

Bid to end confusion on political violence cover

James Brewer - Friday 12 October 2007

LLOYD'S underwriters are moving to clear up confusion over the 'blurred lines' between the perils of war, terrorism and political violence.

Corporate clients and their brokers have been calling for certainty at a time when businesses are becoming more global and establishing operations in difficult territories.

One of the lead underwriters, Hiscox, has launched what it calls a combined policy to protect companies against the individual or combined effects of hostilities, whether or not war is declared, terror and insurgency.

Other providers have been developing competing schemes.

The Hiscox policy and comparable products from rivals cover disturbance to onshore assets, but could respond to the impact of rebellions such as the often waterborne tactics of the Movement for the Emancipation of the Niger Delta, which have included sabotage and kidnapping and have slashed Nigerian oil production by around 20%.

Historically, this class of business was mainly written in the marine market with companies buying policies for individual perils.

But in areas including Sri Lanka, Israel, Iraq and Thailand, where there is a mixture of insurgency and terrorism, the definition is not clear. Piracy is written separately as a marine war risk.

Stephen Ashwell, the class underwriter for Hiscox, said that with increasing ambiguity between what defined a loss related to war, terrorism or political violence "there is a danger that a company could find itself uninsured and therefore facing severe commercial obstacles".

Although the insurance market at large can find around \$2bn for terrorism risk there is limited capacity for the sub-category of political violence in emerging markets.

Mr Ashwell said Hiscox's policy was distinctive in offering services from risk consultancy Control Risks aimed at helping to minimise threats, including security audits, implementing physical security measures and business continuity and crisis management planning.

At the same time, clients could draw on other areas of Hiscox expertise including kidnap and ransom and personal accident covers under an 'all in one' bespoke policy.

Premium rates in the market for terrorism cover have been softening.

There are around 300 major incidents annually but few claims, and insurers and consultants are warning against complacency.

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