problem was in different countries. Plant thefts in Italy, France, Germany and Mexico show how endemic this problem is," he says.

"It has given Imia and its executive committee grounds to think about how the Cesar initiative could be progressed on a more international scale."

Cesar (Construction Equipment Security and Registration) was launched by the Metropolitan police in April 2007 and insurers including Allianz, RSA, HSB Haughton, Zurich and Norwich Union have pledged a total of £250,000 to support the initiative. The programme tags plant equipment with identification numbers and uses a tracking system to deter criminals and enable equipment to be returned to its owners if recovered.

Operations will start later this month after a team of three - two detectives and an analyst - is set up in London.

German delegates in Gleneagles also made a presentation on strategies to tackle plant theft, but Clutterback says those ideas may not be suitable for the UK. The German proposals include drastically increasing excess levels or refusing cover.

The other topic that caught Clutterback's attention was a presentation on how the problems in western economies are affecting the construction industry worldwide. The need for underwriting discipline to be maintained was the main message.

Meanwhile, Heiko Wannick, risk manager of construction practice for Munich Re in Germany, Asia-Pacific and Africa, who chaired the conference working group on bridges, called on Imia to create a bridges code of practice. Like the tunnels code that is available on the Imia website, this would help insurers assess projects.

Soft rates were a concern for delegates from most countries. Marina Lyuganova, head of industrial insurance in Moscow for Renaissance Insurance Group, says: "Our rates decreased a lot in the last four or five years and we're not really expecting the hard market because competition is really strong."

Lyuganova was at the Imia conference for the first time and found the experience valuable. "I have not been at such a high-level conference. In Moscow we do not have any kind of insurance engineering association. We just have some

seminars held by companies from Germany and Great Britain.

"It's very interesting to participate in such a conference because you can understand the international point of view," she says.

The noticeable absentees in Gleneagles were the Chinese (see box, above right). They were thought to have stayed away for political reasons, but Lyuganova says such wrangling does not play a role in Russia.

"I don't think it's a big issue. There are some companies in the Russian market from the US and we have good co-operation with them. So a political issue is not the case."

Like China, India is experiencing rapid economic growth and rocketing levels of construction. It did attend the Imia conference, however, and one of the country's representatives – JK Gupta, general manager of New India Assurance – told delegates the Indian insurance market was more developed than China's. New India Assurance, for example, was established in 1919 and opened in London two years later. It now has a presence in 23 countries.

"If this [India's] growth were to continue for another 10 years, the infrastructure - mainly roads, ports and power - would have to be improved," he says. "Improvements and expansion are already in place for airports and many ports need to be improved. So lots of insurance demand is there."

Imia was co-founded in 1968 in Munich by British and German insurers and was formerly known as the International Machinery Insurance Association. It is now based in the UK, but maintains a strong international reputation. This year's gathering attracted a record number of countries and included the first appearance of Mexico as well as India.

Heidenhain wants the number of members to grow markedly in the next five years. "We've got insurance companies, loss adjusters and brokers. In five years' time I'd like to see more representation from Latin America, where we've taken our first step with Mexico, and particularly from the Pacific Rim area, where we are under-represented.

"We've got Japan and Australia as members, but we'd like to see Singapore and South Korea."

If he gets them, that'll be another super-structure that would be impossible without the engineers.

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