

# Political Risk Coverage

*An insurance coverage you may have never considered needing...until now.*

**From The Wall Street Journal March 11, 2022:**

## Putin endorses plan to nationalize assets of foreign companies

By Kevin McPoyle

Seemingly endless machinations of the Russian leadership affecting Ukraine and its citizens have prompted multiple Western based businesses to shut down, suspend or greatly curtail their Russian operations as part of their sanctions and in solidarity with the Ukrainian people. 300 companies have so far withdrawn from their Russian operations at the point of time of this writing.



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The diversity of companies and services withdrawing from Russia is as broad and deep as 3M, which is suspending operations in Russia, to NASDAQ, which is cutting off Russian access to capital markets, to McDonalds. While a significant number of companies have joined the process, there remain a few notable Western organizations whose operations remain open in Russia, including Halliburton, Cargill, Air Products and Mohawk Industries according to the Yale School of Management which is compiling the list.

In reaction to the cessation of operations is a statement from Russian authorities indicating they may **seize Western companies' assets, including trademarks.** In addition, corporate leaders may be arrested due to their decision to withdraw from Russia.

Russian authorities claim to see these business closures as tantamount to criticism of their government, rather than as a reaction to their unprovoked invasion of a sovereign nation. There is pending legislation in Russia to nationalize the operations of Western companies exiting the country. Whether or not the legislation comes to pass, there is a business toll taken as organizations seek to understand how this will impact them and how they might protect themselves from the Russian government's actions.

### **Enter Political Risk Insurance for your brokers and their clients**

Simply put, Political Risk Insurance provides insurance to organizations in the event a business suffers a financial loss due to decisions or actions undertaken by a

government. This insurance can provide coverage for expropriation of assets (confiscation of property), the inability to repatriate currency due to government and financial markets, debt default or at times, acts of terrorism or war. There are other causes which might also trigger coverage such as political violence or the calling of on demand guarantees. All of these examples of incidents or circumstances leading to the use of Political Risk Coverage are currently "on the table" as a result of the sanctions and the current state of the Russian economy.

### **Which insureds should consider Political Risk Insurance?**

Political Risk insurance is a great risk management addition for many multinational corporations, banks, shipping lines, developers of infrastructure, other non-bank financial institutions, export/import companies, technology companies, and others in this highly connected and volatile world.

There is no other policy within a standard portfolio which provides the

coverage insureds might seek if they have assets in Russia. Coverage is non-typical, meaning there is no one "standard" form used. Policies are written and customized to suit the particular needs of the insured.

As we emerge from a two year worldwide pandemic and now face the horror of a potentially extended invasion of Ukraine by Russia, inflation realities and continued supply chain issues, carriers should guide brokers to conduct a careful review of insureds' risk management programs to determine how they may need to alter their coverages to more closely align with the world in which we live.

*Kevin McPoyle, CIC, RPLU, CPLP is President of KMRD Partners, Inc., a risk and human capital management consulting and insurance brokerage firm serving clients worldwide. Kevin can be reached at [kmcpoyle@kmrpartners.com](mailto:kmcpoyle@kmrpartners.com)*