



# Update: Conflict in Ukraine

## Insurance Implications

18/1/2023

# May 2022 Estimate: Impact of the Ukraine Conflict by LOB

Sector	Low End (5/2022)	High End (5/2022)	Working Estimate (5/2022)	Working Estimate (1/2023)
Aviation*	\$7 billion	\$13 billion	\$10 billion	\$12 billion**
Marine	\$3 billion	\$6 billion	\$5 billion	\$5 billion
Energy	\$1 billion	\$4 billion	\$2.5 billion	\$4 billion
Property per Risk	\$2 billion	UNK	\$3 billion	\$5 billion
Personal & SME	\$50 million	\$100 million	\$100 million	\$100 million
Total	\$13.05 billion	>\$23 billion	\$20.6 billion	\$26.1 billion

\*Aviation is referenced here out of convenience and because the leasing losses in Russia are discussed in tandem with the conflict in Ukraine. However, this is not a statement as to whether or not the aviation event is linked to the conflict.

\*\*Includes some civil aviation losses from within Ukraine, although these may be moved to other LOBs later.

***Estimates above are either informal or include informal elements. It is still early and data is in short supply. The potential for significant up or down changes remains.***

# Reasons for Estimate Changes Since May

- **Aviation (up from \$10 billion to \$12 billion)**
  - Client and market discussions regarding the leasing losses suggest an increase relative to earlier assumptions
  - Increased kinetic activity in Ukraine has affected more civilian airfields (19/35 airfields in the country)
  - Civil airfield extrapolation based on known data
- **Marine (steady at \$5 billion)**
  - Both blocking and trapping and ports and terminals appear to be evolving as expected, however this is based on little data so far
- **Energy (up from \$2.5 billion to \$4 billion)**
  - Three solar farms could have significant claims
  - Increased and continued damage to Ukraine's energy infrastructure
- **Property per Risk (up from \$3 billion to \$5 billion)**
  - Increased data flow
- **Personal and SME (steady at \$100 million)**

## Key Updates: Property per Risk

- **Steel factory in Kryvyi Rih** could reach \$500 million – further development likely requires boots on the ground
- **Steel factory in Mariupol** – no discussion in the market, but SEC filings suggest that there is insurance (further detail not yet known)
- Several limits losses have already been circulated in the market
- Increased attack cadence has led to more infrastructure and commercial damage, although insurance penetration remains to be seen
- *The big question will be whether some assets further east have sufficient and relevant insurance, which could materially impact estimates*

## Key Updates: Marine

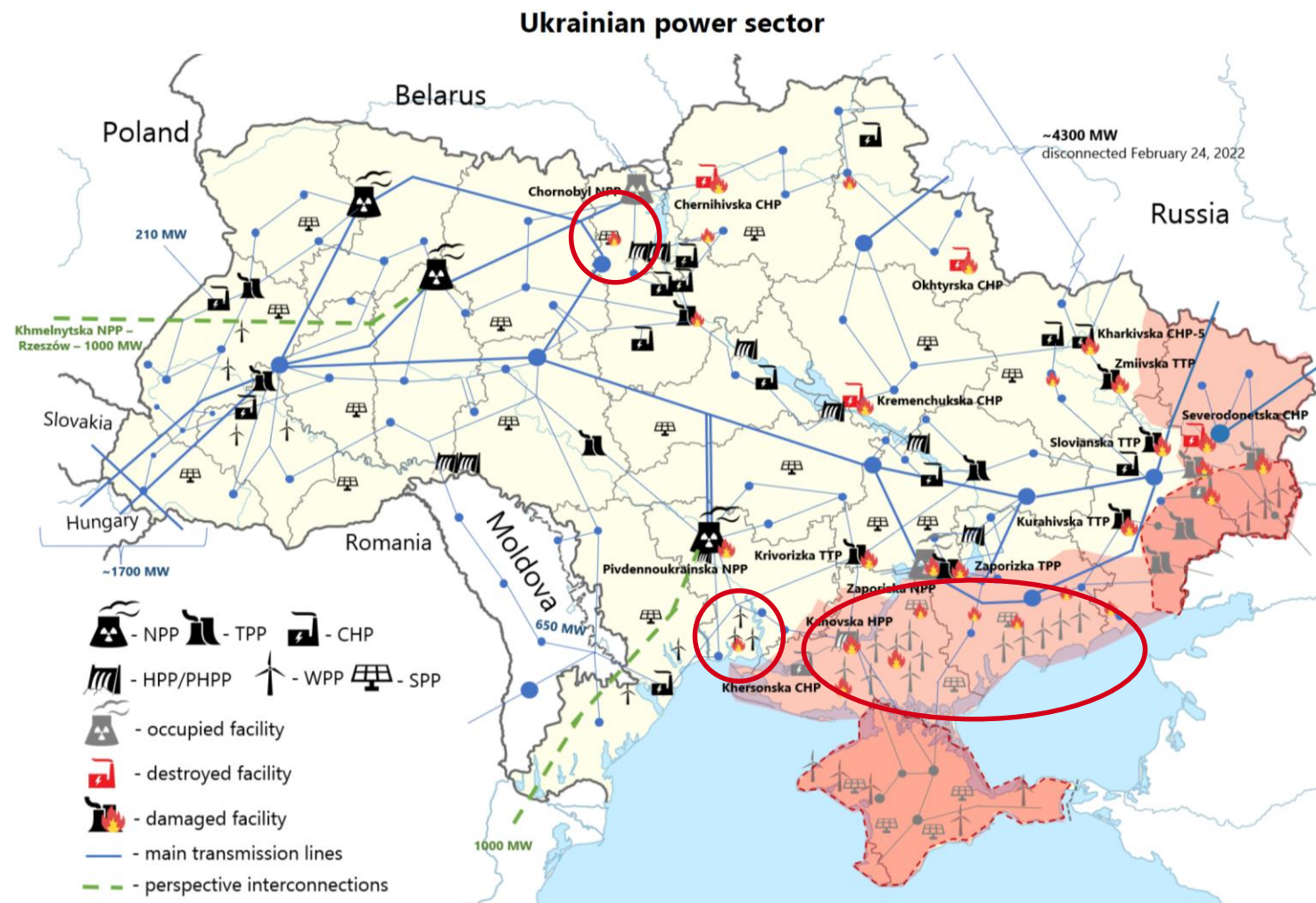
- **Blocking and trapping** appears to remain in the range of \$800 million to \$1 billion
- **Ports and terminals** could be impacted as a result of missile strikes and suspended or degraded operations, particularly with the recent impacts on Odesa
- **Bosporus access** issues and the need for relevant insurance may not have a meaningful impact on industry loss, but it is a reminder of the volatility in the region, as well as how quickly unexpected variables may arise

# Key Updates: Onshore Energy

- **Nuclear:** Two facilities appear to be affected, although insurance implications are not yet known
- **Power lines and transmission:** Damage to several has been recorded
- **Oil/gas/coal:** Impact varies by type, with coal deposits heavily located in occupied areas, unlike oil deposits. However, transmission, storage, and delivery to end customer have been impacted significantly.
- *Insured loss information is spotty, given the ongoing conflict and inability to inspect damage sites. This category will take time to become clear.*

# Key Updates: Renewable Energy

- **Wind farm estimates (4 sites)** so far remain at approximately \$800 million in aggregate
- **Solar farm estimates (3 sites)** are yet to be determined, but if they follow the wind farms, they could exceed \$500 million in aggregate
- Further renewable energy volatility is possible, given the concentration of assets in the conflict area



Source: Energy Carter

# Key Updates: Cyber

- Cyber losses so far are likely < 1% of the aggregate loss in Ukraine (excl. aviation in Russia)
- Reports of voluminous attempts (mostly blunt instrument, like DDoS), but little in the way of impact
- Cyber risk is more a post-conflict/post-cease fire concern
  - Article 5 issues/risks less an issue after the conflict
  - Little incremental impact to kinetic
  - More expensive than it looks (excl. blunt-instrument ops, which have limited impact)
  - Resumption of ransomware post-conflict is a useful lever in destabilizing adversary states



# Contact Me Whenever You Like

Ask me anything about:

- The nature of the conflict and how it could evolve
- Implications for the global re/insurance industry
- How changes in the conflict could affect the cyber insurance market
- Interim loss intelligence and trends

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# Helpful Resources

- [https://www.energycharter.org/fileadmin/DocumentsMedia/Occasional/2022\\_10\\_24\\_UA\\_sector\\_al\\_evaluation\\_and\\_damage\\_assessment\\_Version\\_III.pdf](https://www.energycharter.org/fileadmin/DocumentsMedia/Occasional/2022_10_24_UA_sector_al_evaluation_and_damage_assessment_Version_III.pdf)
- <https://kosatka.media/en/category/vozobnovlyamaya-energiya/news/zelenaya-energetika-v-ukraine-razrushena-voynoy-i-na-grani-bankrotstva-cto-dalshe>
- <https://www.average-adjusters.com/assets/AAA-IUA-Do-Mention-the-War-November-2022.pdf>
- <https://thebulletin.org/2022/04/damage-to-ukraines-renewable-energy-sector-could-surpass-1-billion/>
- <https://smallwarsjournal.com/jrnl/art/how-renewable-energy-could-set-stage-future-resource-conflict>
- [https://kse.ua/wp-content/uploads/2022/10/ENG-Sep22\\_Working\\_Sep1\\_Damages-Report.docx.pdf](https://kse.ua/wp-content/uploads/2022/10/ENG-Sep22_Working_Sep1_Damages-Report.docx.pdf)
- [https://www.thewindpower.net/country\\_maps\\_en\\_35\\_ukraine.php](https://www.thewindpower.net/country_maps_en_35_ukraine.php)
- *Freedom's Forge*: <https://www.amazon.com/Freedoms-Forge-American-Business-Produced/dp/0812982045>



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Standard legal language is pending. Until the template is updated with standard boilerplate, please insert the appropriate legal language for your business area.

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