

In case you should intend to approach your activities in Iraq on your own account, the following abstract provides an overview of the types of insurance that may be required when operating or investing in the country.

If you plan to enter the Iraqi market in cooperation with MDC Iraq Development Company, we can offer advice further advice and sparring anytime or cover your risks via the MDC Iraq Development Company.

Insurance for Assets

Property Insurance

Traditional property insurance is available from domestic Iraqi insurers but cover is relatively limited and is not really appropriate at the current time for foreign investors.

Political Risk Insurance

This is a class of insurance that is very appropriate for and highly relevant to foreign investors. Without going into a great deal of detail this can include trade-related cover including insurances of risks such as import/export embargo, non-payment or non-delivery of pre-paid goods, licence cancellation, unfair calling of on-demand contract bonds, insurance of assets against political violence such as war on land, terrorism, riots, strikes, civil commotion and malicious damage and other asset cover such as confiscation of fixed or mobile assets and inconvertibility of foreign currency. Naturally this can be coupled with a more traditional fire, flood and other natural perils insurance policy to provide comprehensive protection of assets in Iraq.

Marine Cargo and Goods in Transit Insurance

This is the insurance of property as it moves from place to place. While the term Marine is being used this includes transport by land, sea and air. It can encompass your own vehicles, vessels or aircraft. Virtually all equipment and provisioning is brought into Iraq at the current time rather than being domestically supplied. It can arrive by ship or road and is then generally moved around in convoys that are normally guarded according to the value and nature of the cargo. Marine Cargo insurance can become very complicated but investors should seek All Risks cover wherever possible with the potential to extend the policy into the areas of, in particular, storage, political risks and consequential losses.

Inherent Defects Insurance

Particularly relevant to those engaged in large civil engineering or construction projects, “IDI” is effectively a "guarantee" that a newly constructed property will be delivered to the client protected against physical damage or imminent collapse caused by faulty design, engineering, workmanship, or materials in load bearing elements such as foundations, columns, walls, floors, beams, roofs, and land improvements. This is backed up by a rigorous programme of inspections by independent and qualified inspectors that check all elements of the planning and construction. This can sometimes be a requirement of the contract or a selling point. In any event, it is available but adds a layer of monitoring onto the contract delivery.

Erectors All Risks Insurance

A familiar policy to any construction or engineering contractor “EAR” is designed to cover the risk of loss arising out of the erection and installation of machinery, plant and steel structures, including physical damage to the contract works, equipment and machinery, and liability for third-party bodily injury or property damage arising out of these operations. Coverage for delay and start-up (DSU) costs is typically an optional coverage. This is mainly relevant to the contractor but its inclusion in a contract ensures that the Client/Ministry is protected in the event of issues relating to a project.

Constructors All Risks Insurance

“CAR” provides coverage for damage to the project under construction, and for materials and equipment that are destined for incorporation into the project, including items in storage and in transit to the site, liability insurance for third-party bodily injury and property damage arising out of the construction operations and optional coverage for losses arising out of a delay in start up (DSU) due to an insured loss.

Insurance for Operations

Directors And Officers Liability Insurance

“D&O” protects officers and directors of a corporation against damages from claims resulting from negligent or wrongful acts in the course of their duties and also covers the corporation (and the officers and directors in some cases) for expenses incurred in defending lawsuits arising from alleged wrongful acts of officers or directors.

Comprehensive General Liability Insurance

The “CGL” policy provides broad protection against situations in which a business must defend itself against lawsuits or pay damages for bodily injury or property damage from third party claims. CGL provides comprehensive general liability coverage for commercial risks covering liability exposures for all locations and causes of loss except those specifically excluded or limited either within the coverage form or by endorsement. Protection may be provided on either an occurrence or on a claims-made basis. This is a good sense policy that protects the company against “being sued if something goes wrong”. Given the range of potential perils in Iraq, combined with the number of US citizens and organisations still in the country this is a very sensible coverage to be carrying.

Employers Liability

No commercial organization will be unfamiliar with this class of insurance by employers in respect of their liability to employees for injury or disease arising out of and in the course of their employment. This is compulsory in most first world nations and in Iraq is crucial. Iraq is a “challenging” and physically and mentally stressful working environment. On the topic of environment for example that of Iraq has not been treated with the respect it deserves by, for example (and among others), the US military who have used depleted uranium antitank rounds throughout the country. So “EL” is a critical component of the suite of insurance coverages required to protect the organisation and its employees from mishap.

Auto Liability

As previously mentioned Third Part Liability insurance is mandatory in Iraq and most traffic accidents tend to be your fault! Therefore make sure that if you own or operate your own vehicles you have an auto liability policy. Ideally this should be issued by an Iraqi company or at least translated into Arabic. A copy of the policy should be left in vehicles to ensure that it is available for inspection by the authorities.

Insurance for Individuals

Personal Accident /Medical

A Personal Accident (PA) policy with War and Terrorism and Medical extensions is one of the insurance classes that would be described as ESSENTIAL for any staff operating in Iraq at the time of writing. The responsibility to protect staff adequately and ensure that

they will receive the best care in the event of an incident rests squarely on employers. Most larger companies have an established medical and PA policy operating elsewhere in the region that they would seek to roll out into Iraq. However it must be noted that a traditional policy will not really work since the standard reimbursement model is let down by the fact that there are very few medical facilities at the time of writing where staff can be treated for anything more than rudimentary primary care. Therefore a medical policy that provides staff with an ability to be medically escorted to a third country (for less serious cases) or for a full medical evacuation by private aircraft in the event of a medical emergency is essential.

Gap cover on personal insurances

One of the issues that is currently faced by employees being stationed in Iraq is that their personal life insurance, medical benefits and so on cease to apply when they are in-country. A number of multinationals have decided to address this issue by purchasing an overall policy that puts in place a suite of benefits that “sweeps up” all these gaps into a simple package that forms part of the Compensation and Benefits package of the individual.

Specialist Classes

Trade Credit

Clearly the objective of any commercial activity in Iraq revolves around actually getting paid. However this can at times be something of an issue. Trade credit insurance allows a company to protect itself against the underlying credit risk in a transaction. Trade credit insurance is an insurance policy and risk management product offered by both private insurance companies and governmental export credit agencies to business entities wishing to protect their accounts receivable from loss due to credit risks such as protracted default, insolvency, bankruptcy and so on. Clearly the availability of this product and the rate to be paid depends on the nature of the project and the parties involved. However trade credit insurance is a valuable addition to any contract and improves the underlying credit quality of the transaction and the ability to obtaining leverage.

Bonding and Surety

These are promises issued to one party of a contract as a guarantee against the failure of the other party to meet obligations specified in the contract. For example, a contractor may issue a bond to the Ministry of Construction and Housing for whom a building is being

constructed. If the contractor fails to construct the building according to the specifications laid out by the contract, the Ministry of Construction and Housing is guaranteed compensation for any monetary loss.

Energy & Aviation

Hull War is a major issue with aviation insurance. There are specialist markets that specialise in this area of risk. While the market is limited and the country is still regarded as a more substantial risk than standard, meaning that “overnighting” for example is still a challenge. However, rates have dropped significantly and Iraq is well on the way to being rehabilitated. There are also still significant charges for liability coverages for passengers and third parties that affect every aircraft operator using Iraqi airspace.

Information extracted from the Iraq Guide 2010 (Irak-Handbuch 2010) that was published with the collaboration of MDC – Iraq Development Company.