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Ukraine: A conflict that changed the world – the (re)insurance industry response

Responding to protection gaps with sustainable and resilient insurance solutions

Lloyd's Futureset

The conflict in Ukraine and its far-reaching impacts continue to drive economic, geopolitical, and humanitarian uncertainty around the globe.

The (re)insurance industry holds a formidable toolkit to tackle emerging customer challenges:

01 Deploy capital	02 Innovate solutions	03 Provide expert advice	04 Collaborative action
Build long term resilience by removing risks from customers' balance sheets and reducing their exposure to volatile risks	Innovation will be essential in helping to address the complex challenges that will emerge from the crisis	Providing advice on risk mitigation and management to ensure that customers are prepared for a range of outcomes	Cross-sector partnerships can accelerate the development and delivery of the novel solutions that will be necessary

Cyber

The business implications of cyber

Over time we can expect to see a growing cyber threat due to geopolitical tensions, with organisations integrated in key supply chain networks at highest risk of targeted attacks.

Businesses should expect a need to increase their cyber resilience to minimise the impacts of potential state-sponsored attacks and opportunistic actors.

How the (re)insurance industry can respond:

While giving careful thought to managing systemic cyber risk exposure and improving clarity for customers on wordings, the industry could look to:

Innovate solutions: Further develop affirmative cyber physical damage offering and be explicit around contingent business interruption cover.

Provide expert advice: Assist with contingency planning and broaden access to risk management and crisis advisory services.

Supply chain

The business implications of supply chain

The Ukraine conflict has caused significant supply chain disruption, specifically leading to transportation challenges as well as commodity and raw material shortages. In the long-term, there will likely be a shift towards deglobalisation as businesses look to re-shore supply chains in the face of new geopolitical risks.

How the (re)insurance industry can respond:

Developing solutions for businesses to de-risk their supply chains has the potential to create large, new opportunities for the insurance sector that directly addresses urgent business needs:

Innovate solutions: Consider developing new cover for non-damage business interruption or disruption of tier 2/3 suppliers.

Provide expert advice: Work closer with customers to obtain detailed exposure data, a critical component in developing sophisticated analytical risk models to better quantify supply chain risk.

Food security

The business implications of food security

With Ukraine and Russia significant exporters of raw food ingredients (supplying 30% of global wheat and 55% of sunflower oil), the crisis has exposed fragilities in the food system and identified the need for other economies to diversify.

How the (re)insurance industry can respond:

The availability of insurance can continue to facilitate the transportation of produce out of Ukraine and Russia while the potential for civil unrest in countries that are highly reliant on Ukrainian produce may increase demand for political violence cover.

Deploy capital: The industry could seek to establish similar structured solutions to the Lloyd's grain facility, for other key commodities.

Innovate solutions: New parametric solutions with a political trigger covering the quality of grain in the event of shipment delays could protect against a range of commodity price risks.

Climate transition

The business implications of climate transition

A need to balance potentially competing requirements in the short term between energy security pressures and the continued shift to a low carbon economy may add costs for businesses and communities, and a potential reputational backlash.

How the (re)insurance industry can respond:

The industry can support an accelerated transition by providing risk transfer solutions that enable the growth of the green economy, whilst also addressing potential biodiversity concerns stemming from any rushed or poorly implemented projects. Other areas of support include:

Deploy capital: Developing an end-to-end approach for financing critical transition and climate innovation activities, in partnership with the whole financial services sector.

Innovate solutions: Insurance can be used to make emerging climate positive technologies investment grade, by bringing projects within the risk tolerance boundaries of other financial institutions.

Energy security

The business implications of energy security

Many countries are looking to implement a mixed slate of energy sources and suppliers to strengthen their energy security and protect their economies from the challenges associated with energy supply issues and escalating prices.

How the (re)insurance industry can respond:

The insurance industry can support the development of energy independence and security, and the associated infrastructure required, through the provision of capacity and innovation where customer needs are growing:

Collaborative action: The global insurance industry has a unique opportunity to continue to support the nuclear industry, working closely with nuclear operators to understand the continued safety and performance of plans operating outside their intended lifespan.

Innovate solutions: The industry could support any increased demand for private - or even personal - renewable energy and storage solutions through collaboration on structured solutions or delegated authorities.

ESG & public sentiment

The business implications of ESG & public sentiment

Growing awareness of other geopolitical tensions such as high-risk regions could lead to many organising taking more proactive approaches around responsible business and governance, to manage potential risks to their reputation in future.

How the (re)insurance industry can respond:

There may be increasing demand for crisis management solutions and cover against litigation, reputation or civil liability risks. There is also a role for the sector to use its risk expertise in support of refugees and Ukrainian redevelopment efforts.

Provide expert advice: The industry can continue development of proactive risk management solutions and data modelling capabilities, such as benchmarking, media monitoring and sentiment analysis to support business impact by the conflict.

Collaborative action: Exploration of humanitarian sector partnerships can help the industry deploy its advisory services to support rebuild efforts and refugee cover.

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Our full analysis beyond what is covered in this graphic can be read in both 'Ukraine: A conflict that changed the world' reports at **lloyds.com/futureset**

About Lloyd's Futureset

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Find out more about our research and insights at **lloyds.com/futureset**