



As Iraq Splinters, Companies Can't Get Insurance

By Jonathan Berr

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The Islamist [insurgency in Iraq](#) is making it increasingly hard for multinational corporations doing business there to protect themselves from financial loss.

Companies are finding it next to impossible to get so-called political risk insurance, which many buy to guard against the danger of their [property](#) being nationalized by a foreign government or from being damaged through acts of violence, among other reasons. Coverage against [kidnapping](#) and extortion, which unlike political risk coverage insures people rather than property, is more easily available, although premiums are on the rise.

"The already limited market for Iraq coverage has for all intents dried up, in light of recent events," Stephen Kay, U.S. practice leader for political risk at Marsh & McLennan, an insurance broker, told CBS MoneyWatch. "If one was to seek a large political risk insurance limit to cover say a power plant worth \$40 million, there would be near to zero chance of getting that coverage today, regardless of price."

Policymakers and big companies hoping to profit from the billions being spent on rebuilding [Iraq](#) have been caught off guard by the speed of the advance by the insurgents, known as the Islamic State for Iraq and Syria (or ISIL, depending on the translation). The U.S. government is discouraging people from traveling to Iraq and has warned remaining civilians in the country to be prepared to evacuate on short notice.

James Thomas, head of credit and political risk at Zurich Insurance Group, the world's largest underwriter of such coverage, which companies often get in doing business in developing countries such as Brazil, India, Russia and China.

"We have gotten some inquiries about coverage," Thomas said, but noted that the insurer is telling these companies "no thank you."

AON, another brokerage firm, also has recently stopped selling political risk insurance. "We are not getting a land rush of calls, but there are a number of them coming in," said Roger Schwartz, senior vice president at AON. "The simple fact is that coverage in Iraq is going to be impossible or very, very hard to get."

Smita Malik of [Clements Worldwide](#), an international insurance company, told MoneyWatch that coverage might be available in areas of Iraq that remain stable, such as Basra in the far south of the country. But that would likely only be for existing clients, she said.

Most of investment in Iraq is tied to the oil and gas industry. Companies like BP and ExxonMobil tend to self-insure because it would be too expensive to buy private insurance for their facilities there.

Security, not surprisingly, is a huge issue in Iraq. The U.S. government recommends that companies that do business in the country hire bodyguards, which can cost several thousand dollars a day. The quality of the company's security can factor into the premiums they pay for their Iraq operations.

Kidnapping and ransom insurance is also hard for companies to obtain in Iraq, with insurers demanding more detailed information on companies' security practices.