



A war-risk pool for Ukraine's reconstruction: What Marsh McLennan proposed and why

Enabling Ukraine's recovery and reconstruction will require ambition and innovation from industry and governments alike. Julian Enoizi, Guy Carpenter's CEO of Europe, and Andrew Bailey, of Oliver Wyman's public sector team, explain how Marsh McLennan is bringing to bear the power of the whole firm in support of Ukraine...

Despite the ongoing war in Ukraine, attention is turning to how to rebuild the country – learning from historical precedents that warn of the risk of winning the war, only to lose the peace that follows. Estimates suggest over \$1trn of investment will be required, much of it expected to come from the private sector. Yet this massive investment will not be feasible if investors cannot adequately protect themselves from war risk.

Currently, there is virtually no war-risk insurance available to provide cover for investments or property in Ukraine. The insurance industry – in Ukraine or elsewhere – has never habitually covered war risks at anything approaching the scale required. Even once the current “hot” phase of war has ended or diminished significantly, an elevated degree of risk will remain in the eyes of private insurance markets for a number of years.

A war-risk pool unprecedented in nature

In the run-up to the Ukraine Recovery Conference in London in June 2023, Marsh McLennan assisted the UK and Ukrainian governments in assessing requirements and options for war-risk insurance to support the reconstruction and recovery of Ukraine. The firm approached the issue by applying the strategic advisory expertise of Oliver Wyman along with the risk transfer expertise of Marsh and Guy Carpenter.

Our work highlighted the role of a war-risk pool in creating the conditions for the functioning of the conventional property insurance market, which itself would enable investment to flow at the scale required. Importantly, this would depend on the provision of a government backstop that would likely need to be provided by G7+ governments. This would be analogous to the types of public-private

partnerships developed by a number of G7 countries for various perils, including terror risk – although on a larger scale, against a different peril, and on a novel, multilateral basis.

Establishing such a scheme would require the commitment of international governments and industry. We do not believe that government appetite yet exists for the development of such a scheme.

The responsibility of our firm and the wider industry

Marsh McLennan is providing pro bono support to the government of Ukraine across a range of topics. This includes the development of a war-risk data platform, to make available to authorised underwriters and investors the information required to enable actuarial analysis and assessment of war risks in Ukraine. This will be a crucial step in enabling insurance, rebuilding market confidence and unlocking capital that otherwise would not flow to support recovery. Colleagues across Marsh McLennan have also been working closely with the government of Ukraine to develop alternative insurance arrangements to enable the flow of grain through the Black Sea, which is vital both for Ukraine's economy and to avert global humanitarian crises associated with food shortages.

We see it as the responsibility of Marsh McLennan – and the wider industry – to innovate in support of governments in addressing hard-to-manage risks that threaten the prosperity and security of our societies. Our work in the context of Ukraine is just one example of the power of Marsh McLennan's businesses to support the public and private sector to address critical global risks through industry-leading strategic advisory and risk transfer expertise.



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