



WAR, GEOPOLITICS AND INSURANCE IN THE GULF

STRATEGIC IMPLICATIONS FOR INSURERS, REINSURERS AND CORPORATE RISK MANAGERS

INTRODUCTION

Insurance has always operated at the intersection of commerce, geopolitical instability and the disciplined allocation of risk. That dynamic is particularly acute in the Gulf Cooperation Council, where global energy flows, critical shipping corridors, aviation routes and high value infrastructure converge within a region periodically exposed to political and military tension.

Recent developments across the Middle East have once again brought war risk, political violence and contingent loss exposures into sharp focus. For insurers and reinsurers, the issue is no longer confined to conventional notions of physical destruction arising from armed conflict. The present risk environment is shaped by a wider spectrum of threats, including drone strikes, cyber interference, supply chain disruption, sanctions exposure, port closures, airspace restrictions and the increasing difficulty of fitting modern losses within traditional policy frameworks.

This is precisely why the regional insurance market is entering a more exacting phase. The central questions are no longer whether the GCC is exposed to geopolitical risk, but how that risk should be underwritten, priced, allocated and, where necessary, contested. For insurers, reinsurers and sophisticated insureds, the region now demands heightened attention to policy construction, aggregation exposure, treaty protections and claims defensibility.



THE GULF AS A CONCENTRATION OF INSURED VALUE

The GCC represents one of the most significant concentrations of insured assets in the emerging markets landscape. Energy infrastructure, petrochemical complexes, airports, ports, free zones, logistics platforms, hospitality assets and major public projects collectively generate a substantial insured value base, much of which ultimately depends upon international reinsurance support.

What distinguishes the Gulf is not merely the scale of insured assets, but their strategic sensitivity. A disruption affecting a shipping lane, refinery, storage facility, power station or transport corridor in



the region can produce consequences far beyond direct physical loss. The resulting exposure may include business interruption, delay in start-up, trade disruption, political violence claims, contractual disputes and financing complications.

This is of particular relevance to reinsurers. In a conflict affected environment, the question of accumulation becomes central. A single geopolitical event may trigger multiple classes of exposure, including marine, aviation, property, energy, political violence and specialty lines. The market therefore faces not only isolated losses, but the prospect of correlated claims across several books of business and across multiple jurisdictions.

WHY THE CURRENT ENVIRONMENT MATTERS TO INSURERS AND REINSURERS

From a market perspective, the current regional climate is significant for three principal reasons.

First, it places underwriting appetite under pressure. Where conflict risk intensifies, capacity inevitably becomes more selective. Underwriters begin to revisit territorial scope, attachment points, sub-limits, pricing adequacy and the continued suitability of existing exclusions. This is especially evident in classes such as marine cargo, hull, aviation, energy and political violence, where the proximity of insured assets to regional flashpoints has a direct bearing on exposure.

Second, it tests the adequacy of policy wordings. Many traditional insurance forms were not drafted with hybrid conflict in mind. Contemporary hostilities rarely fit neatly into a single legal or underwriting category. A loss may bear the features of sabotage, terrorism, cyber interference, civil unrest or military action, and the classification of that event may determine whether cover responds at all. In this context, wording precision is no longer merely desirable. It is commercially indispensable.

Third, it heightens reinsurance sensitivity. Cedants require confidence that their outward reinsurance arrangements will respond consistently with the underlying insurance position. Any disconnect between original policy intent and treaty language creates immediate legal and financial tension. In practice, some of the most consequential disputes are likely to arise not from the insured loss itself, but from divergence between the primary coverage analysis and the reinsurance recovery position.





THE REAL CHALLENGE LIES IN CLASSIFICATION

One of the most legally complex features of the current environment is the characterization of losses. Whether an event is classified as war, terrorism, civil commotion, sabotage or malicious act will often determine which insuring clause, exclusion or specialist extension applies.

This issue is not theoretical. It goes to the heart of coverage response. A policyholder may assume that a loss arising from a drone strike or politically motivated disruption falls within property or business interruption cover, while the insurer may seek to characterize the same event as falling within a war or hostile acts exclusion. The difficulty is compounded where losses arise indirectly, such as through port disruption, supply chain interruption, denial of access or governmental restriction.

For reinsurers, these classification disputes are particularly significant because they engage questions of follow the settlements, aggregation, treaty construction and recoverability. A cedant may settle a claim on commercial grounds, yet the reinsurer may take a narrower position on causation, classification or the application of exclusions. As geopolitical volatility increases, the market should expect a corresponding increase in disputes of this nature.

SANCTIONS, COMPLIANCE AND SILENT EXPOSURE

A further area of growing concern is sanctions. In a rapidly shifting geopolitical climate, sanctions regimes may evolve quickly and may affect claims payments, reinsurance recoveries, premium flows and the continuing legality of contractual performance. This is particularly relevant for multinational insurers and reinsurers writing regional business through complex cross border structures.

The legal and operational implications of sanctions exposure are often underestimated. They may affect not only whether a claim can be paid, but also whether cover can lawfully incept, whether reinsurance support remains available and whether brokers, cover holders and intermediaries can continue servicing the placement. From a legal standpoint, sanctions clauses must be carefully drafted and closely aligned with the insurer's regulatory footprint and the jurisdictions engaged.

Equally important is the issue of silent exposure. Many insurers may discover that conflict related risk sits within portfolios not expressly underwritten as war or political violence business. Standard property, construction, trade credit, marine cargo and cyber programmes may all contain unintended exposure where wording has not kept pace with the realities of regional conflict. This is where disciplined policy review becomes essential.





WHAT SOPHISTICATED INSUREDS ARE NOW LOOKING FOR

Large corporate insureds in the GCC are becoming more sophisticated in the way they assess geopolitical exposure. They are no longer focused solely on premium or headline limits. They seek certainty of response, clarity of triggers and a more informed understanding of where their uninsured exposures truly lie.

This is particularly true for insureds operating in logistics, aviation, energy, healthcare, construction, hospitality and infrastructure. These businesses increasingly require integrated advice across policy wording, programme structure, risk retention and claims preparedness. They want insurers who understand the region, but they equally value advisors who understand how regional risk is interpreted in international markets and by global reinsurers.

For this reason, the opportunity in the market is not simply to deploy capacity. It is to provide certainty, technical depth and credible claims strategy. Insurers and reinsurers capable of offering that combination will be better placed to retain quality business and deepen relationships with sophisticated insureds.



A MARKET OPPORTUNITY, NOT MERELY A MARKET THREAT

Although regional conflict inevitably creates volatility, it also creates opportunities for well positioned market participants. Demand for specialist products is likely to increase, particularly in political violence, terrorism, trade disruption, cyber and bespoke business interruption solutions. There is also likely to be greater appetite for manuscript wording, enhanced disclosure protocols and more tailored reinsurance protections.

For insurers and reinsurers prepared to engage with these developments intelligently, the current environment offers a chance to differentiate themselves through underwriting discipline, technical expertise and market responsiveness. Policyholders facing heightened geopolitical uncertainty are likely to gravitate towards carriers and advisors who can demonstrate a genuine understanding of both coverage complexity and regional operational realities.

This is where specialist legal counsel also becomes central. The market increasingly requires advice that combines insurance coverage expertise, reinsurance understanding, sanctions awareness and



regulatory fluency across the GCC. In an environment where claims may evolve into disputes and commercial decisions may have cross-border legal consequences, that combination of skills is indispensable.

CONCLUSION

The Gulf has long occupied a position where geopolitical tension and commercial significance are inextricably linked. What is now changing is the extent to which that reality is reshaping the ordinary course of insurance and reinsurance decision-making across the region. War risk and political violence can no longer be treated as peripheral issues relevant only to specialist lines. They are increasingly influencing mainstream underwriting judgment, policy architecture, claims analysis and reinsurance strategy.

For insurers, reinsurers and major corporate policyholders, the task is no longer simply to respond to isolated events as they emerge. It is to recalibrate for a risk environment in which geopolitical instability may persist as a structural feature rather than an exceptional occurrence. That requires greater underwriting discipline, sharper policy drafting, more rigorous attention to sanctions and accumulation risk, and a more deliberate approach to claims management and reinsurance recoveries.

This is also a defining moment for the market. Periods of instability do not merely test resilience; they reveal capability. Those market participants able to combine technical expertise, commercial judgment and strategic agility will be best placed not only to safeguard their portfolios, but also to inspire confidence among cedants, brokers, insureds and capital providers. In a region as strategically significant and commercially exposed as the GCC, the ability to navigate conflict-related risk with sophistication, precision and foresight will increasingly distinguish true market leaders.

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