

COMPULSORY INSURANCE FOR HAZARDOUS FACILITIES IN RUSSIA

Russia has passed a new law making liability insurance compulsory for owners of hazardous facilities. The law was effective as of January 1, 2012.

BACKGROUND

Since 1997 all “hazardous facilities” have been subject to an imputed requirement to carry liability insurance. Specific insurance policies were issued in Russia for such facilities, and any hazardous locations subject to registration with the relevant state authorities could not be registered without such an insurance policy. Limits under such policies were very low: from RUB 100,000 to RUB 10,000,000 (approximately \$3,230 to \$323,000).

The new law implements changes to the law of 1997 and makes the liability insurance for hazardous facilities mandatory. The limits, rates, conditions of insurance and form of the policy are all stipulated by the new law. Moreover, limits and rates are stipulated for different types of hazardous facilities.

The list of the facilities subject to this mandatory insurance is also stipulated by the legislation. Such facilities would include, among many others, hydroelectric and chemical plants, oil and gas refineries and treatment plants, gas stations, other gas supply systems, and compressor chambers. It also includes owners of boilers, escalators and elevators. Any Russian company with a hazardous facility must obtain the mandatory liability policy.

COVERAGE

The policies cover both property damage and bodily injuries to third parties, including injury to employees of the insured company. Overall limits of coverage under the new insurance range from RUB 10,000,000 to RUB 6,500,000,000 (approximately \$323,000 to \$210,000,000). There are, however, the following sublimits:

	Amount (RUB)	~Amount (USD)*
Property Damage - “legal persons”	500,000	16,150
Property Damage - any one individual	250,000	8,075
Death	2,000,000	64,600
Bodily injury - any one individual	Up to 2,000,000	Up to 64,600

*Approximate exchange as of February 1, 2012



Beginning in 2013 there will be a scale of benefits for loss of limbs or functions.

Note that the policy does not cover environmental damage. There is no deductible on the policy.

The owner must complete an application and with it supply copies of the registration documents for the hazardous facility. Coverage will not be effective until the premium invoiced by the insurer is paid; this insurance is “cash before cover.”

IMPLEMENTATION

Again, the new law is effective as of January 1, 2012, but there are no punitive sanctions to companies prior to April 1, 2012. After April 1, 2012, any company owning hazardous facilities and not carrying the mandatory policy will be subject to fines.

Only insurers who are members of Russian Liability Insurance Pool and who have obtained a separate license are authorized to sell the policies for hazardous facilities. Currently, about 50 local insurers have such a license.

Multinational companies with subsidiaries in Russia that may be subject to the compulsory insurance requirement should discuss the matter with their broker to determine what limits may be required. The wide scope of the law will mean that many companies may have an obligation to insure.

CONTACTS

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