

Israel: Becoming Uninsurable

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Israel's geopolitical landscape has long been characterized by its complex conflicts and strategic importance, making it a focal point for regional and global tensions. Recent escalations, such as the Israel-Hamas conflict, have intensified the challenges faced by the insurance industry in providing coverage for businesses and individuals operating in this high-risk environment. The increasing frequency and severity of conflicts have led to skyrocketing premiums and stricter coverage terms, making it increasingly difficult to secure adequate insurance. From war and political violence insurance to marine and cargo, energy sector, travel and aviation, property and casualty, health and life, and cyber insurance, each sector faces unique challenges. Government interventions, such as Israel's \$6 billion state guarantee for airlines, highlight the efforts to mitigate these risks, yet the growing financial burden and operational disruptions persist. This paper explores the multifaceted impact of these challenges, the critical role of comprehensive insurance, and potential solutions to address the insurability crisis in Israel.

Keywords: Israel, insurability, geopolitical conflict, insurance premiums, war risk insurance, political violence insurance, marine insurance, cargo insurance, energy sector insurance, travel insurance, aviation insurance, property insurance, casualty insurance, health insurance, life insurance, cyber insurance, government intervention, financial stability, risk management, operational resilience.

1. Introduction

Background on the Geopolitical Situation in Israel

Israel, a nation located in the Middle East, has been at the center of numerous geopolitical conflicts since its establishment in 1948. The region's complex history is marked by territorial disputes, religious significance, and political tensions, primarily involving neighboring countries and Palestinian territories. Key conflicts include the Arab-Israeli wars, the ongoing Israeli-Palestinian conflict, and periodic escalations with groups such as Hezbollah in Lebanon and Hamas in Gaza. These conflicts have shaped Israel's security policies and its relations with both regional and global powers.

In recent years, the geopolitical landscape has remained volatile. The Israel-Hamas conflict, for instance, saw a significant escalation in October 2023, with Hamas launching a surprise attack that led to severe retaliatory measures from Israel. This conflict resulted in thousands of casualties and extensive property damage on both sides, further intensifying the region's instability. Additionally, tensions with Iran, a key supporter of Hamas and Hezbollah, have persisted, with fears of broader regional conflicts that could involve major global powers.

Overview of the Increasing Insurance Challenges Faced by the Country

The persistent state of conflict has had profound implications for various sectors within Israel, including the insurance industry. As geopolitical tensions escalate, the risks associated with operating in Israel increase, making it challenging for businesses and individuals to secure comprehensive insurance coverage. The key insurance challenges include:

1. **War and Political Violence Insurance:** Insurance companies are either significantly raising premiums or outright refusing to cover risks associated with war and political violence. The unpredictability of attacks, as demonstrated by the frequent rocket strikes from Gaza, increases the perceived risk for insurers.
2. **Marine and Cargo Insurance:** The strategic maritime routes near Israel, such as the Red Sea, are critical for global trade but are also hotspots for conflict-related disruptions. Incidents like the Houthi attacks on commercial vessels have led to substantial increases in marine insurance premiums.

3. **Energy Sector Insurance:** Israel's oil and gas installations are vulnerable to attacks, requiring extensive coverage for physical damage, business interruption, and liability. The high-value nature of these assets and the potential for significant environmental damage further complicate the insurance landscape.
4. **Travel and Aviation Insurance:** Airlines operating in and out of Israel face high war risk premiums. The government has intervened by providing a \$6 billion state guarantee to cover these risks, but the underlying insurance market remains highly cautious.
5. **Property and Casualty Insurance:** Businesses need robust insurance policies to cover potential interruptions and damages caused by conflicts. The rising premiums and reduced coverage limits pose significant financial burdens on companies operating in Israel.
6. **Health and Life Insurance:** The heightened risk environment affects the availability and cost of health and life insurance, particularly for expatriates and those in high-risk areas.
7. **Cyber Insurance:** As geopolitical tensions extend to cyber warfare, the need for comprehensive cyber insurance becomes critical. The frequency and sophistication of cyber attacks targeting Israel's infrastructure necessitate robust coverage options.

Purpose and Scope of the Paper

The purpose of this paper is to provide a comprehensive analysis of the evolving insurance landscape in Israel amidst its ongoing geopolitical conflicts. By examining the various types of insurance impacted—such as war and political violence insurance, marine and cargo insurance, energy sector insurance, travel and aviation insurance, property and casualty insurance, health and life insurance, and cyber insurance—this paper aims to highlight the increasing challenges and financial burdens faced by businesses and individuals in securing adequate coverage.

The scope of the paper includes:

- A detailed exploration of how recent conflicts, particularly the Israel-Hamas conflict and tensions with Iran, have influenced the insurance market in Israel.
- Case studies and examples illustrating the impact of these conflicts on different insurance sectors.
- An analysis of government interventions, such as the \$6 billion state guarantee, and their effectiveness in mitigating insurance challenges.
- A discussion on the broader implications for global trade and economic stability, given Israel's strategic importance.
- Recommendations for potential solutions and strategies to address the growing issue of insurability in Israel.

By shedding light on these critical issues, this paper aims to contribute to the broader discourse on risk management and insurance in conflict zones, offering insights and potential pathways for navigating the complex insurance landscape in Israel.

2. The Impact of War on Insurance in Israel

Overview of Recent Conflicts Involving Israel

Israel has experienced a series of conflicts that have significantly impacted its socio-political and economic landscape. Among the most notable recent conflicts are:

- **Israel-Hamas Conflict (October 2023):** This conflict began with a surprise attack by Hamas on October 7, 2023, leading to extensive military engagement. The hostilities resulted in over 1,400 casualties in Israel and more than 9,000 in Gaza, causing widespread property damage and economic disruption.
- **Tensions with Iran:** Ongoing geopolitical tensions between Israel and Iran, particularly due to Iran's support for militant groups like Hamas and Hezbollah, have perpetuated a state of alert and readiness for potential

escalations. This geopolitical rivalry exacerbates the regional instability and poses continual risks to Israel's security and economic stability.

- **Frequent Rocket Attacks:** Periodic rocket attacks from Gaza and exchanges with Hezbollah in Lebanon have kept the region in a constant state of alert, leading to intermittent but significant disruptions in daily life and economic activities.

These conflicts not only cause immediate physical damage but also create a pervasive sense of uncertainty that affects all aspects of life in Israel, including the insurance industry.

The Role of War Risk Insurance and Its Significance for Businesses and Individuals

War risk insurance is crucial in regions prone to conflict as it provides coverage for losses directly resulting from acts of war, terrorism, and political violence. This type of insurance is particularly significant for businesses and individuals in Israel for several reasons:

1. **Protection Against Physical Damage:** War risk insurance covers damage to property, infrastructure, and assets caused by military actions, bombings, and terrorist attacks. This protection is essential for businesses to recover and rebuild after such events.
2. **Business Continuity:** For businesses, having war risk insurance ensures that they can claim compensation for losses incurred due to disruptions caused by conflict. This includes loss of income, additional operational costs, and expenses related to business interruption.
3. **Liability Coverage:** War risk insurance often includes liability coverage, protecting businesses from claims arising from injuries or damages caused by war-related incidents.
4. **Peace of Mind:** For individuals, especially those living in high-risk areas, war risk insurance provides a level of financial security and peace of mind, knowing that they are protected against the unforeseen consequences of conflict.

However, securing this type of insurance comes with challenges, especially during periods of heightened conflict. Insurers are likely to either increase premiums significantly or withdraw coverage altogether, making it difficult for businesses and individuals to afford or access the necessary protection.

Government Interventions: The \$6 Billion State Guarantee for Israeli Airlines

To address the challenges posed by increased insurance premiums and limited coverage during times of conflict, the Israeli government has taken proactive steps. One notable intervention is the approval of a \$6 billion state guarantee to cover war risks for Israeli airlines:

1. **Ensuring Continuity of Operations:** The state guarantee is designed to ensure that Israeli airlines, such as El Al, Israir, and Arkia, can continue their operations despite the heightened risks and costs associated with war insurance. This guarantee helps airlines secure the necessary coverage at more reasonable rates, enabling them to maintain flight schedules and connectivity.
2. **Financial Stability:** By providing this guarantee, the government assumes the financial risk associated with potential war-related damages. This intervention reassures insurance companies and stabilizes the market, preventing a complete withdrawal of insurance support for critical aviation operations.
3. **Support for Repatriation and Evacuation:** The continuity of airline operations is crucial for repatriation flights and evacuation efforts during conflicts. The state guarantee ensures that Israeli airlines can continue to operate flights to bring back citizens and support military logistics, which is vital during times of national emergency.

This intervention underscores the strategic importance of maintaining robust air operations during conflicts and highlights the role of government support in mitigating the financial impacts of war risks on essential services. The effectiveness of such measures can be seen in the continued operation of Israeli airlines amidst the ongoing conflict with Hamas, even as many foreign airlines have canceled flights to Tel Aviv.

War and Political Violence Insurance

Definition and Scope of War and Political Violence Insurance

War and political violence insurance is a specialized type of coverage designed to protect businesses and individuals against losses arising from acts of war, terrorism, and politically motivated violence. This type of insurance typically covers:

- **Property Damage:** Destruction or damage to physical assets such as buildings, machinery, and equipment due to war-related activities.
- **Business Interruption:** Loss of income and additional operating expenses incurred when a business is unable to operate normally due to war or political violence.
- **Liability Coverage:** Protection against legal claims arising from injuries or damages caused by war-related incidents.
- **Terrorism Coverage:** Specific protection against acts of terrorism, which might be excluded from general property insurance policies.

This insurance is crucial in regions prone to conflicts, as it helps mitigate the financial impact of unforeseen violent events, ensuring that businesses can recover and continue operations.

Current Limitations and Exclusions in Policies

While war and political violence insurance provides essential coverage, it also comes with several limitations and exclusions that can affect the level of protection available:

- **Exclusions:** Common exclusions include nuclear risks, biological and chemical warfare, and cyber-attacks related to political violence.
- **Geographical Limitations:** Coverage may be restricted to specific regions or countries, leaving businesses vulnerable if conflicts spread beyond these areas.
- **Conditional Coverage:** Policies often have conditions related to the security measures implemented by the insured. Failure to maintain these measures can lead to denial of claims.

- **Premium Adjustments:** Insurers can adjust premiums or limit coverage based on the changing risk profile of a region, making it difficult for businesses to secure consistent protection.

Rising Premiums and the Financial Burden on Businesses

The cost of war and political violence insurance has been rising significantly, reflecting the increasing frequency and severity of conflicts around the world. This trend imposes a substantial financial burden on businesses operating in high-risk areas:

- **Premium Increases:** In conflict-prone regions like the Middle East, premiums for war risk insurance can increase dramatically during periods of heightened tension. For example, premiums for shipping through the Red Sea increased nearly tenfold due to Houthi attacks.
- **Financial Strain:** Small and medium-sized enterprises (SMEs) often struggle to afford the rising costs of insurance, which can lead to gaps in coverage and increased vulnerability.
- **Operational Costs:** The increased cost of insurance adds to the overall operational expenses of businesses, affecting their profitability and competitiveness.

Case Studies and Examples from Recent Conflicts

Several recent conflicts illustrate the challenges and impacts of war and political violence insurance:

1. Israel-Hamas Conflict (2023):

- **Impact:** The surprise attack by Hamas on Israel in October 2023 led to significant loss of life and property damage. Businesses in Israel faced increased premiums and reduced coverage options for war risk insurance.
- **Government Intervention:** To address these challenges, the Israeli government provided a \$6 billion state guarantee to ensure that airlines could maintain war risk coverage and continue operations.

2. Houthi Attacks on Shipping in the Red Sea:

- **Impact:** The Houthi rebel group's attacks on commercial vessels in the Red Sea have led to a substantial increase in marine insurance premiums. Shipping companies are either paying much higher premiums or rerouting their vessels to avoid the conflict zone, increasing operational costs.
- **Insurance Market Reaction:** Insurers have responded by either significantly raising premiums or withdrawing coverage altogether, reflecting the heightened risk and uncertainty in the region.

3. Ukraine Conflict (2022):

- **Impact:** The Russian invasion of Ukraine in 2022 had a profound impact on the global insurance market. Businesses in Ukraine and neighboring countries faced skyrocketing premiums for war and political violence insurance, while insurers reassessed their risk exposure and coverage limits.
- **Business Interruption:** Many businesses experienced severe interruptions due to the conflict, highlighting the critical role of insurance in providing financial support during such crises.

Conclusion

War and political violence insurance is an essential tool for managing the financial risks associated with conflicts and politically motivated violence. However, the increasing frequency and severity of such events are driving up premiums and creating significant financial burdens for businesses. By examining recent conflicts and their impact on the insurance market, we can better understand the challenges faced by businesses in securing adequate coverage and the critical role of government interventions in stabilizing the market.

Marine and Cargo Insurance

Impact of Regional Conflicts on Marine and Cargo Insurance

Marine and cargo insurance are critical components of global trade, providing coverage for the transportation of goods across oceans. These types of insurance protect against various risks, including damage to cargo, delays, and losses due to piracy or conflict. In regions like the Middle East, where geopolitical tensions are high, marine and cargo insurance are particularly vital yet increasingly complicated due to the ongoing conflicts.

Focus on Crucial Shipping Routes: The Red Sea

The Red Sea is a crucial artery for global maritime trade, linking the Mediterranean Sea via the Suez Canal to the Indian Ocean. Approximately 10% of global trade, including 12% of seaborne oil and 8% of liquified natural gas (LNG), transits through this route. Strategic importance of the Red Sea makes it a target for regional conflicts, significantly affecting marine and cargo insurance.

Increase in Premiums Due to Risks Posed by Conflicts

1. **Houthi Attacks:** The Yemen-based Houthi rebels have carried out numerous attacks on commercial vessels in the Red Sea, targeting ships indiscriminately and escalating the risks associated with navigating these waters. As a result, insurance premiums for ships passing through the Red Sea have surged. War risk premiums have increased nearly tenfold since the attacks began, reflecting the heightened risk and the potential for significant financial losses.
2. **Rerouting and Operational Costs:** Due to the increased risk, many shipping companies are rerouting their vessels to avoid the Red Sea and the Suez Canal, opting instead to navigate around the Cape of Good Hope. This alternative route is significantly longer, increasing fuel costs and transit times. These additional expenses are often passed on to consumers, leading to higher prices for goods.

Broader Implications for Global Trade and Supply Chains

1. **Economic Impact:** The increased insurance premiums and the need to reroute ships have broad implications for global trade. Higher

transportation costs and longer transit times disrupt supply chains and contribute to global inflation. Essential goods, including oil, gas, and consumer products, become more expensive, affecting economies worldwide.

2. **Supply Chain Disruptions:** The disruption of shipping routes through the Red Sea can lead to significant delays in the delivery of goods. This can cause shortages, particularly in industries that rely on just-in-time inventory systems. The ripple effect of these disruptions can be felt across various sectors, from manufacturing to retail.
3. **Insurance Market Dynamics:** The marine and cargo insurance markets must continually adapt to the changing risk landscape. Insurers reassess their risk exposure and adjust premiums accordingly, often leading to higher costs and stricter coverage terms. This dynamic creates a challenging environment for businesses that rely on maritime transport, as they must navigate fluctuating insurance costs and coverage limitations.

Case Studies and Examples

1. **Houthi Attacks on Commercial Vessels:** Since mid-2023, the Houthi rebel group's attacks on ships in the Red Sea have caused widespread concern among shipping companies and insurers. The indiscriminate nature of these attacks has led to a substantial increase in war risk premiums and forced many companies to reconsider their routes.
2. **Suez Canal Blockage:** Although not directly related to conflict, the blockage of the Suez Canal in March 2021 by the Ever Given highlighted the vulnerability of global trade routes. The incident caused massive delays and highlighted the importance of maintaining secure and efficient shipping lanes. The subsequent impact on marine insurance premiums and policies underscores the broader implications of disruptions in the Red Sea region.

Conclusion

The impact of regional conflicts on marine and cargo insurance, particularly in strategic shipping routes like the Red Sea, underscores the interconnected nature of global trade and security. The increased risks and rising insurance premiums pose significant challenges for businesses and economies worldwide.

Understanding these dynamics is crucial for developing strategies to mitigate the financial burdens and ensure the stability of global supply chains.

Energy Sector Insurance

Vulnerability of the Energy Sector to Conflicts

The energy sector, particularly oil and gas installations, is critically vulnerable to conflicts due to several factors:

- **Strategic Importance:** These installations are often considered strategic assets, making them prime targets during conflicts.
- **Geographic Location:** Many oil and gas facilities are located in regions prone to geopolitical instability, such as the Middle East.
- **High-Value Assets:** The infrastructure and equipment used in the energy sector represent significant investments, and any damage can result in substantial financial losses.

Types of Insurance Required for Oil and Gas Installations

1. Physical Damage Insurance

- **Scope:** This insurance covers direct physical damage to facilities, equipment, and infrastructure caused by events such as bombings, missile strikes, and sabotage.
- **Examples of Coverage:** Damage to drilling rigs, refineries, pipelines, storage tanks, and other critical infrastructure components.
- **Significance:** Protecting the physical assets of energy companies is essential to ensure their operational capacity and financial stability in the aftermath of conflict-related incidents.

2. Business Interruption Insurance

- **Scope:** This coverage compensates for the loss of income and additional expenses incurred when operations are disrupted due to conflict.
- **Examples of Coverage:** Revenue losses due to halted production, costs associated with relocating operations, and expenses for temporary facilities.
- **Significance:** Business interruption insurance helps energy companies maintain financial stability and recover more quickly by covering the ongoing costs during periods when operations are suspended.

3. Liability Insurance

- **Scope:** This insurance protects energy companies against legal claims arising from injuries, environmental damage, or third-party property damage caused by conflict-related incidents.
- **Examples of Coverage:** Claims from employees injured during attacks, environmental cleanup costs for oil spills caused by sabotage, and compensation for damaged third-party property.
- **Significance:** Liability insurance is crucial for managing the legal and financial repercussions of incidents that occur during conflicts, helping companies navigate complex legal landscapes and protect their financial assets.

Environmental and Regulatory Risks

1. Environmental Risks

- **Scope:** Conflicts can lead to significant environmental damage, such as oil spills, gas leaks, and contamination of land and water sources. These incidents have long-term ecological impacts and can be extremely costly to remediate.
- **Examples of Coverage:** Insurance policies often include provisions for environmental cleanup and restoration, covering the costs of

containing and mitigating the environmental impact of spills and leaks.

- **Significance:** Managing environmental risks is critical for energy companies to comply with environmental regulations, avoid hefty fines, and maintain their social license to operate.

2. Regulatory Risks

- **Scope:** Conflicts can lead to changes in regulatory environments, including stricter safety standards, increased scrutiny, and new compliance requirements.
- **Examples of Coverage:** Policies may cover costs associated with meeting new regulatory requirements, such as upgrading facilities to comply with new safety standards or obtaining additional permits.
- **Significance:** Navigating regulatory risks is essential for energy companies to ensure continued operations and avoid legal penalties. Insurance coverage helps mitigate the financial impact of adapting to new regulatory landscapes.

Case Studies and Examples

1. Saudi Aramco Attack (2019)

- **Incident:** In September 2019, drone and missile attacks targeted Saudi Aramco's Abqaiq processing facility and Khurais oil field, leading to significant damage and a temporary reduction in oil production.
- **Impact:** The attacks highlighted the vulnerability of critical energy infrastructure and the need for comprehensive insurance coverage to manage the financial fallout. Saudi Aramco's ability to quickly restore production underscored the importance of having robust insurance policies in place to support rapid recovery.

2. Sabotage of Pipelines in Nigeria

- **Incident:** Nigeria's oil pipelines have frequently been targeted by militant groups, causing extensive damage and disrupting oil production and exports.
- **Impact:** The repeated attacks have led to increased insurance premiums for companies operating in the region. Business interruption and physical damage insurance have been crucial in managing the financial losses and ensuring continuity of operations amidst ongoing security challenges.

Conclusion

The energy sector's vulnerability to conflicts necessitates comprehensive insurance coverage to protect against physical damage, business interruption, and liability. Additionally, managing environmental and regulatory risks is crucial for maintaining operational stability and compliance. By understanding the types of insurance required and the challenges posed by regional conflicts, energy companies can better navigate the complex landscape and ensure their resilience in the face of geopolitical instability.

Travel and Aviation Insurance

Flight Cancellations and Diversions Due to Conflict

Conflicts and geopolitical instability can significantly impact the operations of airlines, leading to flight cancellations and diversions. Such disruptions are typically caused by:

- **Security Threats:** Direct threats to aircraft from missile attacks, bombings, or other acts of terrorism make it unsafe to operate in certain airspaces. For instance, during the Israel-Hamas conflict, many airlines canceled flights to Tel Aviv due to security concerns.
- **Government Advisories:** Governments may issue travel advisories or bans on flights to conflict zones, compelling airlines to alter their schedules.

These advisories are based on assessments of the security situation and aim to protect citizens from potential harm.

- **Airspace Restrictions:** Conflicts often lead to the closure of certain airspaces. For example, the closure of Russian airspace following geopolitical tensions forced airlines to take longer routes, increasing travel times and operational costs.

The impact of these disruptions is not limited to passenger inconvenience. They also result in significant financial losses for airlines due to unused capacity, refunding tickets, and additional operational costs for rerouting flights.

Increased Premiums for War Risk and Terrorism Coverage

War risk and terrorism insurance are essential for airlines operating in or near conflict zones. These policies cover damages and losses resulting from acts of war, terrorism, and related perils. However, the costs of such coverage have been rising due to:

- **Heightened Risk Perception:** As the frequency and severity of conflicts increase, insurers reassess the risk profiles of regions, leading to higher premiums. For instance, the war risk premiums for flights to Israel have increased significantly due to the ongoing conflicts.
- **Claims History:** Previous claims related to war and terrorism incidents influence the cost of premiums. A history of frequent or severe claims in a particular region will lead to higher costs for future coverage.
- **Market Dynamics:** The global insurance market responds to regional instability by adjusting premiums to balance the risk exposure. This dynamic is evident in the fluctuating costs of war risk insurance for airlines operating in high-risk areas.

Government-Backed Insurance Schemes to Ensure Continuity

In response to the prohibitive costs and limited availability of war risk and terrorism insurance, some governments have implemented insurance schemes to ensure the continuity of essential air services:

- **Israel's \$6 Billion State Guarantee:** To support its airlines during the Israel-Hamas conflict, the Israeli government approved a \$6 billion state guarantee to cover war risks. This guarantee helps airlines secure the necessary insurance coverage at more reasonable rates, ensuring they can continue operations despite the heightened risks.
- **UK's War Risk Insurance Program:** The UK government provides a war risk insurance program for airlines, which acts as a backstop to ensure that British carriers can maintain operations in high-risk areas. This program is designed to step in when commercial insurance becomes unavailable or unaffordable.
- **US War Risk Insurance:** The United States also has provisions for government-backed war risk insurance, particularly for essential services and routes that are critical to national security and economic stability.

These government-backed schemes are crucial in maintaining connectivity and supporting the aviation industry's resilience during times of conflict.

Evacuation Coverage for Expatriates and Travelers

Evacuation coverage is an essential component of travel insurance, particularly for expatriates and travelers in conflict zones. This coverage provides:

- **Medical Evacuation:** In the event of an injury or illness, medical evacuation coverage ensures that individuals can be transported to a safe location where they can receive appropriate medical care.
- **Emergency Evacuation:** During conflicts or sudden escalations, evacuation coverage provides for the safe transportation of individuals out of the affected area. This may include airlifts or coordinated ground transport to neighboring countries or safe zones.
- **Repatriation:** In the worst-case scenario, repatriation coverage ensures that the remains of deceased individuals can be returned to their home country.

For example, during the escalation of the Israel-Hamas conflict, travel insurance providers with evacuation coverage facilitated the safe exit of expatriates and

travelers from high-risk areas. This type of coverage is critical for ensuring the safety and well-being of individuals caught in conflict zones.

Conclusion

Travel and aviation insurance play a crucial role in managing the risks associated with operating in conflict zones. Flight cancellations and diversions, increased premiums for war risk and terrorism coverage, government-backed insurance schemes, and evacuation coverage are all essential components that help maintain the continuity and safety of air travel during times of geopolitical instability. Understanding these aspects is vital for airlines, travelers, and insurance providers to navigate the complexities of operating in high-risk environments.

Property and Casualty Insurance

Business Interruption Insurance and Its Importance

Business interruption insurance is a critical component of property and casualty insurance, providing coverage for the loss of income and additional expenses that businesses incur when their operations are disrupted due to unexpected events such as conflicts, natural disasters, or other perils. This type of insurance is particularly important in conflict zones like Israel, where the risk of disruption is high.

1. Coverage Scope:

- **Income Loss:** Business interruption insurance compensates for the loss of revenue that a business suffers during the period of interruption.
- **Operating Expenses:** It covers fixed costs that continue even when the business is not operational, such as rent, salaries, and utilities.
- **Additional Expenses:** Costs incurred to mitigate the impact of the interruption, such as renting temporary premises or extra security measures.

2. Importance:

- **Financial Stability:** It helps maintain the financial stability of businesses by providing essential funds during periods of disruption, ensuring they can cover their ongoing expenses.
- **Recovery and Resilience:** Enables businesses to recover more quickly by providing the financial resources needed to resume operations and repair damages.
- **Risk Management:** Acts as a crucial risk management tool, allowing businesses to plan for contingencies and minimize the financial impact of unforeseen events.

Coverage for Large-Scale Construction and Infrastructure Projects

Large-scale construction and infrastructure projects are particularly vulnerable to the impacts of conflicts and require specialized insurance coverage to mitigate the associated risks. This coverage includes:

1. Construction All Risk (CAR) Insurance:

- **Scope:** Provides comprehensive protection against physical loss or damage to construction works, machinery, and equipment during the construction phase. It covers a wide range of perils, including fire, natural disasters, theft, and vandalism.
- **Significance:** Ensures that construction projects can proceed without financial setbacks due to unforeseen damages, protecting the investments of developers and contractors.

2. Contractors' Plant and Machinery (CPM) Insurance:

- **Scope:** Covers the loss or damage to construction machinery and equipment used in large-scale projects. This includes coverage for accidents, operational mishaps, and environmental impacts.
- **Significance:** Protects the valuable assets of contractors, ensuring that construction activities are not halted due to equipment loss or damage.

3. Delay in Start-Up (DSU) Insurance:

- **Scope:** Provides coverage for financial losses resulting from delays in the completion of construction projects due to insured perils. It compensates for the loss of projected revenue and additional costs incurred due to the delay.
- **Significance:** Helps project owners and developers manage the financial impact of construction delays, ensuring that projects can reach completion and become operational as planned.

Political Risk Insurance and Its Role in Mitigating Uncertainties

Political risk insurance is designed to protect businesses against losses arising from political events, which can include war, civil unrest, expropriation, and changes in government policies. This type of insurance is crucial for businesses operating in regions with high geopolitical risks.

1. Types of Coverage:

- **Expropriation and Nationalization:** Covers losses due to the seizure of assets by a foreign government. This can include nationalization of industries or confiscation of property.
- **Political Violence:** Provides coverage for damage to property and loss of income resulting from war, civil unrest, terrorism, and other politically motivated acts of violence.
- **Currency Inconvertibility and Transfer Restrictions:** Protects against losses when a government imposes restrictions on the conversion or transfer of foreign currency, affecting the ability of businesses to repatriate profits.
- **Breach of Contract:** Covers losses when a foreign government or state-owned entity breaches a contractual agreement, impacting business operations.

2. Importance:

- **Investment Protection:** Encourages foreign investment by providing assurance that businesses will be compensated for losses due to political instability.
- **Operational Continuity:** Helps businesses maintain operations and financial stability in the face of political disruptions.
- **Risk Management:** Forms a critical part of risk management strategies for multinational corporations and businesses operating in high-risk regions, enabling them to mitigate the financial impact of political events.

Case Studies and Examples

1. Middle East Construction Projects:

- **Scenario:** Large-scale infrastructure projects in conflict-prone regions like the Middle East require comprehensive insurance coverage to mitigate risks from political violence and operational disruptions.
- **Impact:** Insurance policies such as CAR and DSU have been crucial in ensuring the continuity and completion of these projects, despite the challenges posed by regional instability.

2. Political Risk Insurance in Emerging Markets:

- **Scenario:** Companies investing in emerging markets with volatile political environments often rely on political risk insurance to protect their investments.
- **Impact:** During instances of expropriation or civil unrest, businesses with political risk insurance have been able to recover significant portions of their investments, enabling them to continue operations or exit the market with minimized losses.

Conclusion

Property and casualty insurance, including business interruption, construction and infrastructure, and political risk insurance, plays a vital role in mitigating the financial risks associated with operating in conflict zones. By providing

comprehensive coverage against a wide range of perils, these insurance policies ensure that businesses can maintain operational stability, protect their investments, and recover from disruptions more effectively.

Health and Life Insurance

Insurance Needs of Expatriates and Local Populations in High-Risk Areas

Health and life insurance are critical for both expatriates and local populations living in high-risk areas, particularly regions prone to conflicts and geopolitical instability. These insurance policies provide essential financial protection and peace of mind, covering a range of needs specific to the risks associated with living in such environments.

1. Health Insurance Coverage:

- **Medical Treatment:** Health insurance in high-risk areas must cover a broad spectrum of medical treatments, including those related to conflict injuries, routine healthcare, and chronic conditions.
- **Emergency Services:** Access to emergency medical services is vital. Health insurance policies should cover emergency room visits, urgent care, and ambulance services, which are critical during conflicts.
- **Specialist Care:** Conflict-related injuries often require specialist medical care, including surgeries, rehabilitation, and psychological support. Comprehensive health insurance should include coverage for these specialized treatments.

2. Life Insurance Coverage:

- **Death Benefits:** Life insurance provides financial support to beneficiaries in the event of the insured's death. This is crucial in conflict zones where the risk of mortality is higher.
- **Accidental Death and Dismemberment (AD&D):** Policies often include coverage for accidental death and dismemberment, providing additional benefits if the insured dies or is injured due to an accident, which is a common risk in conflict areas.

Importance of Coverage for Medical Evacuations and Conflict-Related Injuries

1. Medical Evacuations:

- **Critical Need:** In high-risk areas, local medical facilities may be inadequate or overwhelmed during conflicts. Medical evacuations are essential to transport the insured to safer locations where they can receive appropriate medical care.
- **Coverage Scope:** Insurance policies should cover the cost of air or ground evacuation, medical escort services, and repatriation to the insured's home country if necessary. These services are expensive but lifesaving.

2. Conflict-Related Injuries:

- **Comprehensive Coverage:** Health insurance must cover injuries directly resulting from conflicts, such as gunshot wounds, bomb blast injuries, and trauma from physical assaults. This includes hospitalization, surgery, medication, and rehabilitation.
- **Long-Term Care:** Injuries from conflicts can result in long-term disabilities requiring extended care. Insurance policies should provide coverage for long-term rehabilitation, physical therapy, and psychological counseling to help individuals recover and adapt to life post-injury.

Examples and Case Studies

1. Humanitarian Workers and Expatriates in Conflict Zones:

- **Scenario:** Humanitarian workers and expatriates often work in conflict-prone areas and require comprehensive health and life insurance to cover the unique risks they face. Insurance policies tailored for these individuals typically include extensive coverage for medical evacuations and conflict-related injuries.
- **Impact:** Access to robust health and life insurance enables these individuals to perform their duties with the assurance that they have financial protection in case of emergencies. Insurance providers

often collaborate with international organizations to offer specialized plans for expatriates and humanitarian workers.

2. Local Populations in Conflict Zones:

- **Scenario:** Local populations living in conflict zones face continuous risks to their health and safety. Adequate health insurance is crucial for ensuring they can access medical care despite the challenges posed by ongoing violence.
- **Impact:** Insurance policies that include coverage for conflict-related injuries and medical evacuations provide a safety net for these communities, enabling them to receive necessary medical attention without bearing the full financial burden. This is especially important in areas where public health systems are strained or insufficient.

Conclusion

Health and life insurance are indispensable for expatriates and local populations in high-risk areas. Comprehensive coverage that includes medical evacuations and conflict-related injuries is crucial for providing financial protection and ensuring access to essential medical services. By understanding and addressing the specific insurance needs of individuals in these regions, insurers can offer products that enhance safety and resilience in the face of geopolitical instability.

Cyber Insurance

Importance of Cyber Insurance

With the increasing reliance on digital infrastructure and the rise in cyber threats amidst geopolitical tensions, cyber insurance has become an essential component of risk management for businesses and governments. Cyber insurance provides financial protection against losses resulting from cyber attacks, which can have devastating effects on operations, reputation, and financial stability.

1. Coverage Scope:

- **Data Breach Response:** Covers the costs associated with responding to a data breach, including notification, credit monitoring, and legal expenses.
- **Business Interruption:** Provides compensation for lost income and extra expenses incurred due to a cyber incident that disrupts business operations.
- **Liability Coverage:** Protects against claims arising from third-party data breaches, including legal defense costs and settlements.
- **Cyber Extortion:** Covers the costs associated with ransomware attacks, including ransom payments and negotiation expenses.
- **Regulatory Fines and Penalties:** Provides coverage for fines and penalties imposed by regulatory bodies due to non-compliance with data protection laws.

2. Significance:

- **Financial Protection:** Cyber insurance helps businesses manage the financial impact of cyber attacks, which can include significant costs for remediation, legal fees, and regulatory fines.
- **Operational Resilience:** Ensures that businesses can quickly recover from cyber incidents, minimizing downtime and maintaining continuity of operations.
- **Risk Management:** Acts as a critical component of a comprehensive risk management strategy, providing a safety net for businesses to mitigate the financial risks associated with cyber threats.

Risks to Digital Infrastructure

1. Geopolitical Tensions:

- **Nation-State Attacks:** Geopolitical tensions often lead to cyber attacks orchestrated by nation-states. These attacks target critical infrastructure, financial systems, and government networks to disrupt operations and create instability. For example, the 2017

WannaCry ransomware attack, attributed to North Korea, affected organizations worldwide, including the UK's National Health Service and numerous companies.

- **Hacktivism:** Political activists and hacktivist groups exploit geopolitical conflicts to carry out cyber attacks aimed at promoting their agendas. These attacks can disrupt services, deface websites, and leak sensitive information.

2. Critical Infrastructure Vulnerabilities:

- **Energy Sector:** Cyber attacks on energy infrastructure can have severe consequences, including power outages and disruptions to oil and gas supply chains. The 2021 Colonial Pipeline ransomware attack in the United States, which led to fuel shortages and panic buying, underscores the vulnerability of critical infrastructure to cyber threats.
- **Financial Systems:** Financial institutions are prime targets for cyber attacks due to the potential for significant financial gain. Cyber criminals exploit vulnerabilities in banking systems to steal funds, commit fraud, and disrupt financial transactions.

Need for Comprehensive Coverage

1. Comprehensive Cyber Insurance Policies:

- **Broad Coverage:** Businesses need cyber insurance policies that provide broad coverage for a wide range of cyber risks, including data breaches, business interruption, cyber extortion, and liability.
- **Customizable Options:** Insurance providers should offer customizable policies that cater to the specific needs and risk profiles of businesses, ensuring adequate protection against cyber threats.

2. Cyber Risk Assessment and Mitigation:

- **Risk Assessment:** Insurance providers often require businesses to conduct thorough cyber risk assessments to identify vulnerabilities and implement necessary security measures. This proactive approach

helps reduce the likelihood of successful cyber attacks and lowers insurance premiums.

- **Incident Response Planning:** Businesses should have robust incident response plans in place to quickly and effectively address cyber incidents. Cyber insurance policies often include access to incident response services, helping businesses manage the aftermath of an attack.

3. Regulatory Compliance:

- **Data Protection Laws:** Compliance with data protection laws, such as the General Data Protection Regulation (GDPR) in Europe and the California Consumer Privacy Act (CCPA) in the United States, is crucial for businesses. Cyber insurance can provide coverage for regulatory fines and penalties, helping businesses manage the financial impact of non-compliance.

Case Studies and Examples

1. WannaCry Ransomware Attack (2017):

- **Incident:** The WannaCry ransomware attack affected over 200,000 computers in 150 countries, causing widespread disruption and financial losses.
- **Impact:** Businesses with cyber insurance were able to recover some of the costs associated with the attack, including data recovery, business interruption, and ransom payments. The attack highlighted the importance of comprehensive cyber insurance in managing the financial impact of large-scale cyber incidents.

2. Colonial Pipeline Ransomware Attack (2021):

- **Incident:** A ransomware attack on Colonial Pipeline, a major fuel pipeline operator in the United States, led to a temporary shutdown of operations and fuel shortages.
- **Impact:** The attack underscored the vulnerability of critical infrastructure to cyber threats and the need for robust cyber

insurance coverage to protect against such incidents. Businesses in the energy sector have since sought comprehensive cyber insurance policies to mitigate similar risks.

Conclusion

The rise in cyber threats amidst geopolitical tensions necessitates comprehensive cyber insurance coverage to protect businesses against the financial and operational impacts of cyber attacks. By providing coverage for data breaches, business interruption, liability, and regulatory fines, cyber insurance plays a crucial role in managing the risks associated with digital infrastructure. Understanding the importance of cyber insurance and the specific risks faced by businesses is essential for developing effective risk management strategies in today's interconnected world.

Conclusion

Summary of Key Points

This paper has explored the multifaceted challenges that Israel faces in terms of insurability due to its geopolitical situation. Key points discussed include:

1. Impact of War on Insurance in Israel:

- Recent conflicts, such as the Israel-Hamas conflict, have significantly influenced the insurance market, driving up premiums and reducing coverage availability.
- The importance of war risk insurance for businesses and individuals in high-risk areas was highlighted, with government interventions such as the \$6 billion state guarantee for Israeli airlines ensuring continuity of operations.

2. War and Political Violence Insurance:

- Defined the scope of war and political violence insurance and discussed its limitations and exclusions, including the financial burden of rising premiums.

- Provided examples of how recent conflicts have impacted insurance coverage and costs.

3. Marine and Cargo Insurance:

- Examined the effects of regional conflicts on marine and cargo insurance, focusing on strategic shipping routes like the Red Sea.
- Discussed the broader implications for global trade and supply chains, emphasizing increased premiums and operational disruptions due to conflict-related risks.

4. Energy Sector Insurance:

- Highlighted the vulnerability of oil and gas installations to conflicts, detailing the types of insurance required and the associated environmental and regulatory risks.
- Provided case studies demonstrating the impact of conflicts on energy infrastructure and the role of insurance in mitigating these risks.

5. Travel and Aviation Insurance:

- Addressed the challenges faced by airlines and travelers due to flight cancellations, increased premiums for war risk and terrorism coverage, and the importance of government-backed insurance schemes.
- Emphasized the need for evacuation coverage for expatriates and travelers in conflict zones.

6. Property and Casualty Insurance:

- Discussed the importance of business interruption insurance and coverage for large-scale construction and infrastructure projects.
- Explored the role of political risk insurance in managing uncertainties and protecting investments in high-risk areas.

7. Health and Life Insurance:

- Highlighted the insurance needs of expatriates and local populations in high-risk areas, focusing on coverage for medical evacuations and conflict-related injuries.

8. Cyber Insurance:

- Emphasized the growing importance of cyber insurance amidst rising cyber threats and geopolitical tensions.
- Discussed the risks to digital infrastructure and the need for comprehensive coverage to protect against cyber attacks.

The Growing Challenge of Insurability in Israel

The ongoing geopolitical instability and frequent conflicts in Israel have created a challenging environment for securing adequate insurance coverage. The rising costs of premiums, combined with the increasing reluctance of insurers to provide coverage in high-risk areas, have made it difficult for businesses and individuals to protect their assets and operations. Key factors contributing to this challenge include:

- **Heightened Risk Perception:** Continuous conflicts and threats, such as those from Hamas and Hezbollah, have led insurers to reassess risk levels, resulting in higher premiums and stricter coverage terms.
- **Financial Burden:** The increased cost of insurance adds significant financial pressure on businesses, particularly small and medium-sized enterprises (SMEs), making it difficult for them to afford necessary coverage.
- **Operational Disruptions:** Conflicts lead to frequent disruptions in operations, necessitating robust insurance policies to mitigate the financial impact. However, securing such policies is becoming increasingly challenging due to the evolving risk landscape.

Future Outlook and Potential Solutions

Addressing the growing challenge of insurability in Israel requires a multifaceted approach, involving both the public and private sectors. Potential solutions include:

1. Government Support:

- **State Guarantees:** Expanding government-backed insurance schemes, similar to the \$6 billion state guarantee for airlines, can provide essential support for other sectors, ensuring continuity of operations despite high-risk conditions.
- **Subsidies and Incentives:** Offering subsidies or incentives for businesses to adopt comprehensive risk management strategies and insurance coverage can alleviate the financial burden and encourage more widespread uptake of necessary insurance policies.

2. Enhanced Risk Management:

- **Proactive Measures:** Businesses should invest in proactive risk management measures, such as improved security protocols, contingency planning, and robust incident response strategies, to reduce their risk profiles and potentially lower insurance premiums.
- **Technology Adoption:** Leveraging technology, such as cybersecurity measures and advanced monitoring systems, can help mitigate risks and protect critical infrastructure from both physical and cyber threats.

3. International Cooperation:

- **Global Initiatives:** Participating in international insurance pools or cooperative risk-sharing arrangements can help spread the financial risk of insuring high-risk areas, making it more feasible for insurers to provide coverage at reasonable rates.
- **Diplomatic Efforts:** Strengthening diplomatic efforts to reduce geopolitical tensions and promote stability in the region can indirectly contribute to a more favorable insurance environment by lowering the overall risk levels.

4. Innovation in Insurance Products:

- **Customized Policies:** Developing innovative insurance products tailored to the specific needs and risk profiles of businesses and individuals in conflict zones can enhance coverage and affordability.
- **Flexible Terms:** Offering more flexible insurance terms, such as modular policies that allow businesses to select specific coverages based on their unique risks, can make it easier for them to secure adequate protection.

By implementing these solutions, Israel can address the growing challenge of insurability, ensuring that businesses and individuals have the necessary financial protection to navigate the complexities of operating in a high-risk environment.

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