

media release

Vero and Swiss Re launch “Alliance” with infrastructure top of mind

Sydney, 1 June 2006: Vero Insurance Limited (Vero) has partnered with Swiss Reinsurance Company (Swiss Re) to launch an innovative and unique insurance solution for Alliance contracting projects.

Alliance contracting is a relatively new method of project delivery, and changes the adversarial nature of infrastructure projects by ensuring appropriate insurance coverage for all parties involved.

Alliance contracting is primarily used for complex projects and helps reduce litigation and promotes a more cooperative approach to construction projects.

Previously there was no insurance product available to adequately cover Alliance style contracting from both a construction and professional indemnity perspective. This resulted in many projects being under-insured or not insured at all.

Mr Tony Smith, General Manager Vero Construction and Engineering believes that this new product will be a popular solution for many large construction alliance projects and will replace the “no fault, no dispute and no blame” attitude.

“We have partnered with Vero Profin for the professional indemnity cover and Swiss Re to reinsure the projects. Vero Construction and Engineering will underwrite Contracts Works and Contract Liability.

It has been estimated that in the future up to 10% of construction projects will move to an Alliance style agreement,” said Mr Smith.

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Alliance contracts are typically used for complex and difficult projects. This plus the lack of a legal liability trigger meant traditional insurance solutions were not appropriate. This new Alliance offering will now provide coverage to all parties without having them having to go to court for any compensation payments.

“The court decisions will be replaced by mutually agreed expert determination process which will decide if the claim is covered, and for how much.

With Western Australia and Queensland looking to planned infrastructure projects totalling \$50bn over the next 5 years, they are obviously supportive of this offering,” said Mr Smith.

Jonathan Miles, Product Manager Professional Lines – Asia Pacific, Swiss Re also believes alliance contracting looks like having a healthy future in Australia.

“Previously, there were no insurance products which adequately provided Professional Indemnity cover for Alliance style contracting. Due to the adversarial nature of construction projects, we believe people were having to compromise the spirit of Alliance style contracting to find workable solutions for their insurance needs.

Partnering with Vero enabled us to develop a new and innovative solution to address a gap in the market,” said Mr Miles.

Vero’s construction and professional indemnity experts can deliver a specialist long term solution for these types of Alliance projects. By working in conjunction with Swiss Re, Vero can offer increased capacity and a robust balance sheet.



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Editor's note

Vero Insurance Limited ("Vero") is a subsidiary of the Promina Group Limited, which is one of the top 50 companies listed on the Australian Stock Exchange. Vero, formerly Royal & Sun Alliance Insurance Australia Limited, has for many years been offering highly specialised solutions to its large range of customers.

Vero is one of Australia's largest intermediated general insurance companies and has 19 branches across Australia, providing a suite of quality specialised risk management products and services through brokers, corporate partners and risk managers.

Swiss Re is one of the world's leading reinsurers and the world's largest life and health reinsurer. The company operates through more than 70 offices in over 30 countries. Swiss Re has been in the reinsurance business since its foundation in Zurich, Switzerland, in 1863. Swiss Re offers a wide variety of products to manage capital and risk. Traditional reinsurance products, including a broad range of property and casualty as well as life and health covers and related services, are complemented by insurance-based corporate finance solutions and supplementary services for comprehensive risk management. Swiss Re currently has the following ratings: (i) from Standard & Poor's: long-term counterparty credit, financial strength and senior unsecured debt ratings of "AA (CreditWatch negative)", and a short-term counterparty credit rating of "A-1+", (ii) from Moody's: insurance financial strength and senior debt ratings of "Aa2" (on review for possible downgrade), and a short-term rating of "P-1" and (iii) from A.M. Best: a financial strength rating of A+ (superior) (under review with negative implications).

In 2006 Swiss Re celebrates 50 years since it opened its first offices in the Australasian market. Swiss Re services clients across Australia and New Zealand from teams based in Sydney. In 2004 Swiss Re was awarded 'Reinsurance Company of the Year' in the Australia and New Zealand Insurance Industry Awards and named one of Australia and New Zealand's Best Employers by a study conducted by Hewitt Associates in 2004 and 2005.

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