

Historical Reflections

The origins of engineering insurance are to be found in the inspection of steam boilers. In the nineteenth century, in Great Britain during the industrial revolution, the frequent occurrence of explosions involving serious property damage and loss of life made it necessary to take steps to guard against such dangers. In 1854, prominent gentlemen interested in the use of steam decided to form the Manchester Steam Users' Association. Members were entitled to use the services of boiler inspectors who were employed by the association. This organization not only gave advice on how to prevent explosions but also undertook to guide its members in the most advantageous and economical method of using the plant. This principle is still maintained today. Plant owners can call upon the engineer-surveyor for advice and suggestions on plant operation and maintenance.

Though the Manchester Steam Users' Association rendered valuable services, it was not an insurance company. In 1858, however, in response to an evident need, certain members founded the first engineering insurance company, the Steam Boiler Assurance Company. This company started with the insurance of boilers, and its lead was soon followed by the formation of similar companies. At first only boilers were insured, but covers were gradually extended to pressure vessels of various kinds. Engine Insurance (known today as Machinery Breakdown insurance) began in 1872, and both boiler explosion and engine covers rapidly spread to other industrialised countries.

By the beginning of the twentieth century, the first insurance policies for loss of profits following machinery breakdown were being issued. At the same time, erection insurance (covering the on-site erection and assembly of machines) appeared. The policy was on a "named perils" basis and did not cover fire, but it offered reasonable protection for small and medium-sized erection project.

From 1920 to 1930, some German and British companies introduced a contractors' policy providing insurance cover for buildings and civil works during the course of construction. Based on this policy, Contractors' and Erection All Risks policies were developed. However, neither of these types of policies reached any great importance until after World War II when postwar reconstruction and development brought these covers to their present standing.

With the advance of technology, other engineering policies such as Computer All Risks, Low Voltage and Electronic Equipment All Risks, and Deterioration of Stock following Machinery Breakdown were developed, along with business income protection covers such as Advance Loss of Profits, written in conjunction with Contractors' All Risks and Erection All Risks policies.

The engineering insurance industry will undoubtedly have to remain flexible needs as a result of the huge technological advances which the world is facing.

(Swiss Re: "Engineering insurance and reinsurance – an introduction")