



A new Swiss Re technical publication, *Delay in start-up insurance*, outlines the complexity of providing insurance cover for large infrastructure projects – an insurance product which is now showing a sharp rise in demand

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Zurich, 31 March 2003 – Global privatisation has had a profound impact on the risk situations of various parties involved in large infrastructure projects. Both principals and contractors are being confronted with increasing financial risk exposure following the shift from governmental funding programmes to private financing schemes. *Delay in start-up insurance*, a new Swiss Re technical publication, should assist both underwriters and other parties involved in this challenging insurance field.

Large infrastructure projects now depend increasingly on private financing. Parallel to this development, the approach towards private financing has undergone considerable change. Principals now often collateralise loans with project assets and repay them purely on the basis of projected earnings. The revenue generating capability of a project has thus become a critical financing factor.

Accordingly, stringent conditions regarding delays in scheduled project completion have been added to contracts between financiers and principals, and particularly to those between principals and contractors. The principal's financing risk involves, for example, revenue loss, accepted amounts payable to customers or suppliers, cost overruns or consultant fees. The contractor, on the other hand, is faced with risks such as additional construction costs, material and labour. Contractors must also deal with rental or lease expenses, insurance premiums, loans to finance repairs, liquidated damages and loss of bonus.

These conditions compel the parties involved to acquire the broadest possible insurance cover available in the market. This has prompted a sharp rise in demand for delay in start-up (DSU) cover.

This new publication assists underwriters and the parties involved in large construction projects in understanding this

challenging field of insurance by providing sound fundamentals before discussing specific technical details and typical problem areas of delay in start-up insurance.

By its nature, DSU cover poses some difficulties in evaluation from an insurer's standpoint and required in-depth assessment of technology and construction risks and relevant catastrophe perils exposure. There is a strong tendency on the part of all parties involved in project realisation to transfer all possible risks – including entrepreneurial risks – to the insurance industry. The publication concludes, however, that this is neither feasible nor acceptable and there will always be some risks which cannot be transferred.

How to obtain a copy:

English language versions of the publication are available electronically on the Swiss Re website: <http://www.swissre.com> (under "Research & Publications").

Printed copies are available (order no. 1493151_02_en). Please fax your orders, complete with your full postal address, to:

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Notes to editors

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