



## Russian counter-sanctions: an insurance perspective

On 14 March 2022, a new law was published as a part of the Russian response to sanctions imposed by foreign states. Law No. [55-FZ](#)<sup>\*</sup> affects a number of areas including insurance and reinsurance.

Paragraph 2 of Article 3 of the Law provides that, until 31 December 2022, Russian insurers cannot enter into contracts with insurers, reinsurers and insurance brokers resident in unfriendly states, and with insurers, reinsurers and insurance brokers controlled by residents of unfriendly states. According to Presidential Decree No. [95](#)<sup>\*</sup> dated 5 March 2022 and Government Resolution No. [430-r](#)<sup>\*</sup> dated 5 March 2022, the list of unfriendly states includes the US, EU, UK, Australia, Canada, Japan and a number of other countries.

The Law further provides that Russian insurers cannot transfer money to any of the above entities under contracts concluded prior to the effective date of the Law (14 March 2022). Such transfers as well as new contracts can only be made in exceptional cases subject to a Central Bank permit. By accident or not, Russian insurance companies, reinsurance companies and brokers controlled by foreign investors are also subject to this ban.

There could be the following implications for insurers including Russian insurers and reinsurers controlled by foreign investors:

- They will not be able to place reinsurance through brokers based in or controlled by residents of unfriendly states or Russian subsidiaries of international brokers even if the risk ends up in a friendly state.
- Russian insurers controlled by residents of unfriendly states will be additionally hit by the inability to accept new reinsurance business from Russian insurers.
- As it will not be possible to transfer any reinsurance premiums to or by these “unfriendly” insurers, reinsurers and brokers, existing reinsurance policies could be terminated leaving the insureds without sufficient insurance and reinsurance protection.
- Also, transfers of reinsurance or retrocession share of any loss to these entities would not be possible.

Customers of Russian insurance companies could also face negative consequences, such as:

- An insurer may refuse to enter into an insurance contract because its own retention limits will be exceeded and it will not be able to transfer the risk abroad or to a Russian subsidiary of a foreign “unfriendly” insurer.
- New risks assumed by Russian insurers cannot be transferred under existing treaties to foreign “unfriendly” insurers or their Russian

...insuring assets to foreign companies, insurance of their Russian subsidiaries (no reinsurance premiums can be paid), the risks will remain on their own retention or will be transferred to companies with low ratings.

- If an insured event occurs, there is a high risk of bankruptcy for Russian insurers as they are unable to transfer the risk to highly-rated reinsurers, there is also a high risk of not receiving the insurance indemnity.
- There could be a breach of provisions in loan agreements requiring insurance/reinsurance policies to be issued by reputable companies with high international ratings (technical default with all its consequences).
- Some activities will be at risk of stoppage (e.g. air transport) due to inability to reinsure high risks in foreign companies located in unfriendly countries.

The Law provides for a possibility to obtain a special permit from the Central Bank “in exceptional cases”. It remains to be seen how willing the Central Bank will be to issue them as there is no procedure or timeline for the issuance.

\* *In Russian*



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