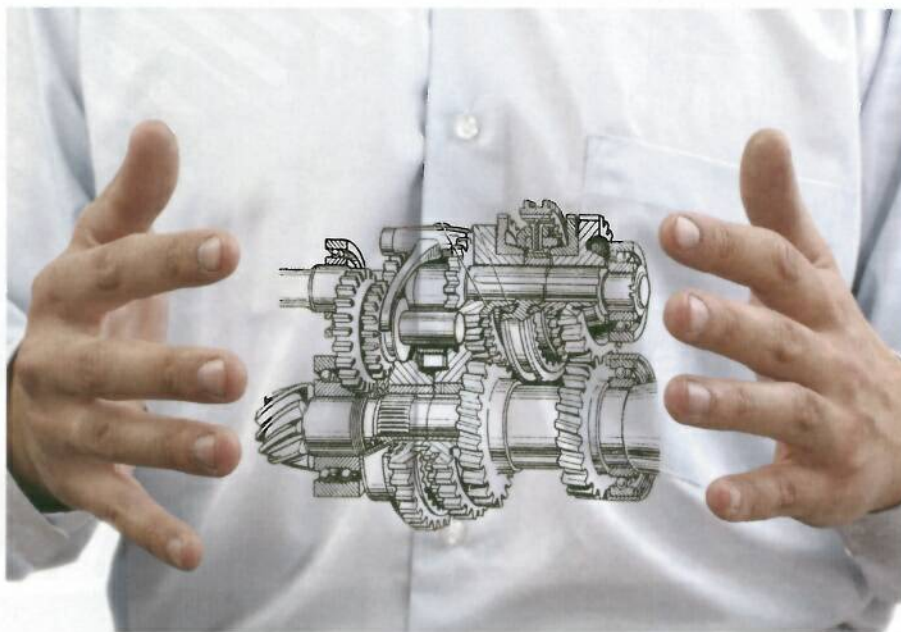


Limited resources and *unlimited opportunity*



GARY CARSTENSEN,
AC&E Engineering Underwriters
(under licence to New National
Assurance Company)

Not to be forgotten, however, is the substantial development of local infrastructure in South Africa where basic services have been lacking for a long time. The market is fiercely competitive in this area on construction risks for the construction of water, electricity, sewerage, housing, educational services. However, to be both competitive and underwrite responsibly, specialist construction underwriting knowledge and experience are essential.

Engineering underwriters are called upon to provide insurance solutions for a variety of projects and risks and often on a once-off basis. The constant changing requirements require a good knowledge of machinery and construction contracts and procedures rather than formal qualifications. The simple rule is to know your client and their business before underwriting. Engineering rates are not calculated on "book" rates which did not guarantee good loss ratios in the past and still do not.

Insurers today have also definitely benefitted from the advent of professional risk management, and insurers who provide guidance to brokers and their insureds in respect of risk management should benefit from the value add and results of implementing risk management.

Engineering claims are an added challenge as the necessary skill set can only be learnt under mentorship and experience is gained over time. The claims negotiator faces additional challenges relating to a shortage of specialist engineering loss adjusters and commercial pressure from brokers to pay all claims.

The challenges faced by the fabrication, maintenance and construction industries are also reflected in the insurance industry; skilled artisans, experienced supervisors and engineers are always in demand as are insurance "technicians".

The engineering insurance sector is a specialist field but remains accessible to everyone, even though there is very little formal training available. The Insurance Seta qualifications are focused on general commercial insurances, though certain subjects offered do add value to the engineering underwriter and claims specialist.

Whereas the professional engineer will usually specialise in one discipline - Civil, Mechanical, Chemical, Marine or Electrical - the engineering insurance underwriter needs to have an awareness of all the disciplines and may from time to time need to call on the services of a professional engineer in both underwriting and claims situations.

I think there will always be a few individuals who develop their engineering knowledge and skills to a greater extent than others through their own efforts; but, ultimately, the engineering insurers who will be remembered are not the charismatic characters who developed the industry and gave young underwriters the opportunity to develop their own skills, but the entrepreneurs who made the business self-sustaining. The engineering insurers of the past were fortunate to have support from London and Munich and these specialist markets remain a source of innovation often missing in the South African market place.

The London markets and the pressure from Chinese contractors to involve far-eastern insurers in African projects remain a challenge; the renewable energy specialists have resources, credit ratings and capacity which the combined South African market cannot match and except for the local Insurers who have fronted for overseas insurers the local insurance industry has yet to have an opportunity to participate in a "national" energy programme.