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## New publication in Swiss Re's "Focus Report" series: Large dams: sustainability requirements are as important as economic considerations

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**Zurich, 1 September 2003 – Dams provide many benefits: electrical power, irrigation, water supply, flood control. Yet increasingly, writes Swiss Re in "Large dams", its most recent publication, dams must harmonise with local sustainability requirements, and fulfil social and environmental criteria as well as economic ones.**

Dams are still the only large-scale, low-emissions means of generating electricity with renewable energy. Yet at the same time, dams impact regional inhabitants and the environment negatively. In the past, important sustainability goals, such as the legal recognition of stakeholder entitlements and contractual arrangements for the fair distribution of benefits, have often not been attained. The authors of this Focus Report argue that "Large dams can be considered sustainable only if their effect on the natural realm and the social sphere is given the same importance as their economics."

Technical problems, mismanagement and insufficient planning have unnecessarily resulted in negative consequences that have lowered the public's acceptance of large dams. This does not have to be the case. The World Bank, the OECD, and export credit agencies have developed an effective set of instruments to overcome such problems. The World Commission on Dams (WCD) has issued objectives and strategic priorities that provide a viable framework for the further realisation of sustainable water management projects. It is Swiss Re's conviction that future large projects should be handled in accordance with these principles and priorities.

In the areas of water and hydroelectricity, sustainable development means analysing every opportunity for development and use. The expansion of existing facilities is one of these – whether through updating equipment, improving maintenance and upkeep, or changing operational procedures – and such alternatives should be considered on an equal basis with proposals for new dams. All operational dams should receive periodic inspection; and the facility

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and its operation should be surveyed periodically and adapted to reflect altered conditions and requirements.

Private investments in large water infrastructure projects offer numerous opportunities, but also great responsibilities. Investors are clearly entitled to an adequate return on their investment; however, this return must not be paid by degrading the quality of life of other stakeholder groups.

Projects of this magnitude and complexity demand the most effective measures conceivable to avoid and minimise risk. Proactive risk management is a necessity. Tailored solutions with regard to contracts, financing and insurance are the cornerstone for successfully realising a large dam project.

### **Water – a risk and an opportunity for the insurance industry**

Water has always been a key factor for the insurance industry, as the cause of losses through flooding or as a trigger for landslides and mudslides. However, risk research shows very clearly that, as a resource, water is becoming a key substance – socially, ecologically and economically. The way we use water impacts the insurance business directly. Water presents both risks and opportunities. The risks are well known: they lie principally in the liability field. The opportunities, on the other hand, lie in the evolution of water from a public good to a commodity, and in the accompanying need for insurance and investments.

The "Large dams" publication is one segment of an information folder, "The water factor", which also comprises brochures on water availability and water quality. Swiss Re regards this information folder as a contribution to a constructive dialogue on water. Available in English, French and German, "The water factor" can be ordered as a print version at [publications@swissre.com](mailto:publications@swissre.com); all publications in the folder can also be downloaded from the Internet in the *Swiss Re Publishing* section of the Swiss Re website, [www.swissre.com](http://www.swissre.com)

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## **Notes for editors**

### **Swiss Re**

Swiss Re is a leading reinsurer and the world's largest life and health reinsurer. The company is global, operating from 70 offices in 30 countries. Since its foundation in 1863, Swiss Re has been in the reinsurance business. Swiss Re has three business groups: Property & Casualty, Life & Health and Financial Services. Swiss Re offers a wide range of traditional reinsurance products and related services, which are complemented by insurance-based corporate finance solutions and supplementary services. Swiss Re is rated "AA" by Standard & Poor's, "Aa1" by Moody's and "A++" by A.M. Best.

### **The water factor**

Water is essential for life, but clean water is becoming increasingly scarce. As worldwide water resources become more and more contaminated and difficult to develop, worldwide population is increasing – and with it, the demand for water. This trend has dire consequences for nutrition and health. It threatens the natural environment as well as our economic development and quality of life. Global warming only makes the problem more complex. Broadly based strategies and programmes are needed to correct the present situation and its implications for future generations. As a leading reinsurer, Swiss Re is contributing to this process by providing information and implementing concrete measures.

Our activities in this area include:

- raising issue-specific awareness and contributing to the generation and exchange of know-how among major water stakeholders;
- fostering an open and constructive water dialogue to develop effective framework conditions and best practices;
- integrating specific risk selection, mitigation and prevention measures into our risk transfer solutions, related services and our own facility management;
- supporting public, research and industry lead projects and initiatives which contribute to efficient and environmentally sound water usage.