

Insuring the Unpredictable: Securing Operations in Times of Global Unrest

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The escalating Middle East conflict has directly impacted global businesses with operations in the affected regions. Companies face a myriad of security and operational resilience issues.

Safety of employees and asset protection remain top priorities, but focus has turned to mitigation of risk and whether insurance will respond to losses.

Historically, large-scale damage and catastrophic losses have meant that war-related losses often have been regarded as commercially uninsurable. War exclusions have appeared in many property policies for close to a century. However, not every policy has a war exclusion; or the reach of the exclusion may be limited, and this means a careful review of your policy is warranted. In addition, specialised forms of war risks cover have developed, and remain available to protect companies from war-related risks. These insurances may be critical for companies investing and operating in high-risk geopolitically vulnerable regions. Specialist cover can respond to catastrophic loss caused by drones, missiles and torpedoes, and economic stability through indemnity enables companies to continue operations in high-risk regions.

There is no “one size fits all”. Most forms of cover are available at a price. The breadth and level of cover required will be a judgment call for businesses, when weighing up the extent to which they may absorb potential war exposures, or whether insurance for specific exposures is

preferred for operational continuity and damage limitation.

As is always the case, the specific terms, conditions and exclusions of policy wordings must be checked to ascertain the precise scope of available cover.

Companies should also check all policy wordings in their programme/tower to

ensure any available cover may swiftly be identified, relevant notifications made within applicable time limits, and access to cover preserved.

Political Risk (including PV/T): This may be the first insurance that companies carrying it turn to in connection with the current conflict. PRI policies provide important protection for global investors. While policies differ, the key trigger for claims under these policies is loss caused by an insured “political” peril, namely loss relating to or caused by governmental action, or politically motivated events. The cover provided is comprehensive. The main heads of cover include war; political violence and terrorism; expropriation and nationalisation; forced abandonment; licence cancellation; trade/export embargoes; currency inconvertibility/ restrictions on currency transfer and breach of contract.

Political Violence & Terrorism: This is regarded as a narrower form of insurance than PRI, and premiums may be lower than those charged for



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more comprehensive PRI packages. The cover differs from PRI, in that it is typically triggered not by governmental/state action, but by protestors, rebels and terrorists. The policies usually provide cover for physical property damage and business interruption caused by violent acts. The key perils covered usually include terrorism, sabotage, riots, strikes, civil commotion, war and insurrection.

Cyber: Cyber policies typically provide cover for digital disruptions. In the context of the current conflict, companies need to examine their policies to see whether they contain war risk exclusions. Specialist affirmative covers may be available on a restricted basis to address specific risks, including state-sponsored digital and cyberattacks, customer business interruption (for revenue protection where customers are lost due to cyberattacks) and catastrophic risks (such as coordinated attacks which impact cloud providers or SaaS platforms). Attribution frequently is a relevant factor, including as to whether an event was caused by a criminal act or state-backed operation.

Contingent Business Interruption / Non-Damage Business Interruption: This may be invaluable to companies as it protects loss of income caused by disrupted operations of key partners, such as customers or suppliers. CBI may be included in some standard property policies. Non-Damage BI extensions protect against business interruption losses triggered by incidents which do not cause physical damage to the business. Prevention of access extensions are a typical example.

Trade Credit: With economic strain resulting from the conflict, the risk of non-payment

by contractual counterparties is inevitably heightened. Trade credit insurance can protect against the financial impact of a counterparty's default; often these policies do not contain war exclusions.

Cargo, Warehouse and Stock Throughput: These policies typically cover physical loss or damage to goods during transit or in storage linked to theft, accidents, or natural disasters. Business should check whether the policies provide protection for delays and the late arrival of goods to their destination due to rerouting caused by geopolitical instability and war risks.

D&O / Professional Indemnity: These liability insurances provide protection in the aftermath of events, when companies and board members may face allegations of negligence and/or breaches of duty. Coverage can provide protection for legal and regulatory defence costs and damages awards for third-party and shareholder claims. Companies' responses to volatile markets and geopolitical events could present an increased risk of claims.

Corporate Group Travel / Kidnap & Ransom: For the current instabilities, these policies may assist with emergency evacuations, repatriation and medical expenses for those caught in the crossfire. Emergency assistance protocols may also be built into policies. Ransomware deployed in connection with hostilities also may trigger K&R.

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