

INSURING THE ENGINEERING INDUSTRY- THE CHALLENGE FOR INSURERS

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Engineers play a critical role in the economy of our country, both for the important contracts they carry out and for the job opportunities they create. As a result, the insurance industry has an important job in supporting engineers by providing comprehensive cover which caters for the specialized risks to which they are subject. For many years now, insurers have been writing this business because of the need of contractors who have been involved in the building industry, including the building of factories, shopping centers, shopping malls, roads, bridges, dams, houses, flats, townhouses and many other projects. And, there are many different types of insurance policies available and suited to the different role players in engineering.

Insurers provide cover for accidental loss and damage, as well as for damage to third party property and injury to third parties. Accidents happen all the time, and one cannot imagine contractors not having cover for the risks inherent in the contracts in which they are engaged. The policies available include machinery breakdown, business interruption following machinery breakdown, deterioration of stock, dismantling transit and erection, works damage, computer and electronic equipment, plant all risks and contract works.

The plant, machinery and equipment that has been invented in recent years, some of it highly sophisticated, has made the demands of carrying out projects a lot easier to bear and quicker to execute. It is mind boggling when *your* compare the time and effort spent in carrying out projects in years gone by with the reduced time and effort now. Economic growth would be extremely low if contractors had to contend with antiquated equipment to carry out their work. At the fast pace that the economy has grown, the engineering industry, like others, has had to maintain an equivalent rate of development. Increased levels of sophistication have generated the concomitant need for appropriate insurance cover.

Scale is also an issue. Engineering insurance has been very lucrative for insurers because contracts *are* very large, with high limits and sums insured. This equates to large premiums and deductibles. While some insurers can retain high limits and sums insured for their own account, smaller insurers have to rely on facultative reinsurers and their treaty reinsurers before they can commit themselves to insure large risks.

Engineers play an important role in the economy given the contracts they carry out and the job opportunities they create for many workers. Skills development has assisted in many more workers being a part of the growth of the country. South Africa has a well-established construction industry with large contractors that operate both in South Africa and on the world stage, especially throughout Africa and the Middle East. As a result, there are an increasing number of requests by contractors to carry out work beyond the territorial limits of the policy. Insurers are obliged to contact their treaty reinsurers for special dispensation to provide cover in such cases. The contractor must be aware of the laws and regulations that prevail in countries where the contractor may be engaged in his business and so ensure that there will be no problems in the event of any losses.

There is a lot at stake and access to quality education in the insurance industry is critical for equipping insurance company personnel in providing advice to their brokers, UMAs and administrators on the risks associated with engineering. Only once this training has been concluded, will insurer staff be fit to assess and price cover for the potential risks arising out of this developing industry.