



Swiss Re
Corporate Solutions

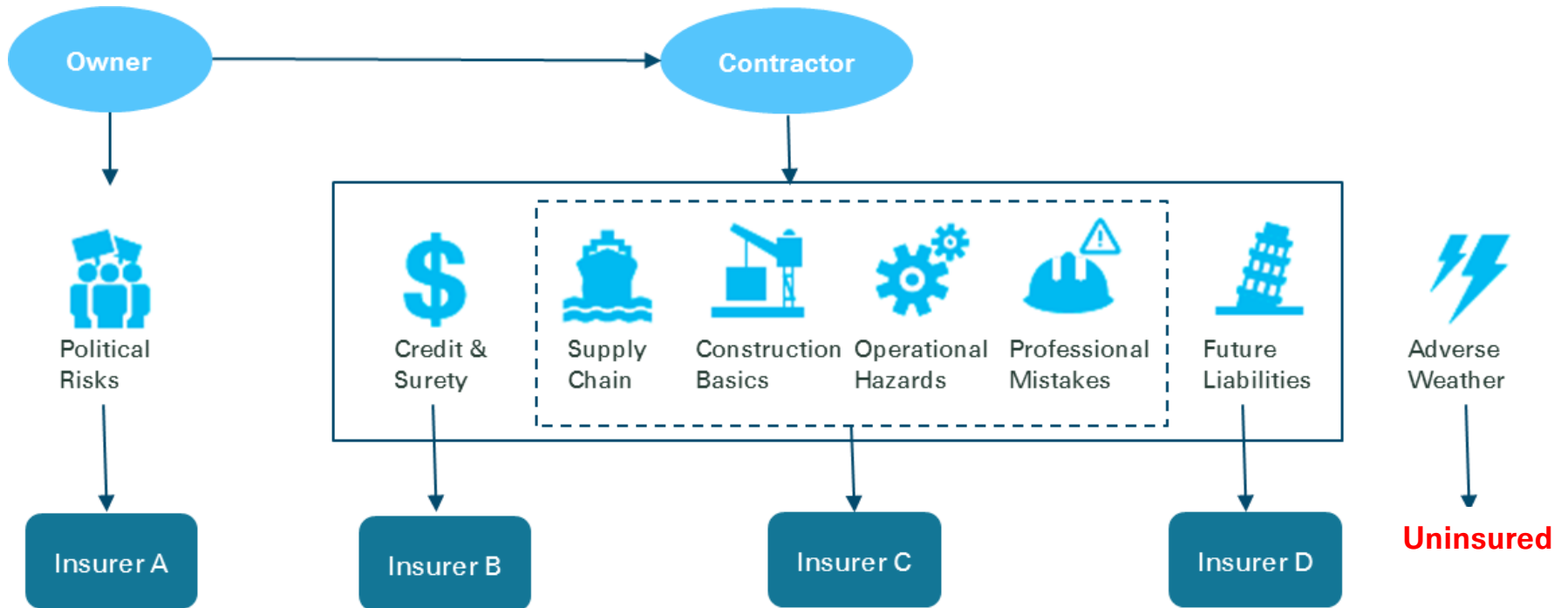
One Construction

GIF Advisory Council

April 20 2017

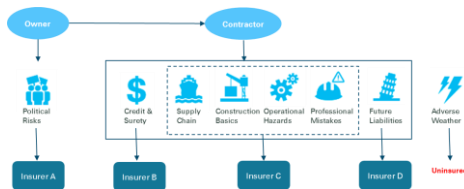


Current Landscape of Infrastructure Project Insurance



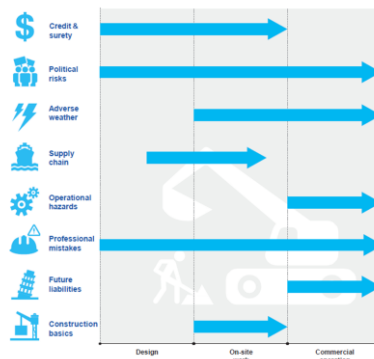
Benefits of Taking a Holistic View

Traditional insurance approach



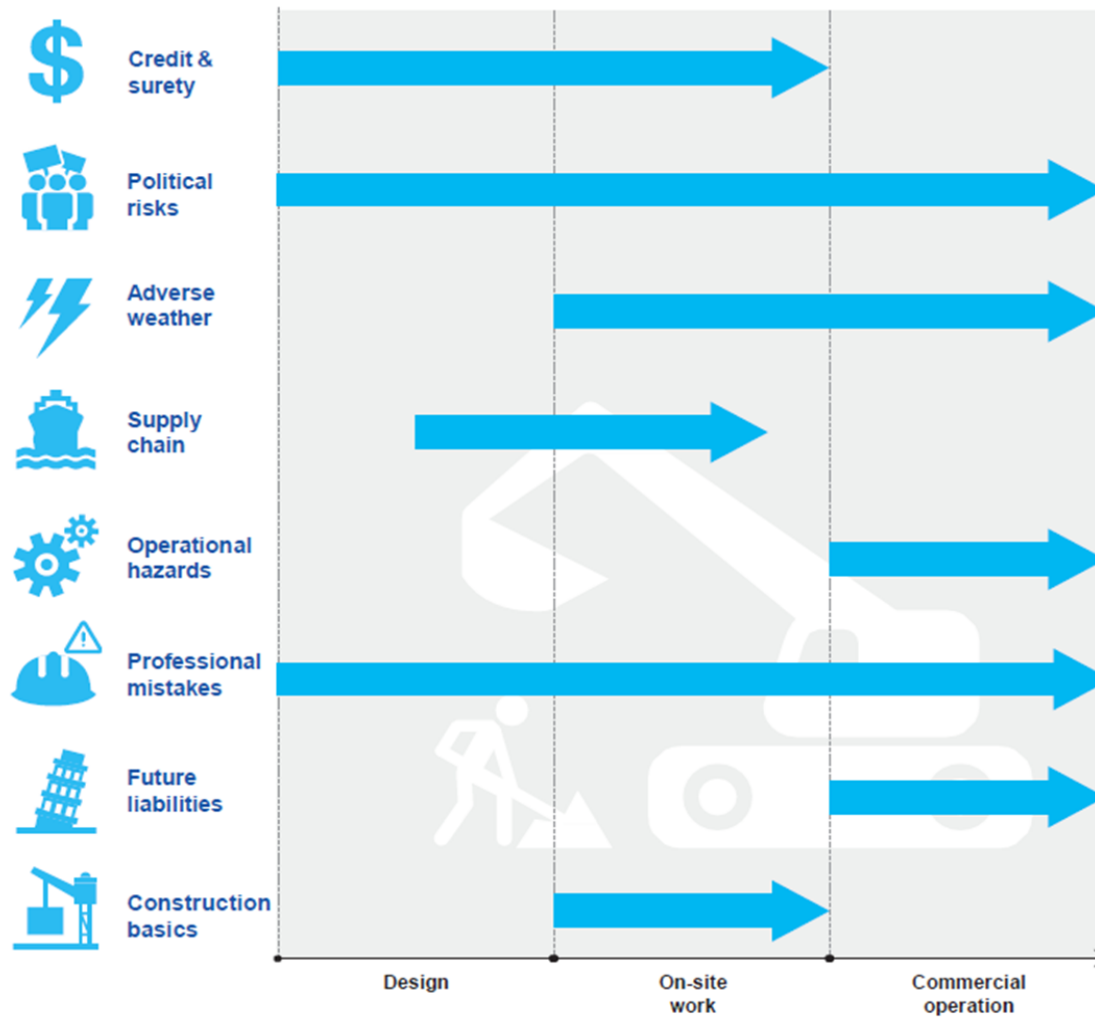
- Standard product suite tends to dictate overall scope of cover
- Gaps and overlaps not always visible
- Limited incentive to investigate alternative risk instruments or solutions

Comprehensive risk finance approach




- Holistic view determines required scope of cover
- Possibility to expand the traditional limits of insurability
- Focus shift from pure balance sheet protection to improving overall project credit rating and bankability

Comprehensive Insurance Value Proposition



How insurance is deployed makes a big difference

- Holistic “one-stop-shop” framework combining traditional and as well as innovative risk transfer solutions such as parametric covers.
- Modular and flexible: bespoke solutions tailored for each project
- Simplified Risk Management and Claims
- Project lifecycle view: seamless cover and efficient structuring
- Project Finance focus: streamlined revenue protection to reduce cash flow volatility and safeguard debt servicing obligations
- Integrated structuring promotes “total cost of risk” view

 Focus shift from pure balance sheet protection to improving **overall project credit rating and bankability**

Example: Onshore Windfarm

Owner's perspective:

Total investment: **USD 100m** (asset value)



Lender's perspective:

USD m	Status quo	Risk Finance Approach
Asset value	100	
Project rating	BB-	BB
RWA	142	126
Risk margin	2.5%	2.2%
Capital Held	172	153
Imp CoC	14.2	12.6
Revenues	25.3	23.1
RoRAC	8.9%	9.0%
ROE	13%	13%

→ Project de-risked by 1 notch

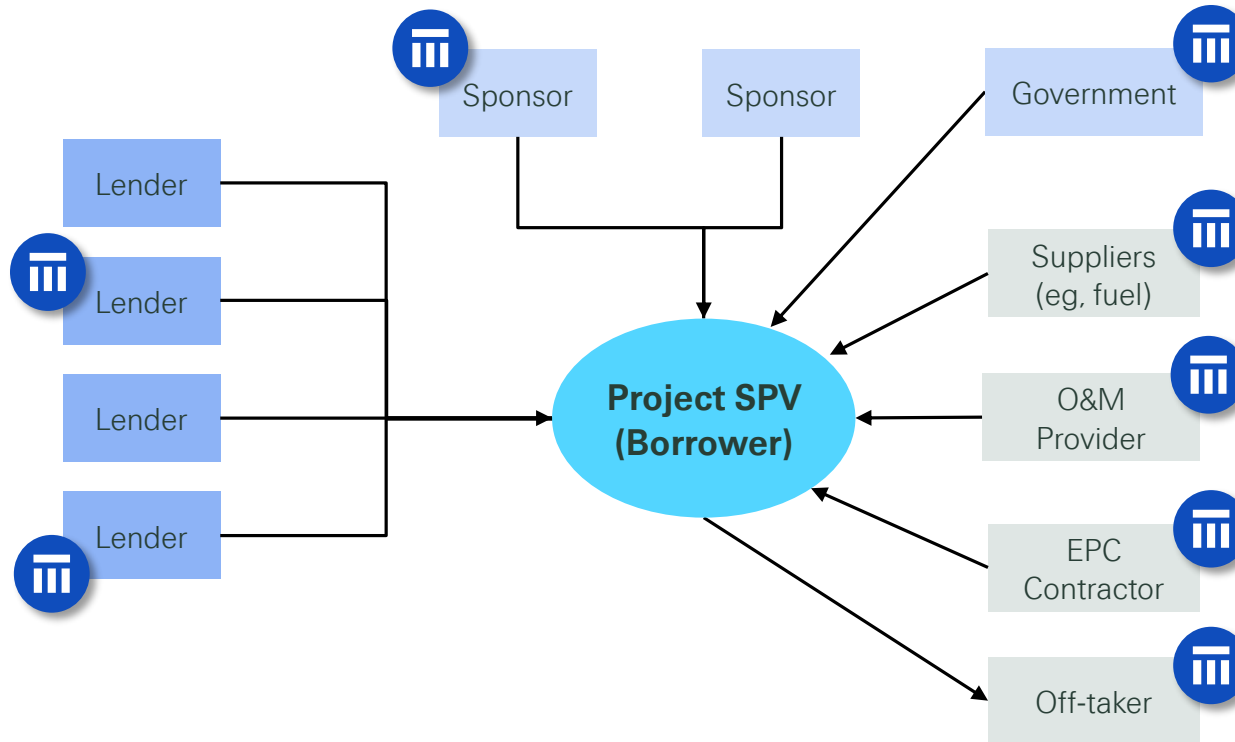
→ Freed-up USD 16m RWA



Insurers can bring a Different Approach

Aiming to be a partner in risk management to ensure a holistic view of a project risk landscape

- ... Insurers such as Swiss Re are already important **risk takers** across all aspects of infrastructure finance
- ... **early involvement** allows for comprehensive risk assessment and structuring of bespoke solutions



Conclusion

Early insurance involvement allows a holistic view, increasing a project’s bankability

Conventional Focus

1 **Asset protection**

Repair, Replace or Reinstatement

Focus on balance sheet and physical assets

Increased **risk sharing** with private sector

2 **Cash Flow protection**

Ensure certainty of projected revenues and costs

Ultimately reduce debt service uncertainty

Total cost of risk focus

3 **Capital Optimization**

Lenders are ultimate risk taker in project finance

Fixed return to lenders, no upside potential



- ✓ **Holistic view** increases certainty and efficiency in risk financing
- ✓ Allows lenders to **free up capital** for other attractive projects
- ✓ Previously unviable projects to become more attractive and **bankable**
- ✓ Improved risk scoring allows for **more competitive lending terms**

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