

# Insurers cancel risky Mid East policies

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*Associated Press*

As they seek financial shelter from war in Iraq, insurers were expected to cancel their riskiest policies in the Middle East shortly after the bombing began.

By taking that step, insurers will be able to limit their exposure to losses caused by the war's destruction. In other instances, the cancellations open the door for insurers to offer customers a new policy at a significantly higher price to reflect the perils posed by the war.

"High-risk policies like this have to be individually negotiated," said Craig Berrington, general counsel for the American Insurance Association, a major trade group representing property and casualty carriers.

International insurers already warned wartime coverage for cargo headed to the Middle East would be canceled within 48 hours of the war's start. The policies give carriers the flexibility to cancel the coverage if circumstances change dramatically.

It wouldn't be a surprise if insurers took even broader measures and canceled the wartime provisions covering entire vessels traveling in the Middle East, according to industry officials and analysts.

"Insurance coverage is supposed to be for things that are unforeseen," said Chris Winans, who follows the industry for Williams Capital Group. "If you deliberately put yourself at risk and put your assets in harm's way, you shouldn't expect coverage for something like that."

Some businesses with factories, offices and equipment in the Middle East are still scrambling for wartime coverage for their property and employees.

In many cases, they are paying two to five times more than the prices of just a few months ago, said Tim Press, who specializes in political risks for Miller Insurance Services in London.

Insurers typically won't cover all the potential liability, forcing businesses to find multiple carriers to spread the risks around.

Once war starts, insurance for ships might be sold on a voyage-by-voyage basis so policies can be priced to reflect the perceived risks of each trip to the Middle East. Some insurance policies in the Middle East are already being sold on a week-by-week basis, Press said.

"Given what might be about to happen, people are becoming more careful about what they are covering and everything is getting more expensive," he said.

U.S. airlines don't have to worry about wartime coverage for their jets flying in the Middle East because the federal government assumed that liability as part of the Homeland Security act passed last year, said Jim Casey, an attorney with the Air Transport Association, a trade group.

New federal laws also require insurers to offer coverage against acts of terrorism on U.S. soil. That coverage has been pricey since Sept. 11 and could become even more expensive, depending on the terrorist threats instigated by a war in Iraq.

"To the extent that an insurer concludes that the Iraqi situation will have terrorist spin-offs, you would have to factor that judgment into the price," Berrington said. □