

PRESS RELEASE INFORMATION FOR LOCAL USE

38th Annual Conference of IMIA - The International Association of Engineering Insurers

The 38th Annual Conference of IMIA was held in Moscow from 19th to 21st September 2005.

IMIA is an international forum for the exchange of information, knowledge, experience and opinions between Engineering Insurers. Such co-operation is needed, as Engineering Insurers are permanently confronted with risks emanating from new technical developments in Industry on a global basis.

IMIA is a non-profit organisation and operates through an Executive Committee, which in 2004/2005 comprised the Chairman A. LINDBERG (If P&C Insurance, Stockholm), H. PÖTTKER (Allianz, Munich), L. WASSMER (Infrassure, Zurich), D. HEIDENHAIN (Munich Re, Munich), M. PETRUZZELLO (HSB, Hartford), O. TRECENO (Swiss Re, Zurich) and the Secretary A.WATT (Great Britain).

Membership of IMIA comprises 20 countries representing the major part of the world-wide premium income of engineering insurance. Member countries are Australia, Austria, Canada, Denmark, Finland, France, Germany, Great Britain, Israel, Italy, Japan, The Netherlands, Russia, South Africa, Spain, Sweden, Taiwan, Turkey, Switzerland and USA. Turkey joined IMIA this year.

The total premium income for engineering insurance for 2004 reported by the delegates amounted to 7.5 billion US\$.

The following topics were considered by working parties who presented reports at the Conference on:

Steel Plants (part 2) - Loss Prevention Aspects

EAR & CAR - Third Party Liability - Existing and Surrounding Property

Maintenance and Overhaul of Steam Turbines

Theft of Construction Plant

Engineering Exposure related to Aluminium Production

Alco Hydroelectric Project, Overtopping of Upstream Cofferdam.

Design Exclusion (DE) Wordings and Physical Loss or Damage

The new draft Code of Practice for Risk Management of Tunnel Works was presented to the conference.

Development of the IMIA web site has continued on the Internet, www.imia.com, in order to improve the information about IMIA and to provide a tool for distribution of

information and best practices in Engineering Insurance. Papers presented at this year's conference will be published on the IMIA web site.

Anders Lindberg retired as Chairman and was replaced by Detmar Heidenhain, Munich Re., Munich.

The next Conference will be held in Boston, USA from 9th September to 13th September 2006

Detmar Heidenhain, Munich

Press Releases per paper presented:

Title: Design Exclusion Wordings and Physical Loss or Damage

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One of the topics at the conference was Nigel Chapman's presentation, entitled "Design Exclusion Wordings and Physical Loss or Damage".

The concept of what constitutes "physical damage to insured property" ought to be straightforward, and as a matter of first impression often is, but there can be devil in the detail.

When the damage to the property insured results from a defect within the property, difficulties of construction can often arise. This talk examines the distinction between "defect" and "damage" and also the difficulty that arises over what is meant by damage to "other property" or "other parts" of the property insured, a distinction made in the design exclusion wordings. These difficulties are then illustrated in a case study showing the effect each of the various different types of exclusions can have and the practical problems of construction that can arise.

Nigel Chapman has been a partner in the English international law firm, Clyde & Co, since 1983. His principal speciality is in insurance, and he has particular experience of energy, engineering and constructions risks, both onshore and offshore, invariably acting on behalf of insurers. Recent instructions include acting on behalf of the physical damage insurers of the Bombay High North Platform off the West Coast of India which was entirely destroyed by fire in July 2005 as well as for insurers involved in energy/engineering losses in Louisiana and the Gulf of Mexico following Hurricane Katrina.

Title: Engineering Exposures Related to Aluminium Production

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This paper gives a general overview of aluminium industry and provides brief information on various stages and process routes in use. It focuses on alumina refining and primary aluminium production stages describing main processes and equipment and highlighting some industry specific risks.

This paper was presented to the conference by Milan Dinets of Ingosstrakh Insurance Company Ltd., Moscow.

Maintenance and Overhaul of Steam Turbines

The International Association of Engineering Insurers (IMIA) provides a forum for the exchange of information, knowledge, experience and opinions between engineering insurers from throughout the world. The 38th annual conference, held in Moscow in September 2005, provided a platform for such exchanges and allowed delegates to discuss and confront the risks emanating from new technical developments in the industry.

This paper discusses the engineering risks associated with the maintenance and overhaul of steam turbines used in a variety of industries and applications. First, the component characteristics, failure mechanisms, arrangements and applications for steam turbines are reviewed. Second, the preferred infrastructure for monitoring, operations, maintenance, and training for steam turbines are discussed as well as current steam turbine availability and failure experience. Third, worldwide scheduled maintenance practices for steam turbines are presented along with approaches, methodologies, and criteria used for establishing longer time intervals between major overhauls. And lastly, the risks with new steam turbine technologies and applications are assessed.

This paper was presented by John Latcovich of The Hartford Steam Boiler Inspection & Insurance Co., Hartford, USA.

EAR & CAR – Third Party Liability – Existing and Surrounding Property

The International Association of Engineering Insurers (IMIA) provides a forum for the exchange of information, knowledge, experience and opinions between engineering insurers from throughout the world. The 38th annual conference, held in Moscow in September 2005, provided a platform for such exchanges and allowed delegates to discuss and confront the risks emanating from new technical developments in the industry.

This paper produced by a working group chaired by Chris BLÜCKERT, Zurich Stockholm was presented at the conference by Dr. Hans Mahrila, Infrassure, Baden. Although, by its nature, project insurance focuses on covering sudden and unforeseen material damage to the insured works in most markets a liability cover has become integral part of construction and erection insurance policies. It covers the Insured's legal liability to pay compensation for loss or damage caused in direct connection with the project works to third party property and for bodily injury to third parties. This cover is not intended to replace any approved insurance cover such as Product Liability, Professional Liability, Motor Liability, Environmental Liability, Workman's Compensation, Employers Liability and others.

The landscape of liability and therefore the project risks has changed substantially in recent decades and continues to change rapidly. As a consequence, the percentage of liability related losses compared to physical damage shows an upward trend.

Therefore this document summarises the essential cover elements, it defines existing property as property owned by the Insured, which can be insured under the Material Damage Section of the policy, whilst surrounding property is owned by Third Parties.

Moreover it presents some considerations concerning underwriting issues, loss prevention and loss experience.

Theft of Construction Plant & Equipment

The International Association of Engineering Insurers (IMIA) provides a forum for the exchange of information, knowledge, experience and opinions between engineering insurers from throughout the world. The 38th annual conference, held in Moscow in September 2005, provided a platform for such exchanges and allowed delegates to discuss and confront the risks emanating from new technical developments in the industry.

The paper on Theft of Construction Plant & Equipment was presented at the conference by Mike Gwynn of Zurich UK General Insurance, Cheltenham, UK. Construction plant and equipment theft is a significant issue for the construction industry and its insurers.

Theft of plant is perceived by criminals to be a low risk and profitable crime because of the ease with which plant can be stolen and sold on, low detection and prosecution rates and high cash rewards. The annual cost of theft for the construction industry and its insurers is billions of US\$'s.

Much plant is not insured. Even where it is, the plant operator will often carry a significant part of the risk himself in the form of consequential losses, such as hire charges, payment for additional security measures, contractual penalties and lost revenue.

Additionally, plant theft results in substantial costs for society as a whole. It is believed that in many cases it is an organised crime and proceeds may fund distribution of illegal drugs and terrorist activities.

It is likely that the incidence and cost of theft could be reduced significantly by the exercise of greater levels of care by plant operators through better risk management. They have available to them numerous techniques that can be employed to assist. These include having laid-down procedures for plant purchase, hire and movement, better depot and site security, the fitting of anti-theft systems to plant and registration of plant with external agencies.

All of these incur forethought and in most cases expenditure, but this should be set against the substantial material and consequential losses which often follow from theft of plant as well as potential insurance premium reductions.

Whilst prime responsibility for reducing theft must lie with plant operators, plant manufacturers and insurers have roles to play also. Manufacturers could increase the availability of security systems for plant as well as adopting standard identification numbering. Insurers should actively encourage better risk management by plant operators through provision of security advice, incentives and as appropriate application of minimum security standards.

Steel plants (Part two): Loss Prevention Aspects

The International Association of Engineering Insurers (IMIA) provides a forum for the exchange of information, knowledge, experience and opinions between engineering insurers from throughout the world. The 38th annual conference, held in Moscow in September 2005, provided a platform for such exchanges and allowed delegates to discuss and confront the risks emanating from new technical developments in the industry.

This report is part two of an IMIA paper dealing with steel plants. It is addressed primarily to risk surveyors and loss prevention engineers to assist in their risk

assessment. Therefore the scope of the paper has been limited to loss prevention aspects.

The report was preceded by Steel Plants Part 1: Risk exposure and claims experience, presented at the IMIA conference in Rome in 2005. Part 1 was addressed primarily to underwriters. That report described the processes and associated loss exposures. Some of the most important loss prevention issues were mentioned in Part 1 and these are described in Part 2 as well.

The loss prevention advice offered focuses on the blast furnace route only and no particular emphasis on new technologies are presented. However, much of the protection measures for buildings, energy supply, logistics, condition monitoring of critical machinery etc. are of course applicable for metal production utilising other manufacturing technologies.

The working group that prepared this paper was chaired by and was presented at the conference by Lars-Erik Willberg of If P&C Industrial, Helsinki and presented at the Conference by Thomas Astrom of Pohjola Non-Life Insurance Co. Ltd., Helsinki.