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Luxembourg, 10 March 2022

Information note 22/5 on a request for an impact assessment and enhanced due diligence following Russia's military aggression against Ukraine

In the context of the current situation in Ukraine, the Commissariat aux Assurances ("CAA") expects all entities subject to its supervision to implement enhanced due diligence measures and to analyse the potential impact of this conflict in the short and medium term.

The enhanced due diligence and analysis of the potential impact should cover at least the following areas:

- Analysis of the exposure to counterparties/sectors subject to the new EU/US sanctions
- Strengthening of measures to identify the client/beneficiary involved in any transactions or services
- Review of operational risks, particularly when using external service providers based in Ukraine, Russia, Belarus or their neighbouring countries and, if necessary, adaptation of business continuity plans
- Reinforcement of cautionary measures related to IT security (against cyber attacks)
- Analysis of counterparty risks related to intra-group operations, particularly with regard to intra-group reinsurance and cash-pooling (*)
- Analysis of the impact on written premiums and paid claims
- Analysis of stress scenarios (*):
 - total direct exposures in the concerned regions (e.g. credit and surety exposures in Russia, property portfolio in Ukraine) and indirect exposures
 - total exposures in unaffected regions (e.g. increased frequency of cyber attacks on the European portfolio)
 - inflation in a low or negative growth economic environment
- Analysis of insurance commitments in terms of whether war risk in areas affected by conflict is excluded or not. (*)
- Identification of potential issues of asymmetries regarding sanctions as they might impact the risks underwritten by the company and the reinsurance treaties mitigating these risks in different ways (*)
- Analysis of the impact and the degree of dependency of market developments on the company's solvency ratio (*)
- Analysis of liquidity risk (also at the level of the representative assets of the unit-linked liabilities) (*)
- Analysis of risks related to custodian banks (*)
- Analysis of the potential impact on the business plan and, if necessary, an adaptation of the business plan

If the above analyses have highlighted the need to produce a new ORSA (e.g. as a result of an adjustment to the business plan or the development of new stress scenarios), the undertaking should send this amended ORSA to the CAA, in accordance with Article 75 of the amended law of 7 December 2015 on the insurance sector.

Notwithstanding the above paragraph, the results of these analyses, reviews and revisions must be held available to the CAA.

If a material risk emerges, the company should contact the services of the CAA as soon as possible.

The Management Committee

(*) These areas are only relevant for insurance and reinsurance undertakings.