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Specialty Insurance Coverage for Rising Geopolitical Risks: Political Risk Insurance, Political Violence Insurance, and War Risk Coverage

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Today's multinational corporations face a minefield of international conflicts threatening overseas operations, revenue streams, and global supply chains. By some metrics, there were at least eleven full-fledged wars in 2026 – marking the highest level of global volatility in a decade.

But as many policyholders find out too late, standard commercial property insurance programs may not be sufficient for managing these ever-increasing geopolitical risks. There are a host of reasons for this-- chief among the common exclusions proposing to limit or eliminate coverage for losses arising from war, warlike action, insurrection, rebellion, revolution, or seizure of power by unauthorized groups.

When crisis strikes, these exclusionary provisions only compound the pressure already weighing on corporate risk managers, who, in addition to securing the safety of overseas personnel and stabilizing compromised supply chains, must also respond to insurance company pushback demanding proof that a loss was triggered by a covered conventional peril or an excluded act of war. That evidentiary quagmire often involves an exhaustive investigation where critical data may remain inaccessible for years—or ultimately prove impossible to uncover in a war zone. While courts often construe these exclusions narrowly, vigilant policyholders must consider specialized coverage to plug these gaps.

To bridge these high-stakes exposure gaps, corporate policyholders rely on a triad of specialized solutions: Political Risk Insurance, Political Violence Insurance, and War Risk Insurance. Below, we break down how each of these products define coverage – as well as ambiguities that arise from policy language. Finally, we examine mixed outcomes in disputes over coverage for damages in conflict zones under conventional property policies.

Political Risk Insurance

Due to recent global turbulence, over half of 500 global corporations surveyed by the UK-based broker Howden experienced a political risk loss between 2020 and 2025. One means of adjusting for that risk is Political Risk Insurance.

Political Risk Insurance losses are commonly triggered by non-commercial, adverse government actions or political instability that disrupts business operations. Essentially, Political Risk Insurance pertains to government interference with ownership or contractual rights, without requiring that such interference involve violence. Commonly covered events include confiscation, nationalization, and expropriation of business property, as well as less direct involvement, in the form of contract frustration, currency conversion or transfer restrictions, licenses or permit cancellation, as well as refusal to honor or enforce arbitration awards.

Political Risk policyholders should promptly notify insurance companies of events likely to result in a claim, such as emerging government actions (e.g. threatened expropriation) or political violence. Policyholders must review specific language in their policies to determine scope of their notice obligation.

Political Violence Insurance

The standalone Political Violence Insurance market manages global conflict exposures through three distinct tiers of specialized coverage.

Tier 1 handles sabotage and terrorism by covering force, violence, and subversive acts driven by political, religious, or ideological motivations.

Moving up, Tier 2 expands to protect against strikes, riots, civil commotion (SRCC), and malicious damage, which safeguards businesses from public disturbances, deliberate malicious acts, denial of access, and localized looting. Securing Tier 2 coverage has become increasingly urgent, as global SRCC losses skyrocketed to over $8 billion between 2020 and 2024, prompting many insurance companies to attempt to aggressively restrict or strip these exposures from standard commercial property policies.

For multinational enterprises requiring an additional layer of security, Tier 3 offers full political violence coverage. This tier provides the broadest available protection on the market by blending the perils of Tier 1 and Tier 2 with comprehensive coverage for catastrophic events like war, civil war, insurrection, rebellion, revolution, and coup d'état. These coverages are commonly custom-drafted to specific exposures with extensions for non-damage business interruption, contingent business interruption, denial of access, and loss of attraction. Vigilant policyholders should be alert to the growing coverage voids left by standard insurance programs and consider whether any or all of these tiers are needed to cover the risks they face.

As with all insurance policies, the devil is in the details, and policyholders must be aware of potential shortcomings associated with Political Violence Insurance. Coverage will often turn on the scope of the policy's definition of the risk at issue. Coverage for losses arising from "terrorism," for example, typically requires an act committed for political, religious, or ideological purposes with intent to influence the government or intimidate the public, whereas coverage for losses arising from "sabotage" may require deliberate destruction of property, but without the same ideological motivation. Civil commotion occupies a middle ground that is often difficult to distinguish from insurrection and rebellion – terms that may be excluded from coverage or may fall under a different policy entirely.

Often, the nebulous boundary between riot and civil commotion can determine whether a loss is covered under a narrower or broader set of policy terms. Similarly, malicious damage is often the broadest category of Political Violence coverage, capturing intentional destruction that does not rise to the level of terrorism or civil commotion. The scope of malicious damage coverage varies significantly, however, across different policies and jurisdictions.

War Risk Insurance

War Risk Insurance provides coverage for damage, loss, or liability resulting from acts of war, including invasion, insurrection, riots, and terrorism – making it a staple in the marine and aviation industries, as well as for countless companies relying on those industries. War Risk coverage often applies to assets like ships, cargo, and personnel in high-risk zones, and such coverage is often added to existing policies. These coverages can also be canceled on short notice (often seven days, sometimes as short as two-days' notice) if risks escalate, or re-rated with additional premium requirements.

The triggering events for War Risk coverage include insurrection, revolution, rebellion, civil war, military coups, sabotage, capture, seizure, detention, terrorism, and strikes. Determining which if any of these events caused your loss can be tricky. For example, in a seminal decision, the Second Circuit considered whether the triggering event was in fact an "Act of War". In Pan Am World Airways v. Aetna Cas. & Sur. Co., 505 F.2d 789 (2d Cir. 1974), the Second Circuit found that destruction of a hijacked airliner was an act of larceny, not an "act of war", where the group responsible for the hijacking was not a military or usurped power, or a de facto government, or even a quasi-sovereign entity.

Coverage for Conflict-induced Damage Under Conventional Policies

Political Risk, Political Violence, and War Risk policies exist because coverage under conventional property policies for damage that stems wholly or partly from conflicts of various kinds, when not obviously excluded, is often highly contested.

When considering such claims, courts often look to whether damage was caused by a conflict between governments. In Holiday Insurance v. Aetna Insurance Co., 571 F.Supp. 1460 (S.D.N.Y. 1983), for example, the court found the conflict surrounding a Holiday Inn in Beirut did not fall within the War Risk exclusion because the conflict was not between governments or quasi-governments, as the parties involved lacked sufficient attributes of sovereignty. Likewise, in several cases, policyholders successfully argued that the losses arising from the U.S. Panamanian incursion were covered because the military operation was not "war," despite involving Marines with fixed bayonet in a foreign country.

When damage occurs in a conflict zone, courts also consider what role military operations had in the loss. Thus in TRT/FTC Communications, Inc. v. Ins. Co. of State of Pennsylvania, 847 F. Supp. 28 (D. Del. 1993), when common civilian looters stole merchandise at gunpoint from a civilian clothing store, the court reasoned coverage was excluded because the theft was, according to the court, directly enabled by the then-ongoing U.S. military operations [A1.1] against Panamanian dictator Manuel Noreiga. Similarly in Young Bros. & Co., Inc. v. Cigna Worldwide Ins. Co., 91 F.3d 13 (3d Cir. 1996) cert. denied, 519 U.S. 1077 (1997), the Third Circuit enforced the exclusion to merchants with stores located in Liberia, finding widespread theft and destruction of the merchants' properties occurred as a direct consequence of the factional, warlike fighting for geopolitical control of Liberia.

As the case law demonstrates, it is important to be aware of recent definitional changes imposed by insurance companies. For instance, most policies leave critical terms undefined: "warlike operations," "hostilities," "seizure," "detainment," "constructive total loss."[A2.1]

Consider Jurisdiction

When evaluating coverage for international conflicts, businesses must carefully consider choice of law because marine and property policies handle global risks through drastically different legal frameworks. While maritime insurance typically mandates the application of English law, non-marine corporate policies frequently contain specific jurisdictional clauses that dictate which regional laws govern a coverage dispute. Furthermore, policies covering overseas projects or localized physical assets often invoke local law entirely, regardless of where the multinational company is headquartered. Navigating these conflicting mandates is critical, as the chosen jurisdiction ultimately determines whether a wartime loss is excluded or paid out.

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Managing these coverages effectively requires a proactive, disciplined approach throughout the entire lifecycle of a policy. Initially, diligent policyholders should collaborate closely with their brokers to accurately identify organizational risks and determine appropriate coverage levels. During this phase, it is critical to carefully review policy definitions and exclusions to develop a clear understanding of what is and is not covered. Once operations are underway, be sure to report all known risks and actual losses in a timely manner to preserve your rights under the policy. In the event of a claim, continue working alongside your broker and experienced coverage counsel to pursue recovery, while critically analyzing the merits of any denials issued by the insurance company. Finally, always conduct a thorough cost-benefit analysis before pursuing a disputed insurance recovery, and, if pursuit is warranted, maintain the persistence necessary to see the process through to a successful resolution.

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