The background of the slide is a close-up, high-resolution image of the Ukrainian national flag, showing the blue and yellow horizontal stripes with a wavy, fabric-like texture. The lighting creates soft shadows and highlights across the folds of the material.

VIEW FROM THE GROUND

OPINION: UKRAINE

A frontline perspective

What impact on the insurance market so far?



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February 24, 2022 is a day that divided reality into before and after. A full-scale war in Ukraine became a reality. Panic, horror, confusion, fear for the lives of relatives, hatred for the enemy – this is not a complete description of the emotions of every Ukrainian on that day.

It is 2024 already, the war continues, now we can look back and describe how the insurance market in Ukraine maintains its position.

The main factors that had an impact on the insurance market and insurers during 2022 to 2023 are the following:

- the russian full-scale invasion; and
- the seizure of a significant number of Ukrainian territories.

An attempt to seize the capital of Ukraine - Kyiv

With the beginning of a full-scale war, Ukrainians were in a situation of complete uncertainty, almost all negative scenarios occurred at the same time. At the end of February and in the first weeks of March 2022, the industry dealt with the safety of employees and their families, office relocation, data storage, and material and technical resources.

In March to April 2022, the level of business activity was minimal, which led to minimal insurance premiums in almost all business lines. There was also a significant decrease in insurance payments.

According to the National Association of Insurers of Ukraine (NAIU) members, the maximum decrease in premiums was recorded in March 2022: minus 52 per cent compared to March 2021, but from May there was a trend towards recovery (May 2022 v May 2021 minus 14 per cent).

Currency restrictions in Ukraine since February 2022

As part of anti-crisis measures, currency restrictions were introduced in Ukraine, which made it impossible to make settlements with foreign reinsurers throughout 2022. Thanks to the support and understanding of reinsurers in 2022, it was possible to keep the situation under control and most reinsurance programs continued to operate. The liberalisation of currency restrictions took place in early 2023. As a result of liberalisation, insurers that confirmed their financial stability and transparency of the ownership structure were able to make settlements with foreign partners.

According to the results of 2022, the share of reinsurance premiums to foreign partners decreased by almost 38% (compared to 2021), but for nine months of 2023 the situation was different and there was a 16% increase in the payment of reinsurance premiums to foreign reinsurers.

Easing regulation for insurance companies from March 2022

Since March 2022, the National Bank of Ukraine has introduced regulatory relaxations for insurers, which, in turn, have made it possible to quickly adapt to activities during the war. Another factor in the rapid adaptation to the new business environment was the experience of establishing remote processes during quarantine restrictions caused by COVID-19.

During the summer of 2022, insurers were able to resume their activities, and the gradual recovery of business activity in Ukraine made it possible to achieve a consistent positive trend towards the resumption of insurance activities.

Gross Written Premium (GWP) dynamics in 2022

National Association of Insurers of Ukraine members' GWP dynamics in 2022



Mass displacement of the population of Ukraine abroad

Active hostilities led to a massive displacement of the population of Ukraine abroad, which led to an unprecedented increase in Green Card insurance rates. Thus, according to the results of 2022, the amount of collected insurance premiums for this type of insurance increased by 124.7% and amounted to EUR 102 million in 2023, an increase of 25.4% and the total amount of collected insurance premiums was EUR 118.2 million.

The change in the geography of citizens' stays compared to the years before the full-scale invasion also led to an increase in the level of insurance indemnities.

Significant damage due to missile strikes and drone attacks

This factor has led to an increase in demand in the insurance sector. During 2022, insurers had the opportunity to accumulate statistical information necessary for the formation of new insurance products or the expansion of coverage within existing products. Starting in the fall of 2022, offers from insurers for individuals have been launched on the market, covering life and health risks, damage to housing and vehicles because of missile strikes, drone attacks, blast waves, fragments of missiles and drones. In 2023, insurers began to offer this coverage for small and medium-sized businesses. Coverage of part of the war risks is carried out within the insurers' own maintenance and has restrictions on the territory and limits within the insured amounts.

The risk is not covered in the territories where active hostilities are taking place, In the occupied territories, near the borders with the enemy. Risk coverage limits: life and health from EUR 1 000 to EUR 35 000; real estate of individuals up to EUR 50 000; vehicles within the cost of the car.

Power outages have led to another need to adapt business activities, which has led to a slowdown in the pace of economic recovery. The most affected by this factor are public services, retail trade, and public catering. The effect of this factor in time lasted from mid-autumn 2022 to the end of winter 2023. This factor had little impact on insurers who had previously adapted their activities to remote work.

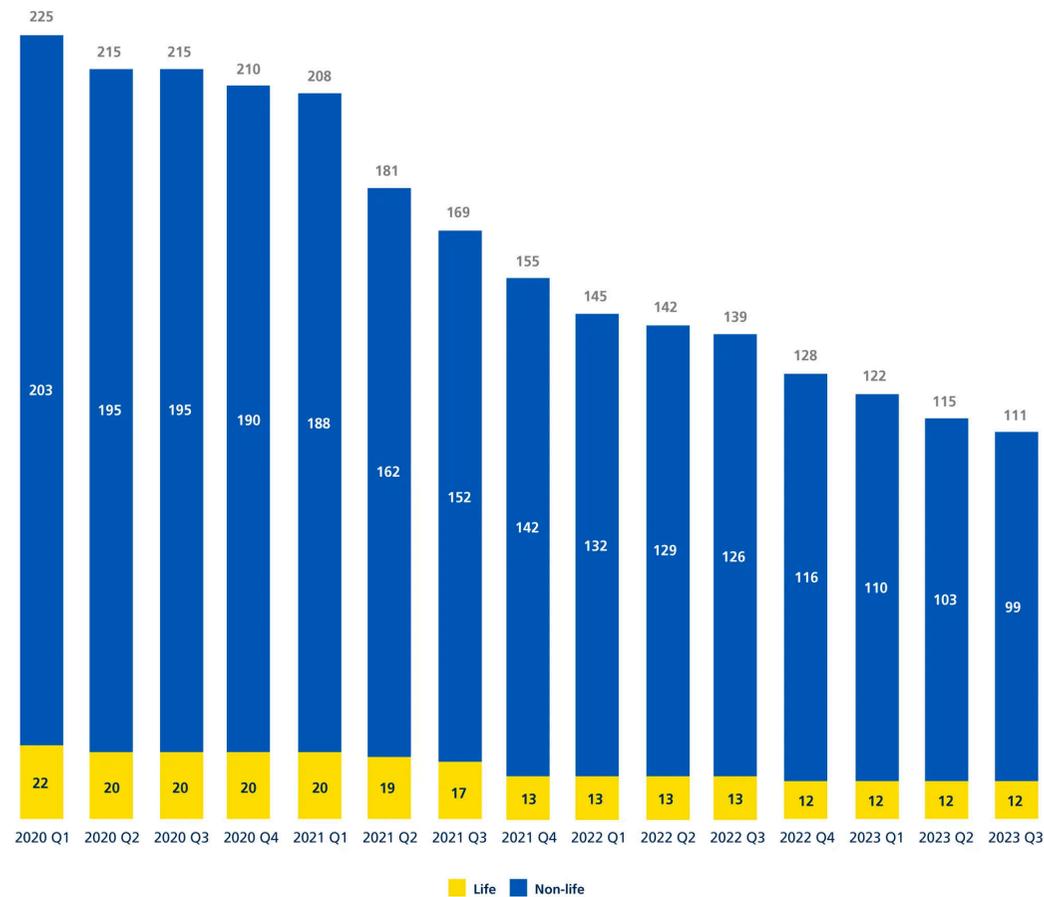
Abolition of relaxed regulation for insurance companies

Given the rapid pace of adaptation of insurers' activities to work during the war and to increase the stability of the insurance market, the National Bank of Ukraine has begun to gradually tighten regulatory requirements in terms of transparency of insurers' ownership structures and increasing their solvency. In addition, as part of the European integration processes, the Law of Ukraine "On Insurance" was updated in November 2021. The Law, among other things, implements the requirements of Directive 2009/138/EU of 25 November 2009 and Directive (EU) 2016/97 of 20 January 2016. The main part of the requirements of the new Law will be introduced on 1 January 2024, so insurance companies have already begun active preparations for the changes in 2023.

Changes in the number of insurance companies in Ukraine - 2020-2023



A new emphasis on defence



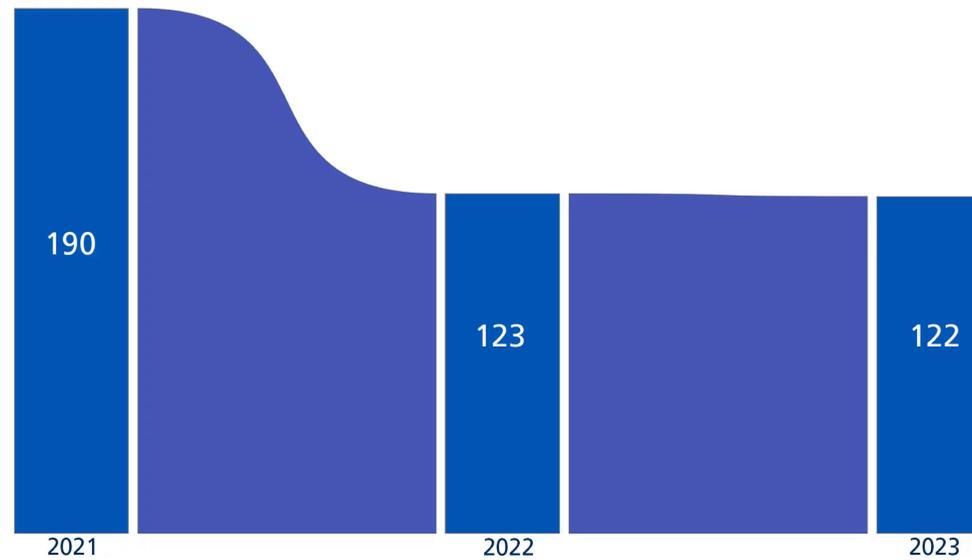
"Ukrainian business and Ukrainians have demonstrated an impressive ability to adapt to challenging conditions. Most enterprises continue to operate during a large-scale war, albeit at lower capacities. Farmers have carried out another sowing campaign, power engineers are doing the impossible to maintain the stability of the energy system, the IT sector is working quite stably, and trade and the service sector have quickly adapted to work in conditions of constant shelling and air raids. The large-scale energy terror unleashed by Russia at the end of the year caused additional losses to the Ukrainian economy, however, could not stop it", this quote from the publication of the National Bank of Ukraine most successfully characterizes the period of 2022 to 2023.

For a complete understanding of how the insurance market of Ukraine works in wartime, it is necessary to provide the main indicators of insurers' activities of 2022 and 2023. Up-to-date information on the performance of insurers in Ukraine is [here](#).

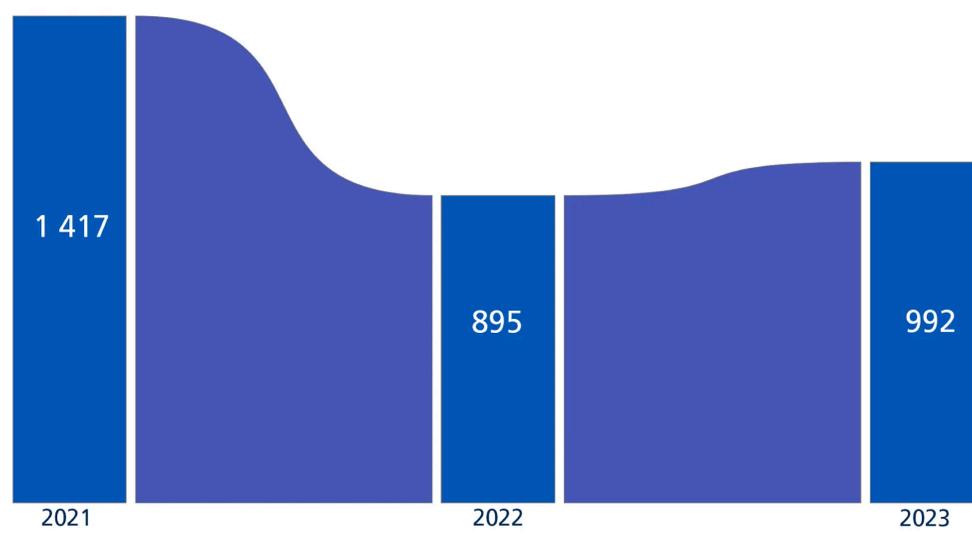
Gross written premium changes (2022/2023)

Main insurance types	Increase, €m (2023/2022)	Growth, %
Green card	16.0	15.7
Health insurance	0.7	0.5
Motor casco	41.0	18.9
OMTPL domestic	26.0	15.1

Life gross written premium (€m) - 2021-2023



Non-life gross written premium (€m) - 2021-2023



A new emphasis on defence

Besides the human tragedy for populations, the war in Ukraine triggered a paradigm shift with far-reaching implications: geopolitical dynamics are in flux, raising concerns over trade and energy security. Fundamentally, the war has confronted Europeans with a sobering reality: peace cannot be taken for granted, and the topic of defence has therefore emerged as a priority on political agendas, at both the national and EU level.

While discussions about defence and a European army have been ongoing for decades, with the Lisbon Treaty of 2009 highlighting the need for enhanced defence cooperation among member states, the war has lent new urgency to the conversation.

This focus on defence implies new expectations of European insurers, notably within the framework of the European Commission's aim to scale up the European defence industry. Indeed, as part of this aim, the EU institutions are looking for ways to increase the defence sector's access to public and private finance so that the producers of weapons and military equipment can cater to a growing demand.

This expectation that the financial sector gets involved has given rise to a number of important questions, notably in terms of how investing in defence activities sits with commitments made vis-à-vis shareholders and customers not to invest in certain sectors, such as everything military related. There are also questions related to the sector's adherence to the EU's framework for environmental, social, and corporate governance (ESG).

The European Commission has tried to address these concerns by explicitly noting, as part of its European Defence Industrial Strategy (EDIS), that the financial sector's involvement in the defence industry aligns with the ESG framework.

Many insurers are currently reflecting on whether to adapt their own ESG policy, and, if so, how, in light of a new geopolitical reality and pressure from governments and the EU level to step up efforts to achieve a more ambitious and autonomous defence policy.