

Press Release on the 45th ANNUAL IMIA CONFERENCE in Rio de Janeiro 2012

IMIA, The International Association of Engineering Insurers held its 45th Annual Conference from 24th to 26th September 2012 in Rio de Janeiro, Brazil.

Angelo Colombo, (Allianz Brazil), the President of this year's conference, welcomed the 92 Delegates from 29 countries on behalf of FENSEG, the Brazilian Insurance Association to the Rio conference. Oscar Treceño, (National Suisse), Chairman of IMIA opened the three days meeting referring to the work done during the year and the progress of IMIA made in the past 12 months.



The main topics of the conference were the presentations of the five new Working Group papers which dealt with

- Insurance Coverage for Contracted Power Generation
- Development, Construction, and Insurance of new Nuclear Power Plant
- Construction of Modern Skyscrapers
- Entrepreneurial Risks
- and The effect of adverse weather on construction sites.

These papers can be looked up and also downloaded on the IMIA website <http://imia.com/library.php>



Apart from these five presentations other actual topics were presented, among them :

What has happened during the past 12 months on the Engineering Insurance Market?

Christoph Hoch (Munich Re) had compiled from mails received and observations made an overall presentation which highlighted the trends and experience especially in respect of Insurance development and heavy impacts of natural catastrophes.

Natural catastrophes had been clearly increasing. It was also interesting to see that the largest losses in the recent past had occurred in the power industry – also highlighted by various other sources - and DSU losses had risen dramatically in the past period.

IMIA Academy - Training facility for Junior Engineering Insurance Underwriters

Detmar Heidenhain (Ex-Chairman of IMIA and Richard Radevsky (Charles Taylor UK) announced the launch of an IMIA Academy, intended to train junior underwriters. The first course is planned to take place in March 2013 in Berlin, preparations are already underway with the active organizational support of the German Insurance Association.

Special Guest presentations

Construction Techniques of the Maracanã Stadium (preparing for the FIFA 2013)

Bernardo Malafaia, Engineer and Site Manager of Odebrecht at Maracana Stadium, gave a highly interesting overview of the history of the stadium and its ongoing reconstruction for the Brazilian FIFA event in 2014 and Olympic games in 2016.



The presentation added to the site visit the Delegates already had on the Sunday before.

How the Defect Exclusion Clauses operate in practice - a few case studies

This presentation on a topic of great importance and which will continue to be discussed in the future was given by Rupert Travis, Executive Director, Cunningham Lindsay International, London. LEG 3 and DE 5 were discussed using recent claims. Claims experience has shown that those wordings, which mirror the definition of indemnity, are the most effective.

The paper has been placed in the IMIA library under http://www.imia.com/downloads/guest_presentations/GP30_2012.pdf

Insurance of Hydro Power Plants in Brazil

Rodrigo Belloube, Head of Property/Engineering Munich Re Brazil presented the increasing challenges posed by the construction of HPPs in Brazil, recent underwriting trends, litigious environmental debates, their increasing remoteness, difficult logistics, management of labour force and local specialties iro the coverage.

The presentation can be found under

http://www.imia.com/downloads/guest_presentations/GP31_2012.pdf

Panel Discussion: Split Placements – Pros and Cons

This Panel Discussion was headed by the Moderator Max Benz (XL Group). Four Delegates who represented the insurance chain from broker to insurer and reinsurer discussed the issue and its ramifications. It met the interest of the audience well which participated vividly in the discussion.

Breakout Sessions at Rio den Janeiro conference

As in previous years informal ‘break out’ groups were set up to discuss six selected topics on a variety of technical insurance questions on underwriting and loss handling. The results achieved in the discussions were quite amazing.

New Working Group Topics – 2013

Five new working groups had been set up which will elaborate papers on five new topics to be present them on next year’s annual conference. The working groups had their kick-off meetings at the conference in Rio de Janeiro. The new topics can be seen on the IMIA website:

http://www.imia.com/downloads/working_groups/working_groups.pdf

General Comment on the conference

This conference had proven again to be a valuable source of information and expertise and an opportunity to discuss actual issues topical Engineering Insurance issues with a wide spectrum of experts from around the world. IMIA continues to be an important forum for developing and providing experience and knowledge in Engineering Insurance and will develop further.

The next conference will be held in New Delhi, India from 21st to 25th September 2013.

HM/UG October 2012

Press Release by Allianz Seguros, Soa Paolo, Oct 2012

Encontro de riscos de engenharia do IMIA na América Latina
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O IMIA, Associação Internacional de Seguradoras de Riscos de Engenharia, promoveu, pela primeira vez na América Latina, o encontro dos seus associados. A 45ª Conferência Anual do IMIA aconteceu no final de setembro. A Allianz Seguros fez parte da comissão organizadora do evento, presidido por Angelo Colombo, diretor executivo de Grandes Riscos da companhia.

Durante a conferência, foram apresentados estudos para melhor direcionar seguradoras e corretores sobre boas práticas e boas técnicas dos riscos de engenharia do mundo. Entre os temas discutidos estavam seguros de estádios e de grandes obras de infraestrutura, sinistros e novos clausulados.

Os investimentos públicos e privados previstos para os próximos anos no País o tornam o principal mercado para os grandes riscos no mundo.

O potencial de negócios aqui é enorme, o que fez com que os participantes, que na maior parte ficam na Europa, quisessem conhecer de perto a estrutura do Brasil. Somente o governo federal prevê investimentos de R\$ 133 bilhões para os próximos 25 anos, contou Colombo.



English Translation:

IMIA, the International Association of Insurers of Engineering Risks, had the meeting conference of its members for the first time in Latin America. The 45th Annual Conference of IMIA took place end of September. Allianz Seguros was part of the organizing committee of the event, which was chaired by Angelo Colombo, Executive Director of Large Risks of the company.

During the conference studies were presented in order to better guide insurers and brokers on best practice and best techniques of engineering risks in the world. Among the topics discussed were insurance of stadiums and large infrastructure works, losses and new clauses.

The public and private investments planned for the coming years in the country make it the leading market for large risks in the world.

The business potential here is enormous. Therefore the participants, most of them based in Europe, wanted to better understand the insurance structure in Brazil. The Federal Government alone plans investments of R\$ 133 bn (US\$ 64 bn) for the next 25 years, commented Colombo.

IMIA Conference – Rio de Janeiro - 24th to 26th September 2012

Presentation of new IMIA Working Group Paper IMIA-WGP 74 (12) Insurance Coverage for Contracted Power Generation Agreements

This paper was presented by Mike Robertson, Liberty Insurance.

Most domestic electricity markets have historically operated as state owned or regionally empowered monopolies combining the activities of power generation, transmission and distribution of electricity within one company. In more recent times, markets have liberalised trading structures thus introducing an element of competition and enabling independent power producers to build power stations to produce electricity for profit as separate legal entities. The process involved complicated agreements between producers and the organisation buying and distributing the electricity. Such agreements play a key role in the financing of independently owned (i.e. not owned by a utility) electricity generating assets. There are various forms of power purchase agreement and the structure and content are generally dictated according to the source of energy harnessed. Once the project has been built, the effective date ensures that the purchaser will buy the electricity that will be generated and that the supplier will not sell its output to anyone else, except the purchaser unless contractually exempt. Normally payments are linked to availability targets with bonus payments established if the planned capacity is exceeded or contractual penalties levied if the intended availability is not met. Here is where the producer requires insurance and Insurers need to understand the contents and possible effects on the producer in case of a failure to supply or be available to supply electricity.



The full paper is available in the IMIA website www.imia.com – Library.

Here is a direct link:

http://www.imia.com/downloads/imia_papers/WGP74_2012.pdf

IMIA Conference – Rio de Janeiro - 24th to 26th September 2012

Presentation of new IMIA Working Group Paper IMIA-WGP 76 (12) Modern Skyscrapers

This paper was presented by Mladen Šošić, Nationale Suisse.

Substantial changes in use and purpose of Skyscrapers have over the last 100 years. We can also see that the locations of the new Skyscrapers are geographically shifting more and more eastwards, towards the new and emerging economies in Asia.

more and more Iconic Skyscrapers mushrooming all over places where there is no problem with lack of space (e.g. Dubai, Mecca, Taipei, Kuala Lumpur, Abu Dhabi, Seoul, or even London...). It is clear that today's Skyscrapers are increasingly built as a statement as opposed to the response to a practical need. They are the representative Icons of a certain city, society, culture, company or individual.

As a result Skyscrapers architects have sought to design more stunning architectural forms and this in turn has driven engineers to develop the new and impressive high-tech materials necessary to build such structures. The buildings must ultimately draw the attention; no longer is it enough simply to be the tallest in cityscapes increasingly dominated by very tall buildings. Today's statements are made by expensive forms and materials which ultimately increases the investments and the value of such projects.

For us, as the insurance and reinsurance community, this development brings a transformation of the two very important risk factors:

- a. The value at risk is soaring and the projects need higher insurance capacity
- b. The complexity of the work and therefore the risks in construction are increasing

We wanted with this paper to outline the new situation as we see it, and to highlight some of the insurance considerations and solutions that can be applied as this trend towards the construction of Iconic Skyscrapers develops worldwide.

The full paper is available in the IMIA website www.imia.com – Library.

Here is a direct link:

http://www.imia.com/downloads/imia_papers/WGP76_2012.pdf



IMIA Conference – Rio de Janeiro - 24th to 26th September 2012

Presentation of new IMIA Working Group Paper IMIA-WGP 75 (12)
Development, Construction, and Insurance of new Nuclear Power Plant

This paper was jointly presented by Gregor Hosse, Allianz AGCS

For a number of countries nuclear power has become a serious option in order to secure a national energy supply. Once it has commissioned a nuclear power plant, or even a series of plants, a country commits itself to a life time of power generation. Therefore the entire nuclear industry is challenged to consider innovations, developments and the latest state-of-the-art technology when planning, designing, developing and constructing a plant.



The insurance sector caters for this demand and, in the continuous pursuit of excellence, tailors insurance concepts to be the, “best possible fit” for its customers.

Open sharing of experience, knowledge, fruitful discussions between participants of this working group along with their contributions enabled the group to “compile” this paper looking into the complex areas and continuous challenges of Construction of New Nuclear Power Plants.

This paper attempts to give meaningful insights into the various underwriting, safety and loss prevention aspects which should lead to a better understanding of subject by underwriters.

The full paper is available in the IMIA website www.imia.com – Library.

Here is a direct link:

http://www.imia.com/downloads/imia_papers/WGP75_2012.pdf

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Presentation of new IMIA Working Group Paper IMIA-WGP 74 (12)
Entrepreneurial Risks - IMIA WGP 77 (12)

This paper was presented by Benedikt Schermutzki, Munich Re.

In its simplest form entrepreneurial risk is the risk associated with a profit driven venture or enterprise. It usually comprises a financial value but can also involve a value of time, particularly for construction projects. As such the risk can lead to a profit or loss.

The risk which is of a commercial nature is governed to a large extent by the individual or company's initiative, knowhow and flexibility in the market.



To differentiate between entrepreneurial risk and “conventional” risk the former is the profit driven part. To further differentiate entrepreneurial risk from “conventional” risks is to insist that any conventional loss triggering Engineering Insurance must be damage related.

When one considers insuring entrepreneurial risk, one has to determine whether such risk is insurable or not; or, whether the outcome can be determined with a reasonably high probability and profit margins can be predicted. Insurability is determined if the chance of the risk's occurrence can be reasonably well calculated and if the premium can be priced. Thresholds of risk's severity and frequency govern whether the risk is insurable or not. The danger the insurance company has to avoid is not to allow their insureds to retain too little of their business and if they do then the insured's interest in their results would diminish and the risk be increased.

The full paper is available in the IMIA website www.imia.com – Library.

Here is a direct link:

http://www.imia.com/downloads/imia_papers/WGP77_2012.pdf

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Presentation of new IMIA Working Group Paper IMIA-WGP 78 (12)

This paper was presented by Richard Radevsky, Charles Taylor Adjusting.

Damage at construction sites caused by adverse weather is a common occurrence.

The form of construction sites changes during the construction process as does their vulnerability to damage. It is not cost-effective to spend as much money, design or construction effort on temporary works, as is needed for the permanent works since temporary works will only be vulnerable for a short period.



To increase resilience to adverse weather, contractors often have to spend time, effort and money on temporary works and may be tempted to economise on preparations by gambling that adverse weather will not hit the site at the time when it is vulnerable.

There is a cost/benefit judgement to be made between spending money on weather resilience versus the perceived risk of damage. Risk management techniques are used by contractors to determine the level of precautions they should implement. In addition part of the reason for buying Contractors' All Risks insurance is to mitigate the financial risk of weather damage.

Insurers have to judge what is reasonable to expect contractors to do. To make such a judgement it requires knowledge of the types of adverse weather to which a construction project can be exposed and the type of damage that can result.

The full paper is available in the IMIA website www.imia.com – Library.

Here is a direct link:

http://www.imia.com/downloads/imia_papers/WGP78_2012.pdf