

Engineering Classes of Business - a summary

The classes under the collective heading “engineering insurance” can be categorised as either property or business income protection policies and either as non-renewable or annually renewable covers.

In principle, there are business income protection covers which dovetail with practically all engineering property covers. In the following description, only the most common types are dealt with, bearing in mind that engineering insurance is essentially a material damage cover.

Some of the policies are of the broad all risks type (property insurance against physical damage by all risks of loss except those specifically excluded), which offer protection against human and technical errors and the perils of nature. Certain combinations of cover are also possible: for example cover for contractors’ plant and equipment may be endorsed to CAR and EAR policies, or boiler and pressure vessel explosion to an MB policy.

Annually renewable engineering property and business income protection covers are also encountered under Comprehensive Machinery (CM) insurance policies – multi-line package policies which can include fire, marine, liability and engineering covers. Such policies are usually bought by large industrial or commercial enterprises to protect all of their installations, whether at home or abroad. Policy forms are either standard or tailor-made. The main problem lies in interpreting the cover: all possible risks – even unknown ones – are insured unless explicitly excluded. Loss adjustment may cause headaches, in particular in connection with the field of business income protection. If written, it is imperative to ensure that the cover concept is transparent and that the CM policy does not undermine the conditions usually applicable to the respective mono-line covers. In addition, risk assessment and premium calculation must be carried out separately for each type of mono-line.

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