

German Insurance Association

Highlights of the German Engineering Insurance Market in 2006/2007

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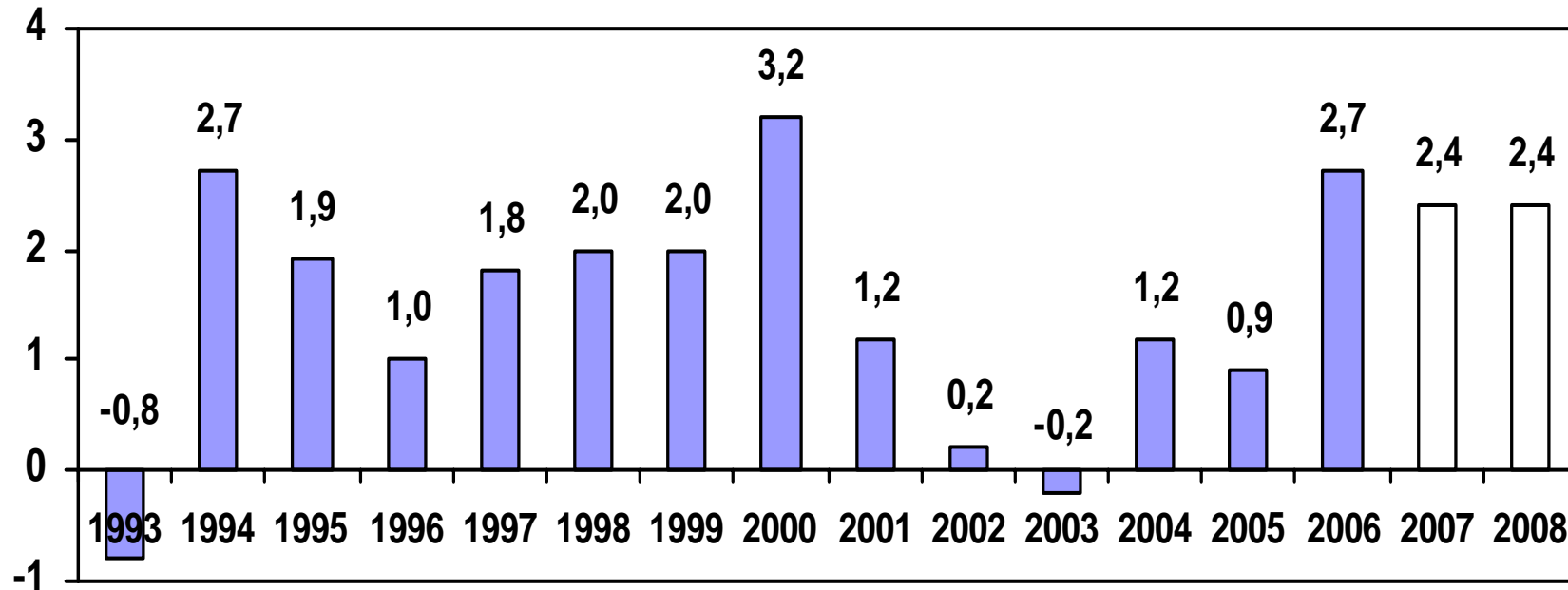
Here are the highlights !

- **Booming economy in Germany is backing engineering insurance market !**
 - Above-average growth in the number of contracts and in premium income 2006
 - Roundly 95 market participants (engineering)
 - Largest claims 2006: 2 examples...
- **Changed legal situation: new Law Concerning the Insurance Contract (“Versicherungsvertragsgesetz, VVG”)**
- **News from the GDV’s engineering working groups**
 - Renewable energy sources
 - New non-binding standard policy conditions comparable with CECR

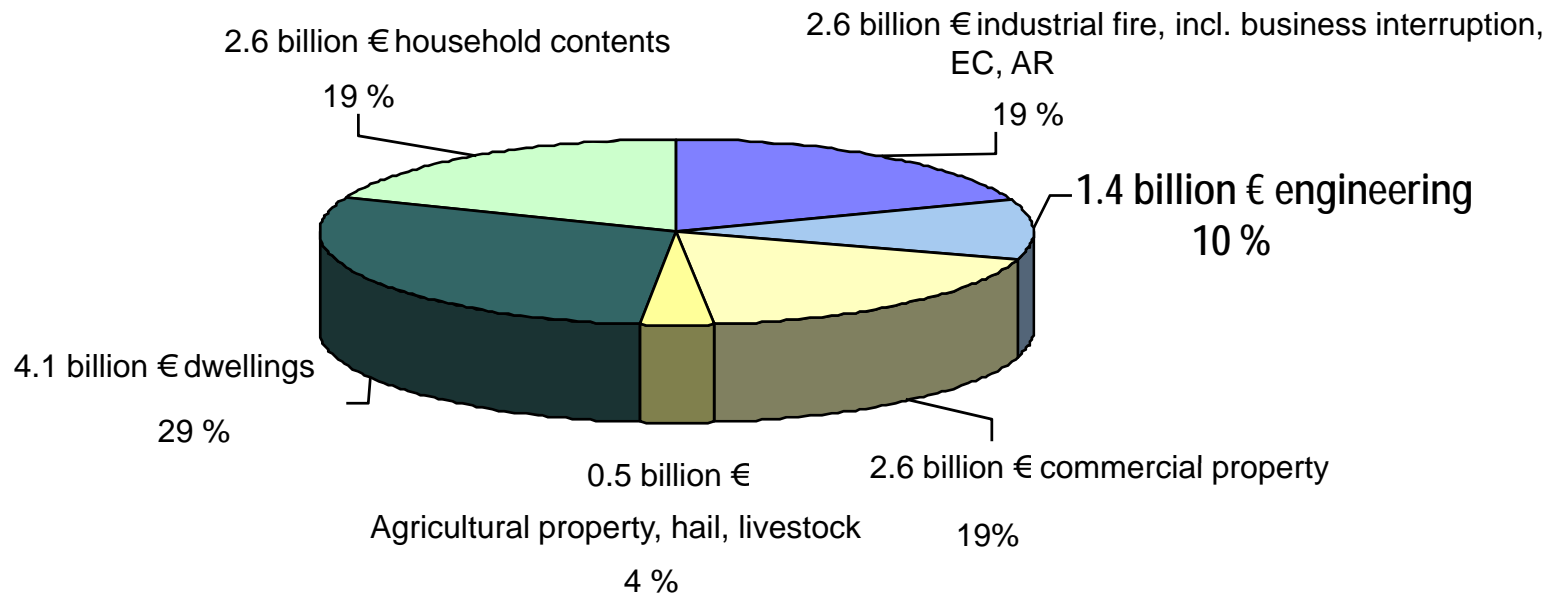
Booming economy in Germany is backing engineering insurance market !

Economic growth

Gross domestic product in real terms
Change against previous year as %



Property insurance premium income in 2006: the part of engineering*



All property premium income 2006: 14.2 billion € *

*GDV statistics

Booming economy in Germany is backing engineering insurance market !

- Premium income in 2006: above-average growth, only line across the market showing 4 % growth; especially CAR: + 6.7 %
- Number of engineering insurance contracts in 2006: only line across the market showing nearly 8 % growth reaching 2.2 million contracts
- Claims expenditure, loss ratio, underwriting result average, profitability = slightly improved
- Largest engineering claims in 2006 (2 examples)
 - Transrapid crash: € 16 million (M)
 - Biogas plant: € 4.5 million (CAR)

Largest engineering claims in 2006 (1st example)

Collision between a Transrapid test train and a “mobile workshop” carriage on 22 September 2006 (23 persons killed, high liability loss)

Engineering insurance claim:
concerning the train
€ 16 million
(estimated)
Cause: human failure



Largest engineering claims in 2006 (1st example)

Completely destroyed front section of the train and partial destruction of the middle section (behind this)



Largest engineering claims in 2006 (*1st example*)

Total loss
concerning the
“mobile workshop”
carriage



Largest engineering insurance in 2006 (2nd example)

Biogas plant under construction: Bursting of a fermenter on 21 January 2006 during test filling with 2.5 million litres of water and (as a consequence of this) of another fermenter to the right of it filled with 4.5 million litres of slurry (no bodily injury, large liability loss)

Engineering insurance claim: € 4.5 million (settled)
Cause: constructional fault and bad workmanship



Largest engineering claims in 2006 (2nd example)



Changed legal situation: New Law Concerning the Insurance Contract (1)

Time axis:

- Current Law Concerning the Insurance Contract essentially dates back to 1908 (100 years !)
- Objective of the legislator: more consumer protection through more transparency and more equitable balancing of interests (trigger life insurance!)
- Adoption by the Federal Council expected late in September 2007
- Entry into effect for new business on 1 January 2008
- Entry into effect for business and contracts in force on 1 January 2009

Changed legal situation: New Law Concerning the Insurance Contract (2)

What is new (a choice of examples) ?

- Extensive legal duties to give advice prior to conclusion and during the term of the contract
 - Applies to intermediaries and brokers already since 22 May 2007
 - Not for large risks ! (2 of the following characteristics: balance sheet total of € 6.2 million and/or net turnover of € 12.8 million and/or 250 employees)
- Reduction of maximum contract period to 3 years
- Elimination of the “all or nothing” principle (exemption from the obligation to pay an indemnity now only in the case of intent)
- Elimination of the principle of “indivisibility of the premium”
- Elimination of the 6 months’ period for filing a suit (only limitation period of 5 years, in the case of fraudulent intent 10 years)
- Elimination of the “policy model”, now only “proposal model”

Changed legal situation: New Law Concerning the Insurance Contract (3)

Need for action in GDV (property/engineering):

- **Situation at the outset:** 48 non-binding GDV standard policy conditions from different “generations” of association work, several hundreds of terms, more than 1000 sections
- **Premises in revision (terminated) :**
 - **Modernization** (adoption of rules of the Law Concerning the Insurance Contract, adjustment to case law)
 - **Uniformity** (identical wording)
 - **Flexibility** (modular system)
 - **Comparability and reidentification** (synopses with “old” standard conditions)
 - **Adaptability**, reduction of future “maintenance requirements”
 - **Transparency** (publication on GDV website) and non-binding character (model character in line with anti-trust legislation)

News from GDV's engineering working groups (1)

CECR project

- For the first time GDV development of non-binding standard policy conditions (comparable with Civil Engineering Completed Risks Insurance)
- Applicable to all technical infrastructure projects after realization in private-public partnership, such as:
 - Public road construction, municipal sewerage systems and sewage plants
 - Tunnel construction, bridge construction, municipal track construction
 - Barrages
- Available only in German language

News from GDV's engineering working groups (2)

Renewable energy sources

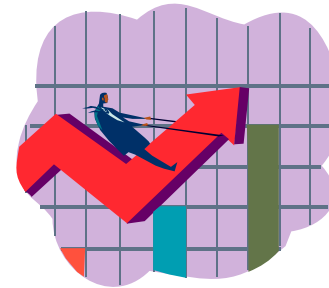
- Annual updating of the brochure by working group (8 experts)
- Contents of the 5th reprint, June 2007:
 - Wind power (new: Special Issue Offshore Wind Power Plants, last updated 3/2007)
 - Solar and photovoltaic plants
 - Biomass, biogas, new: biogenic fuels
 - Fuel cells, hydrogen technology
 - Geothermal energy
 - New: Glossary; Loss of profits/ALOP is included in the chapters
- Available only in German language. see: www.gdv.de
- Primary objective: knowledge transfer from engineering insurers for engineering insurers

News from GDV's engineering working groups (3)

Renewable energy sources

- **at company level:** gives insurers the opportunity of a responsible business decision on the possible development of own products and on participating in this future market
- **externally:** can be described as the active response of insurers to the challenges posed by the discussion on global climate change: **engineering insurance as an element of the "solution"** to develop energy production without any adverse effects on climate
- **strengthens the key competence of the insurance industry as risk bearer** in the perception of both policy-makers and the public, with manufacturers and on the part of operators
- **Outlook:** Development for private property insurance lines due to legislation on climate protection with a view to reducing energy consumption
- **link with IMIA**

Let's have more highlights in 2007/2008
like this



but not like that



- Thank you -

