clements WORLDWIDE

POST

Isis Iraq insurgency set to push rates up amid fears unrest could spread

Insurance rates in Iraq are expected to climb following the insurgency by Sunni militant group Islamic State of Iraq and the Levant, amid suggestions the violent unrest could spread into neighbouring countries.

24 Jun 2014
By Francesca Nyman

The group, which wants to create a hardline Sunni Islamic State within Iraq and Syria, has made territorial gains across northern Iraq since the beginning of June, killing at least 1075 people, according to the latest figures from the United Nations.

Isis has specifically targeted oil fields in the north and claimed this week to have wrested full control of the Bajii oil refinery from the Iraqi military.

Simon Cassey, senior vice-president at Lloyd's broker Chesterfield, told *Post* the business line that has been most impacted thus far is the previously "fairly unpopular and relatively cheap" political and emergency evacuation cover.

He said: "We've had a number of enquiries about evacuation from oil and gas firms that want to get their employees out but most insurers [that were providing this cover] have stopped writing it, so companies [that have attempted to purchase cover] are trying to get their people out without any insurance.

"Personal accident rates have been coming down in Afghanistan and Iraq but they may have now hit rock bottom. I suspect personal accident rates in Iraq for security firms, engineers and other oil and gas employees will go up.

"We'll definitely see some hardening of terrorism rates, if indeed [policies are] renewed at all. It will become an area of conflict for many years to come."

Laura Schauble, associate director of commercial insurance at war and terrorism specialists Clements Worldwide, said while political evacuation policies and political violence policies, such as a personal accident including war risks, have been impacted, other lines have also been affected.

She told *Post*: “Most insureds are looking at the same type of concerns as they would for any business interruption risk. It’s similar to if there was some kind of natural disaster. You have some of the more mundane policies coming into play also to make sure that insureds can maintain their operations with as little interruption as possible.”

Differing geographic locations and levels of security mean firms are likely to be affected to different degrees by the violence, Schauble added.

“You could have one insured in a secured compound where they’re more sheltered and able to weather the storm, versus one that may be more affected by on-the-ground local level violence. There’s a big variety of responses and what insureds have to do,” she explained.

“Companies that made contingency plans regardless of where they were operating are typically the most equipped to deal with situations like this when they arrive.”

Clements is maintaining contact with clients to ascertain what kind of assistance they may require. Schauble said: “To be prepared for any kind of loss, reaching out and working out what the situation is on the ground for that particular client makes a world of difference.”

She agreed there was likely to be some “reactionary pricing” in response to recent events but said it was unlikely rates would remain that high over the long term.

“The least cost-effective insurance programme is going to be one based solely on purchasing decisions that are based on the most recent headlines,” she said.

“But we’ve been dealing with essentially a state of war in Iraq since 2003. There’s a great deal of actuarial data that informs the typical risks that a carrier is going to have in these locations.”

Further evacuations

According to Jordan Perry, principle Middle East and North Africa analyst at risk advisory company Maplecroft, the companies most at risk are those operating in the north, but this has not stopped firms operating in other parts of the country from looking to evacuate employees.

“We’ve seen Mosul fall to Sunni Islamist militants and now they’re in the position to move further eastwards and threaten assets across Nineveh plains, which includes the Exxon Mobile Holdings,” he said.

“We’ve already seen several oil and gas firms removing non-essential personnel. While investors are aware that there’s not a major threat to the Basra gulf, the significant gains Isis have made have nevertheless spooked them and they are seeking to mitigate this impact if possible.”

Though the immediate risk to physical assets remains a major concern, the recent crisis has the potential to spiral into an even larger political incident if Isis continues to make gains, Perry warned.

“One concern from a risk and insurance perspective would be political stability. Further advances by Isis would complicate [Prime Minister] Al Maliki’s ability to hold on to power and secure a third term.”

Other border countries could also become embroiled in the unrest, threatening assets across the region, he explained.

“We’ve seen Isis threaten to move onto Jordan after Iraq. [The unrest] certainly has the capacity to spread.”