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**Publication****Opportunity and risk: Infrastructure insurance in Russia**[Русская версия >>](#)

For Asian investors – whether Japanese trading houses or Chinese construction giants – Russia presents a paradox: the opportunity is immense, but the risks are equally great. Russian infrastructure projects are characterised by high capital intensity, lengthy investment cycles and complex contractual relationships.

In this environment, insurance is not merely a standalone risk transfer tool, but becomes part of an overall risk allocation system alongside engineering, procurement and construction (EPC) contracts, equipment supply agreements, project financing covenants, etc. This article reviews two main insurance instruments for investors: construction all risks (CAR) insurance, also known as construction and installation works insurance; and delay in startup (DSU) insurance, covering the risk of delayed commissioning.

**Construction all risks**

A CAR policy combines two types of insurance: property; and third-party liability. The policy protects not only the facility under construction, but the project stakeholders against third-party liability claims. Although the rule provides that only the party bearing the risk of accidental loss may insure the property, in practice, the client holds the true insurable interest as the ultimate recipient of the completed facility. In the Russian market, the client typically acts as policyholder, while contractors, subcontractors and other stakeholders are included as additional insured parties.

The insurance policy term is a key issue. For large-scale infrastructure projects, the completion of construction does not necessarily coincide with the end of the elevated-risk period. Quite the opposite – the most demanding engineering operations often fall within the stage of comprehensive testing, commissioning and preparation for commercial operation.

However, many CAR policies stipulate the termination of coverage when a specific event occurs, such as the first taking-over of the works. Without careful agreement on policy wording, the most critical project phase may be uninsured. Parties must clarify what constitutes the end of construction and whether that definition aligns with the project schedule.

**Delay in startup**

The DSU serves the broader purpose of preserving a project's financial stability should the facility's commercial commissioning be delayed due to an insured event. This risk is often the most critical, since even a short delay can significantly affect cash flows, the fulfilment of lender obligations, and financial performance. But DSU policies have specific features. Typically, they provide coverage only in cases of a total delay – when the facility cannot be commissioned for commercial operation because of an insured event. Circumstances that do not prevent the facility from operating as a whole do not give rise to an indemnity payment. The definition of the indemnity period also deserves attention. It would be incorrect to assume it is limited solely to the time required to remedy the consequences of the insured event. For major infrastructure projects, the indemnity period extends to the time reasonably necessary to reach production targets after restoration is complete. This is relevant for industrial plants, power facilities and other complex assets, where construction completion is followed by the gradual commissioning of equipment, and a staged rise in production volumes. The ramp-up period may last months and, if not addressed in the policy, financial losses may far exceed the indemnity payable.

Determining the indemnity period involves analysing when the facility would have reached its planned capacity in the normal course of the project. Both Russian and international practice typically uses comparable projects for this. But benchmarking must not merely be a formality. Each benchmark must be tailored to the specific facility. The quality of this tailoring determines the accuracy of projected profit calculations and the indemnity's reasonableness.

**Conclusion**

Experience from Russian infrastructure projects shows that effective insurance coverage depends on the quality of policy structuring, alignment with the contractual framework and the ability to protect all stakeholders throughout the project lifecycle.

Most complex insurance disputes in Russia arise not from the absence of coverage, but from differing interpretations of the contract terms defining the scope of the insurer's liability, the coverage term, the loss calculation methodology and the grounds for indemnity payment. This is why insurance contracting should proceed in parallel with the project's construction, financial and contractual development. CAR and DSU are not standalone solutions but interrelated elements of an integrated risk management system – one safeguards physical assets and the other protects financial viability. Their effectiveness depends on how thoroughly the contract terms are co-ordinated during project planning.

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