



# RWI AMID THE INVASION OF UKRAINE

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Expanding what's possible for solving risk challenges –  
from the simple to the previously unsolvable.

The world is watching the Russian invasion of Ukraine in horror. The conflict's impact on the global insurance markets pales in comparison to the humanitarian tragedy, but we are nonetheless tracking market response so our clients obtain the best available terms from the representations and warranties insurance ("RWI") market. Here we summarize how the war in Ukraine and the sanctions imposed on Russia and Belarus are impacting that market.

CAC compiled this information based on feedback from numerous RWI underwriters. In short, markets are mitigating or eliminating their exposure to risks in the impacted jurisdictions. Underwriters' responses to deals touching the region range from outright declinations to severely heightened underwriting scrutiny. Better understanding underwriters' positions will empower insureds to negotiate leading coverage in a volatile climate.

## APPETITE AND AUTHORITY TO UNDERWRITE IN THE REGION

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Nearly all responding markets noted an already limited appetite in the region prior to the conflict in Ukraine, with Russian targets or significant operations in Russia giving the most pause.

For underwriters that historically offered terms on deals with exposure in these areas, responses at the quoting stage now range from immediate declinations for submissions with any exposure in Russia, Ukraine, or Belarus, on the one hand, to consideration on a case-by-case basis with an underwriting microscope over any nexus with the region, on the other.

One market stated it is now "actively trying to avoid the region." Another noted that submissions with targets in the region would be automatically declined due to capacity-provider mandates.

## UNDERWRITING EXPECTATIONS & DUE DILIGENCE REQUIREMENTS

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Due diligence expectations for targets with a nexus in the region have always been heightened. In the current context, however, underwriters are looking for diligence to confirm the deal poses essentially *no* risk arising from the current war or political fallout.

Diligence needs to adequately address the implications of a buyer or target being domiciled in the region or having material exposure through operations, customer base, personnel, supply chain or other business considerations in the region.

Even with thorough diligence, CAC believes that, at least in the near term, it will be incredibly difficult to obtain a quote where a target has material operations or exposure in these countries. The best-case outcome (again, at least in the near term) will be a quote with broad exclusions for all such operations and exposure.





## HEIGHTENED UNDERWRITING SCRUTINY

In underwriting, all markets will be increasing their scrutiny of any connection a target has to the region, no matter how seemingly immaterial. Expect detailed questions about:

- *Ownership structure*
- *Contracts*
- *Personnel*
- *IT-related matters, including software and technology*
- *Customer base*
- *Supply chain*
- *Operations*

## EXCLUSIONS

As of publication, only a handful of markets have implemented, or are expressly planning to implement, a broad, blanket exclusion related to the conflict in Ukraine on all policies. ***The exclusionary language varies by market but generally reads:***

### SAMPLE EXCLUSION LANGUAGE

*The Insurer shall not be liable for any Loss, nor shall the retention be eroded, to the extent that Loss arises out of, relates to or results from Loss resulting from any business, assets or other operations relating to Russia, Ukraine or Belarus, or embargoes, economic sanctions or other restrictive measures in place.*

Most markets imposing a broad exclusion highlight an intent to be commercially reasonable and are open to tailoring, modifying, or removing the blanket exclusion based on underwriting. One underwriter stated that its new exclusion is a non-negotiable, top-down requirement for all policies.

Deals with a split sign-and-close should expect a conditional exclusion for impacts on the business due to the Ukrainian conflict that arise between signing and closing. This exclusion may be removed at closing if no impacts arise during the interim period. Underwriters requiring this conditional exclusion are seeking to avoid any risk of a pre-closing breach related to the conflict. Deal teams should be prepared to closely track these impacts during the interim period and address them during the bring-down diligence call.

## BEST PRACTICES

**When considering a transaction potentially impacted by the Ukrainian conflict, be proactive and communicative:**

- Clarify any actual exposure to Ukraine, Russia or Belarus with thorough written diligence.
- Have candid conversations with your broker and potential insurers early and often.
- Be prepared to negotiate a reasonable coverage position related to effects of the conflict.

As always, carriers' approaches to coverage will evolve in real time along with the conflict. CAC is at the forefront of RWI market shifts and will help secure the best available RWI solution for your deal.



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