

ADVISOR

POLITICAL UNREST IN UKRAINE

SITUATION

The dramatic overthrow of the Ukrainian government and subsequent movement of Russian military forces has resulted in several foreign governments posting travel warnings advising their citizens to avoid travel to Ukraine.



While the evolution of the situation is still uncertain, companies with interests in the region face the potential for damage to assets through political violence, and possible broader expropriation measures or sanctions against foreign interests in Russia, should sanctions be imposed against Russia. This is in addition to actions that could jeopardize the safety and security of a firm's people, assets, and supply chains.

Additionally, the impasse created in the withdrawal of aid packages to Ukraine from Russia, while EU/IMF negotiations occur with the transitional government in Kiev, may lead to a downgrade of the country rating by the ratings agencies, and possible payment difficulties for creditors of Ukrainian companies, either commercial or economic.

Risks related to political instability cannot be completely eliminated, but multinational businesses can take steps to limit the potential effects on their operations. Businesses with operations in Ukraine, especially those in Crimea, should check their crisis response and insurance programs to ensure they sufficiently mitigate these effects.

CRISIS MANAGEMENT AND BUSINESS CONTINUITY

Business continuity management (BCM) and crisis management are crucial elements for all companies. Organizations should identify their essential functions and assess the potential impact of unrest, taking into consideration customers, employees, and other key stakeholders. During such a crisis as this, it is important to set up real-time crisis support, providing 24/7 expert guidance to manage your corporate response, protect brand and reputation, and work with the product risk and supply chain practices.

PROTECTING PEOPLE AND ASSETS

To help protect people and assets in Ukraine, businesses should consider taking proactive steps, including:

- Maintaining up-to-date locations and travel plans for all employees, enabling them to report their status.
- Providing employees with regular updates about local government travel advisories.
- Communicating with staff in affected countries to gain advice or provide information about changes to their situation.
- Monitoring airlines' flight schedules and statuses.

Communication is crucial but could be hampered by government interference, damage to communications networks, loss of power, or other factors. Businesses should maintain current and complete contact information for employees — including personal email addresses and mobile numbers — so that they can be reached through as many channels as possible. If appropriate, organizations should also consider the use of satellite phones or other technologies that may be more reliable during a crisis.

Foreign governments may be able to assist with communications to, and evacuations of, employees and their families. Businesses should maintain records of employees' citizenships and contact information for local embassies, consulates, and other government representatives. Employees should retain original versions and copies of passports and other travel documents.

CLAIMS PREPARATION AND FILING

Before an event, organizations should develop claims management plans that establish clear roles and responsibilities for personnel inside and outside of the organization. Because instability can develop quickly, key records — including insurance policies, contact lists, and financial and property records — should be accessible in hard copy and electronic formats via local and alternative location sources.

In the event of a loss, organizations should begin to gather data for a claim filing. This includes capturing potential loss information and additional costs associated with the claim, including temporary repairs, extra expenses, and business interruption loss of income costs. Businesses should record photographic and/or video evidence of damage and maintain open lines of communication between employees, insurers, and claims advisors to support policy loss mitigation and notification terms.

INSURANCE CONSIDERATIONS

Organizations should clearly understand their policy limits and sublimits, deductibles, loss-reporting requirements, covered perils, exclusions, and any other restrictions.

Before a loss, multinational organizations should consider the following questions, among others:

- Is coverage in each territory where we have operations in compliance with local insurance laws?
- If a claim arises, will the loss be adjusted and paid directly to the local loss bearing entity or, alternatively, to the parent company?

Answering these questions can help organizations not only avoid surprises about how their claims will be handled, but manage exposures related to income tax (imposed on claim proceeds received by the parent), premium tax, and regulatory compliance.

HOW MARSH CAN HELP

The above considerations outline only some of the steps that organizations should consider in dealing with political risk and violence arising in Ukraine. Marsh's local and global insurance, property risk, forensic accounting, business resiliency, crisis management, and claims experts can help companies address their concerns related to the situation. For more information, please contact your Marsh representative.

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