

Insurance **POST**

Profile: Oscar Treceno, IMIA

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NEED TO KNOW

- Engineering insurance is now more defined by which industry is buying insurance than by what type of insurance product is being sold
- Faced with complex risks and low rates, underwriters sometimes quote less than viable rates just to remain in the market, potentially leading to a dangerous effect
- IMIA has launched a premium index that could guide policy decisions

For six years, Oscar Treceno has juggled his day job as head of the engineering and energy department at Helvetia with the role of chairman of the International Association of Engineering Insurers. Post asked him about IMIA's role in today's market.

How did you get involved with IMIA? And how did you get to where you are now?

My first involvement was writing a technical paper on tunnel-boring machines in soft soils in 2001, but I actually joined IMIA a year later when I got directly involved in the organisation of the conference in 2002 in Switzerland. I was then

invited to join the executive committee the following year, and elected as chairman in 2011.

I really enjoy developing IMIA's activities with colleagues, including the growing annual conference, the IMIA academy in Europe and Asia, which provides training for new engineering underwriters, the working groups that produce technical papers on different subjects each year, the IMIA website, photo competition, newsletter and IMIA index.

CV

2015

Head of global engineering & energy,
Helvetia

2008

Head of engineering, **Nationale Suisse**

1993

Head of group product management
engineering, **Swiss Re**

1991

Project engineer - airport infrastructure
developments, **Agiplan Consulting**

1989

Site engineer, **CSC Costruccion
Civile Stradale**

How has the market changed over the past decade?

It has changed a huge amount and this is what makes this part of the insurance industry so fascinating. One major driver for change has surely been e-communication and its numerous consequences, like decentralisation, quicker decision-making, freer access to knowledge, the spread of know-how, technology development, new competitors and the growing power of emerging markets.

[Engineering insurance](#) as a line of business is now more defined by which industry is

buying insurance than by what type of insurance product is being sold. Engineering underwriters need to be able to support and have expertise in their customers' industry segment - power, oil and gas, transport, infrastructure, construction and so on. This places huge demands on engineering underwriters, who need access to specialist information and analysis, which IMIA aims to provide.

What are some of the unique challenges the market faces today?

The biggest challenges facing the market today are the lowest rates in history and increasingly complex risks, together with the entry into the market of new capacity with apparently less experience than established participants.

Underwriting staff have less time and fewer resources to analyse risks than was traditionally the case and this puts enormous pressure on them. They often face the difficulty of quoting less than viable rates simply to remain in the market. This means that, as a market, we may eventually be confronted by a dangerous Ponzi pyramid effect.

What are the challenges posed to engineering insurers from the increasing speed of technological development?

Engineering insurers have always been faced with technological changes. In the past, these used to present themselves one at a time. For example, a new development in turbine technology or a change in control systems for industrial plants. Then the gaps between technological developments began to shorten, then more than one technological change would take place at a time and now there is a continuous stream of changes taking place all the time.

Not only that, but we are seeing multiple changes in individual items or systems being introduced simultaneously - for example, new hybrid materials at the same time as rapidly changing control systems and software changes and automation of previously more manual processes such as the formation of building components.

This creates a very challenging and complex environment for underwriters trying to identify and quantify associated risks.

Four words to describe him

- Passion
- Action
- Vision
- Execution

Hobbies

- Travelling
- Jogging
- Skiing
- Biking

Locations worked

The global spread of engineering insurance is growing. What are the challenges of this and what are the solutions?

The number of centres where engineering insurance is underwritten has in recent years increased markedly.

- Switzerland
- Austria
- Argentina
- France
- Brazil
- Italy
- And many others for shorter periods

The major engineering insurers now need to be represented more widely and local competition has increased significantly. This has pushed up the demand for engineering underwriters and with it the need to train those underwriters in the complexities of the discipline.

It has also increased competition at a time when rates have been under pressure for a long time and sustainability for some companies must be questionable. With lower margins, the funding available for research, analysis and training has been squeezed, making it vital that those resources that remain are preserved.

When did IMIA launch the IMIA index for engineering insurance premiums, and how does it work?

IMIA has been working on the development of the IMIA index for the last few years and we were proud to launch it at our 50th anniversary conference in Munich earlier this month. The major challenges have been to develop a means of collecting information without infringing anti-trust rules and in a way with which compliance officers in contributing companies are comfortable.

The index collects companies' experience of changing trends in premiums rather than hard premium data. Information supplied by participating companies is completely anonymous. It is weighted according to the total size of the book of business that the company writes, to produce an index representative of those that have contributed.

We currently have sufficient contributors to give the index real meaning and, as confidence in it grows, more companies will get involved. Initial results provide

numerically defined trends to replace anecdotal evidence and speculation about how the market is changing. It should, therefore, allow policymakers to base their decisions in future on data rather than impressions or guesswork.

What themes were explored at this year's conference?

This year, we marked 50 years of IMIA, looking to the future and how the association will evolve and develop in such a changing market. In addition, we had several specialist working groups presenting technical papers on a broad range of engineering insurance topics from inconsistencies in insurance and reinsurance contracts, adequacy of sum insured issues and the financial evaluation of contract parties to the related risk and underwriting challenges associated with diesel engines, rolling stock and waste to energy plants.
