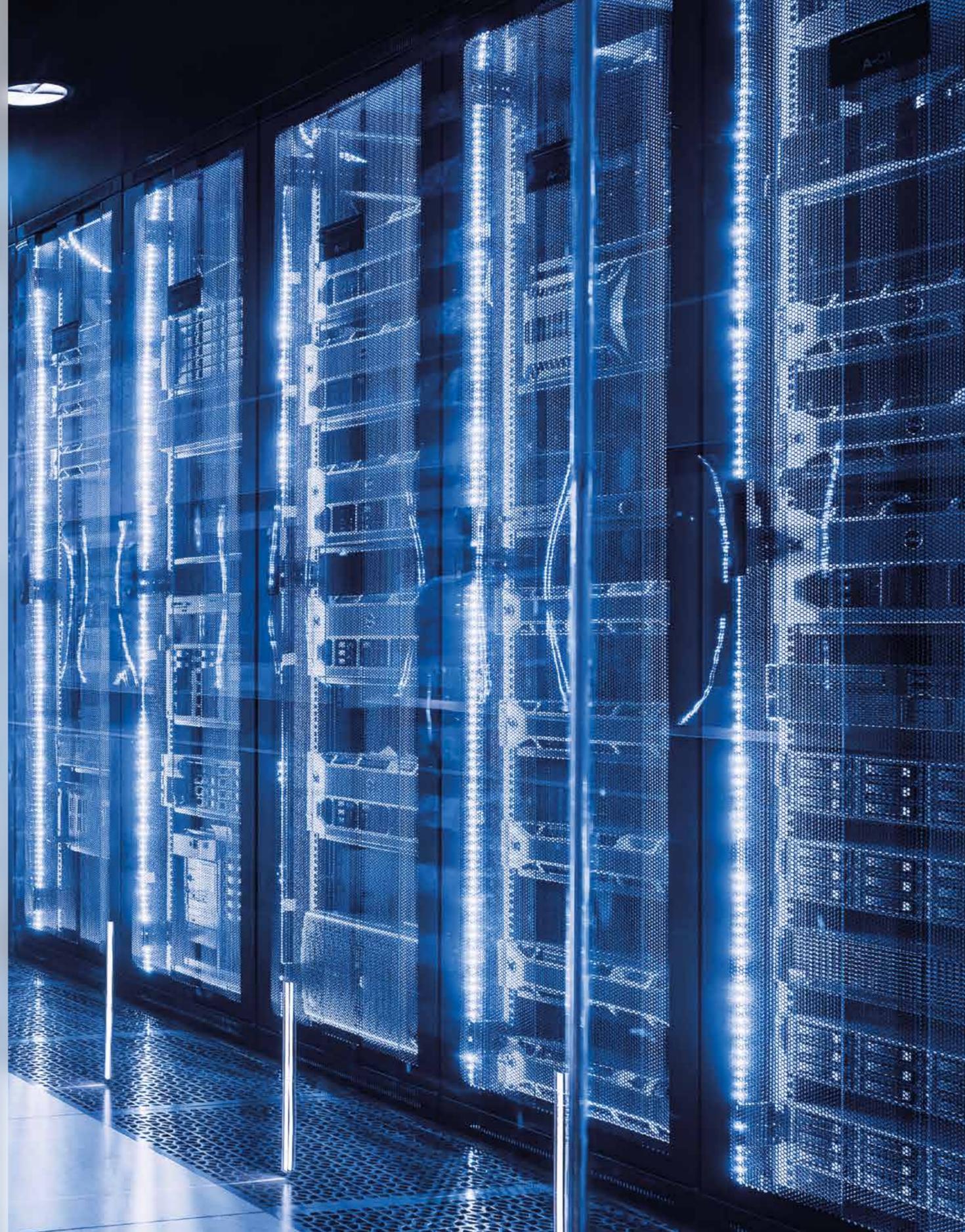


# **Balancing Growth and Risk: How Data Centres Can Respond to Service Level Obligations**



# Key Takeaways



For data centre operators, breaching service level agreements (SLAs) can result in severe revenue penalties, even when no damage or loss occurs.



Many causes of disruption are beyond the owner and operator's control, including upstream power failures and extreme weather.



Risk transfer must be carefully designed to align financial protection with contractual obligations to support growth, financing and resilience for the data centre industry.

[Across Asia Pacific \(APAC\), data centre capacity is expanding](#) quickly as cloud adoption and AI workloads continue to grow. Data centre owners are ramping up capacity throughout the region, often in locations where energy supply and supporting infrastructure may be stretched. There is strong competition for tenants and long-term leases are key for securing project investment.<sup>1</sup>

At the same time, many data centre tenants may now require stringent service level guarantees. Commercial contracts will typically require high levels of availability,

along with strict thresholds for operating conditions, including but not limited to power supply, humidity and temperature. These detailed service level agreements (SLAs) can also include financial penalties that apply when performance standards are not met.

“Data centre owners provide critical infrastructure that supports tenants’ operations and contracts are now designed to reflect that responsibility,” says Wee Teck Tea, Head of Commercial Risk Solutions for Aon in Singapore.



Performance commitments now extend across many technical areas, with limited tolerance for deviations from required standards.”

**Wee Teck Tea**

Head of Commercial Risk Solutions,  
Singapore  
Aon

<sup>1</sup> Aon. (2024) The AI data center boom: Strategies for sustainable growth and risk management. Available at: <https://www.aon.com/en/insights/articles/the-ai-data-center-boom-strategies-for-sustainable-growth-and-risk-management> (Accessed: 26 February 2026).



# How SLAs Can Put Revenue at Risk

In the data centre industry, penalties for SLA breaches can range from rental waivers to cancelled contracts. If a data centre facility should fail to meet performance thresholds, these financial consequences can be enforced, even when the tenant has not experienced any performance impact or physical damage to their equipment.

“

In some contracts, service level breaches can result in many months of rental waiver that could be as high as 60 months. Losing revenue for these long periods can put business viability at risk as data centre owners will still have operating costs and service obligations to meet.”

**Wee Teck Tea**

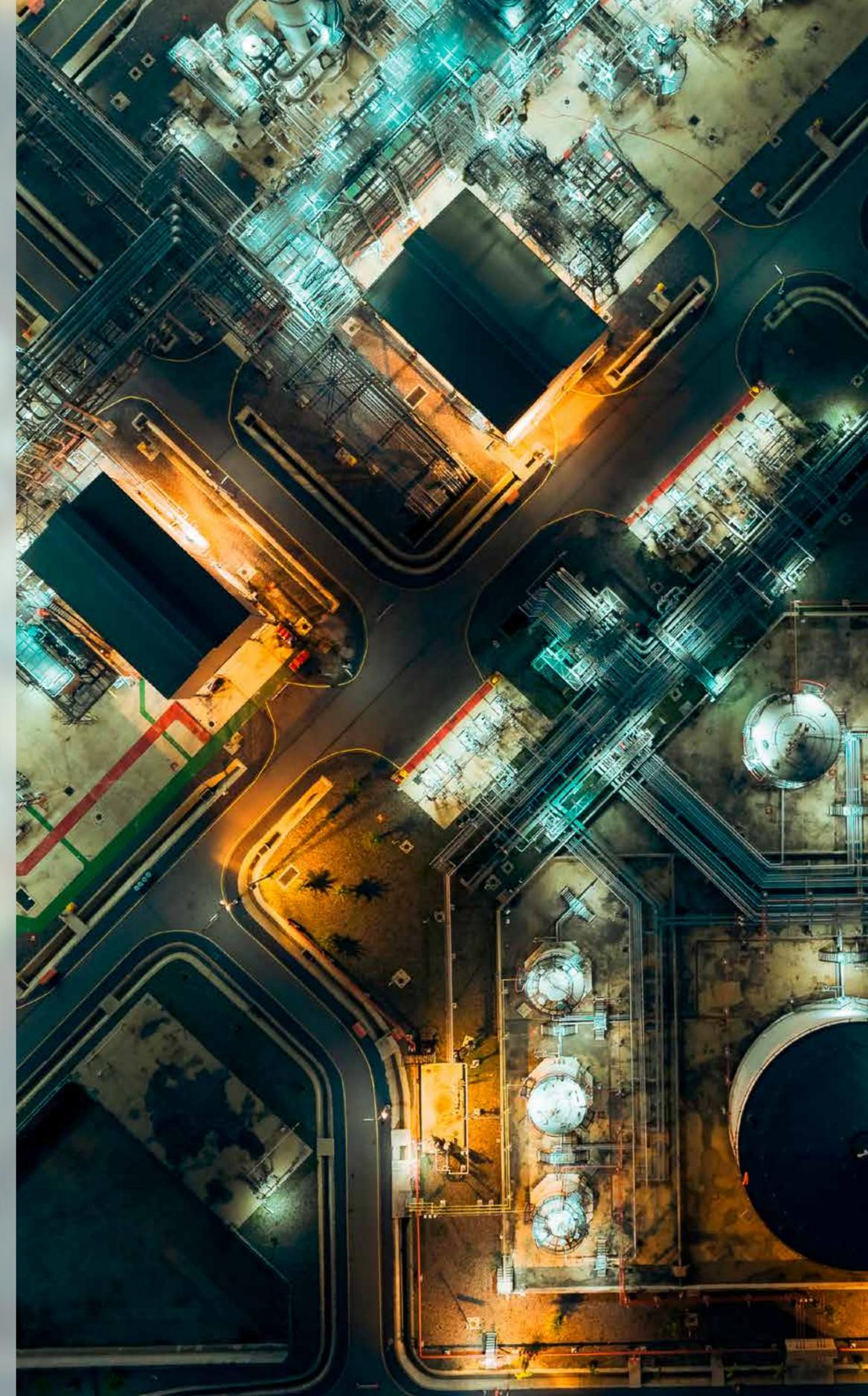
Head of Commercial Risk Solutions,  
Singapore  
Aon

# When Breaches are Beyond an Operator's Control

Data centre operators invest heavily in reliability, with redundant power supplies and backup systems often deployed as standard practice across their facilities.<sup>2</sup> But service disruption can be caused by external systems that cannot be controlled.

Human error and failures by third-party service providers can also introduce risks to SLA compliance that sit outside of data centre systems and controls. As a result, operators can face SLA penalties even when they have followed best practice in site selection, design and maintenance of their facilities. Even the most robust resilience strategies and operating processes cannot protect owners from potential exposure to heavy financial losses. "Failure to meet broad and stringent SLA KPIs is fast becoming not a question of if, but when," says Tea.

<sup>2</sup> Albarell Electric Inc. (n.d.) Why data centers require specialized electrical systems. Available at: <https://www.albarell.com/post/why-data-centers-require-specialized-electrical-systems> (Accessed: 26 February 2026).



# A Gap in Financial Protection

While operators are prioritising contingencies and controls to reduce the chances of an outage, some may not have measures in place to manage the financial impact if those systems should fall short.

Until recently, the industry has generally relied on insurance policies that respond to physical loss, business interruption and liability for third-party damage. Even newer products linked to outage triggers may only address certain specific technical failures, rather than the full range of obligations set out in tenancy agreements.

“For a long time, SLA risk has been difficult to insure using standard approaches,” says Tea. “In many cases, the insured party may not suffer a recognised loss under the usual policy definitions, even when substantial penalties apply under contract.”

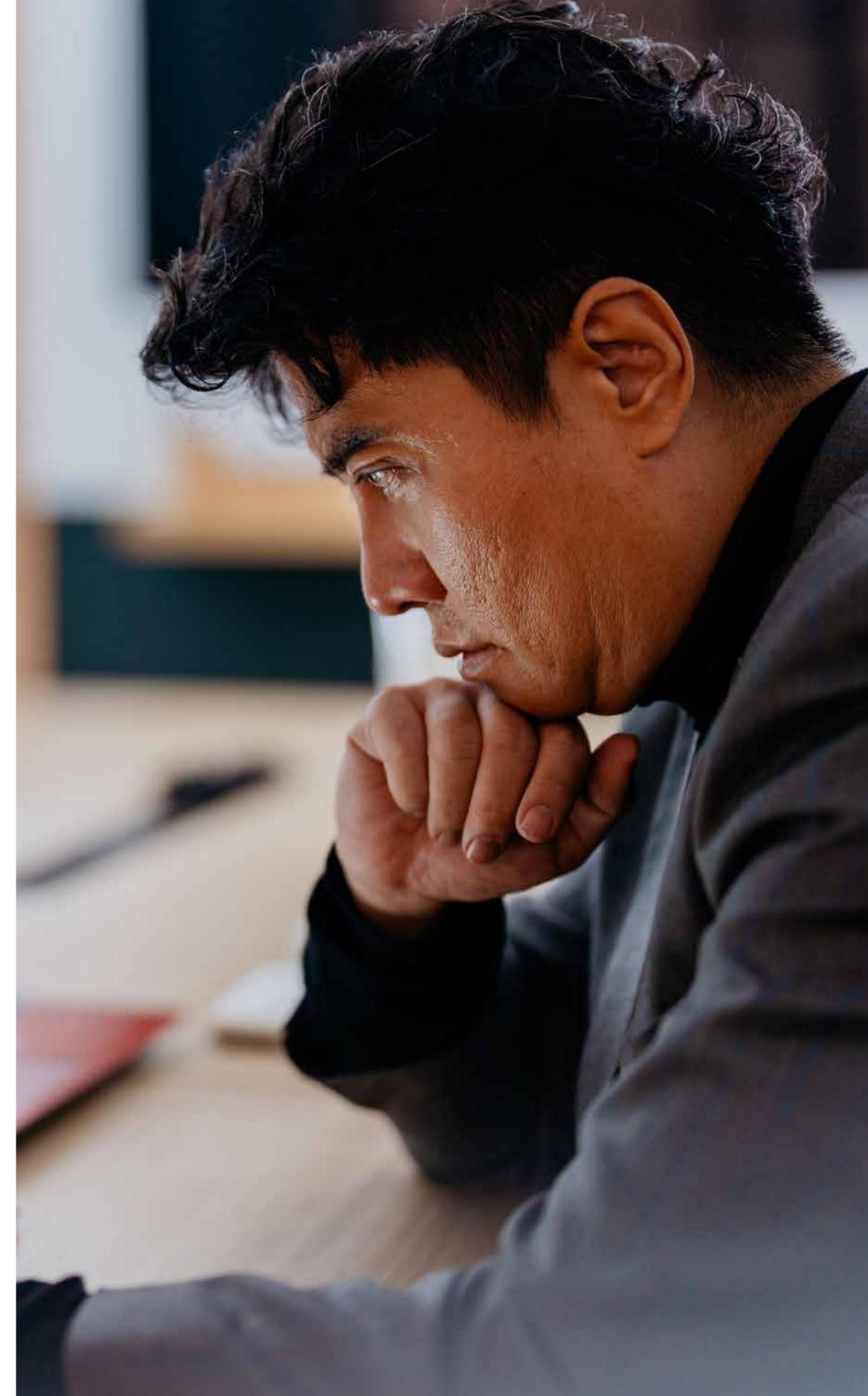


# Aligning Risk Transfer with Contracts

To respond to this growing protection gap, Aon's SLA insurance solutions can help to address how losses occur based on data centre tenancy arrangements. Instead of focusing on physical damage or business disruption, these solutions are mapped to contractual triggers.

Aon's SLA insurance solutions are designed to take into consideration how each data centre is owned and operated. Ownership structures, and facilities management arrangements can vary widely across different assets. Understanding these relationships is important to help enable the determination of an effective solution.

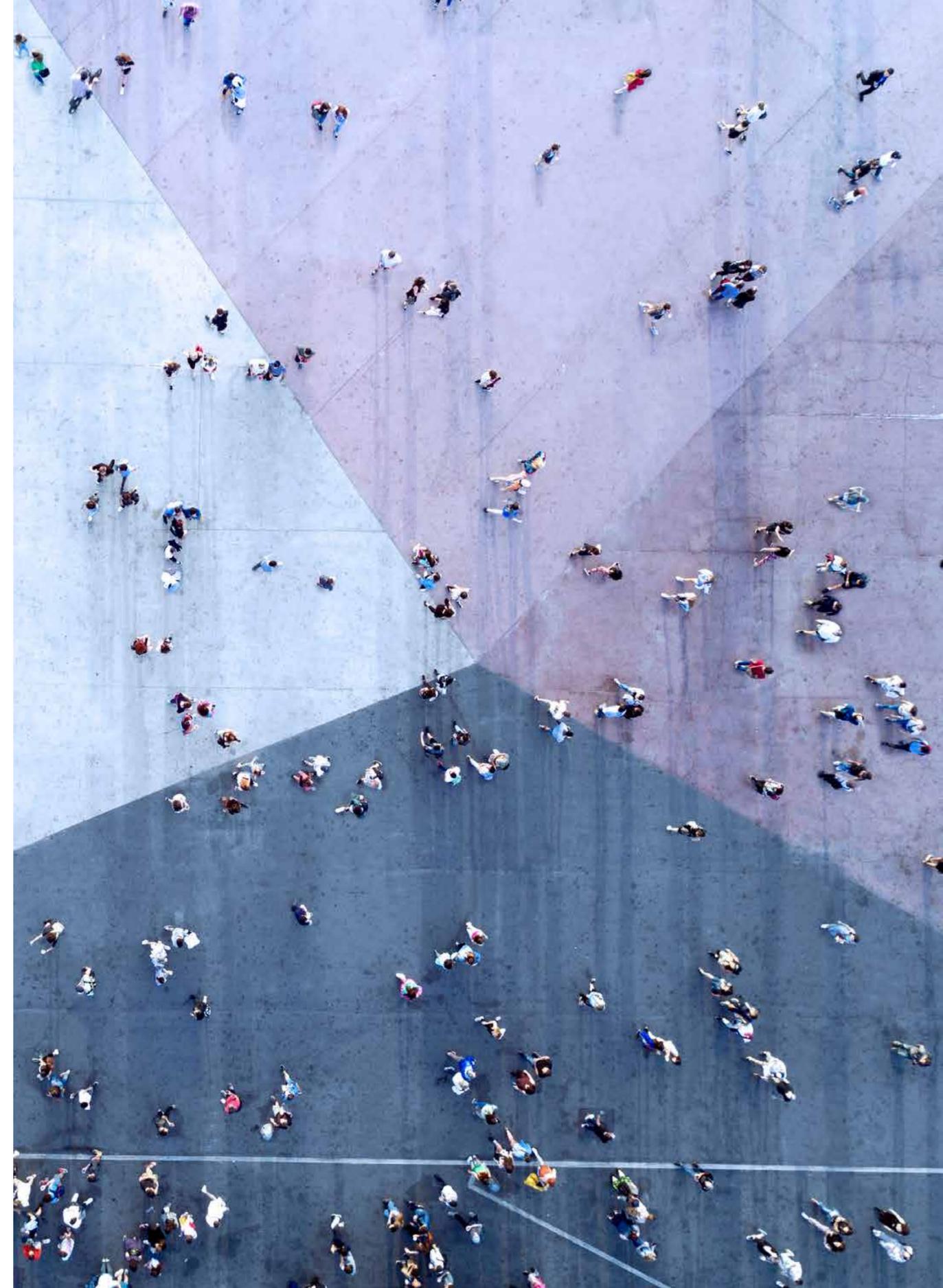
With the support of a fit-for-purpose SLA risk transfer solution, data centre operators can be more confident in their negotiations with large tenants and give investors greater certainty on revenue stability. This helps to demonstrate how effective risk management can support industry growth and better commercial outcomes.



# Supporting Sustainable Growth for the Industry

In the current high-demand, competitive environment, operators must move quickly to maintain market position. “If one operator hesitates, another will step in,” says Tea. “As a result, many are prepared to accept significant contractual risks to secure tenants, even when the financial consequences of an SLA breach could be substantial.”

As data centre infrastructure becomes even more vital to digital economies across APAC, the ability to manage both operational and financial performance may help operators to grow with confidence. Operators that prioritise contractual liability as part of their broader risk and capital strategy may be better positioned to scale and succeed.





## About Aon

[Aon plc](#) (NYSE: AON) exists to shape decisions for the better – to protect and enrich the lives of people around the world. Through actionable analytic insight, globally integrated Risk Capital and Human Capital expertise, and locally relevant solutions, our colleagues provide clients in over 120 countries with the clarity and confidence to make better risk and people decisions that help protect and grow their businesses.

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With industry leading capability in both traditional and alternative risk transfer, Aon is designed to deliver insurance solutions that are intended to be scalable, innovative and matched to the needs of the largest and most complex data centre projects. Find out how [Aon's Data Centre Solutions](#) can help.

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