

# The Ukraine Crisis

## Flash Market Update – 8 April 2022

This Flash Market Update offers a brief and general update on the general approach in the insurance industry in respect of the various insurance related issues caused by the Ukraine crisis.

Information on specific insurance lines is found in our separate and frequently updated memo, 'Information on insurance related implications following the situation in Ukraine'.

The situation in Ukraine has unfortunately not improved during the past month. If anything, the situation has escalated further. Most of the insurance carriers have introduced – or are currently in the process of doing so – geographical coverage exclusions directed at Ukraine, Russia, and Belarus. Some insurance carriers are, however, not excluding Ukraine geographically. These exclusions are being introduced on existing insurance programmes during renewal processes and during tendering for new business.

These initiatives can entail significant challenges for the insured as it will be necessary to either consider the possibility for placing local policies in the inflicted countries (i.e., outside a Master Insurance Programme) or alternatively introduce a 'Financial Interest Clause' (FINC). The latter would secure that claims payments may be submitted to the parent company outside the affected territory (e.g. risk located in Ukraine and parent company located in Denmark).

Such optional solutions are not without potential issues. Local coverage in e.g. Russia would be subject to severe risk of currency exchange rate fluctuations, and subject to the vast number of international sanctions applied.

As WTW approaches the insurance markets on behalf of our affected clients, an argument heard numerous times is the fact, that the vast number of various uncertainties in the ever-changing sanction regime leaves the insurers in an almost un-manoeuvrable in respect of interpretation of sanctions and compliance leading the markets to consider withdrawal.

Even if most insurance lines already include exclusions related to war risks and include sanction clauses the widespread additional introduction of geographical exclusions is considered a further layer of security for many insurance companies in respect of mitigating their risk of non-compliance with international sanctions. Although understandable and an unfortunate outcome of the existing situation, WTW continues to monitor and challenge the insurance market on this topic.

Your usual contacts at WTW are standing by for potential comments or questions.

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Disclaimer: Each applicable policy of insurance must be reviewed to determine the extent, if any, of coverage for losses relating to the Ukraine crisis. Coverage may vary depending on the jurisdiction and circumstances. For global client programs it is critical to consider all local operations and how policies may or may not include coverage relating to the Ukraine crisis. The information contained herein is not intended to constitute legal or other professional advice and should not be relied upon in lieu of consultation with your own legal and/or other professional advisors. Some of the information in this publication may be compiled by third-party sources we consider reliable; however, we do not guarantee and are not responsible for the accuracy of such information. We assume no duty in contract, tort or otherwise in connection with this publication and expressly disclaim, to the fullest extent permitted by law, any liability in connection with this publication. Willis Towers Watson offers insurance-related services through its appropriately licensed entities in each jurisdiction in which it operates. The Ukraine crisis is a rapidly evolving situation and changes are occurring frequently. Willis Towers Watson does not undertake to update the information included herein after the date of publication. Accordingly, readers should be aware that certain content may have changed since the date of this publication. Please reach out to the author or your Willis Towers Watson contact for more information.