

Insurance: cargo, credit and political risk

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Insurance complements the financing of the trade. Marine cargo insurance covers the loss of or damage to the goods in transit. Trade credit insurance covers the risk that the buyer will not pay and allows the trader to finance its receivables on better terms, since the lender can rely on the insurer's obligation. Political risk insurance covers the risks of expropriation, of currency inconvertibility and of contract frustration by governments. It is particularly important for prepayments and for trades with state-owned counterparties in unstable countries.¹

Insurance has become an instrument of sanctions policy. The price cap on Russian oil, described in Chapter III, operates largely through the prohibition of insurance and other services for cargoes sold above the cap, since the insurers of the maritime trade are concentrated in the states that impose the cap. The development of a "shadow fleet" of tankers with opaque ownership and insurance, which carries Russian oil outside the reach of Western service providers, is the market's response. For a trader in Zug, the insurance of a cargo is therefore also a compliance question. An insurer that discovers that it has covered a sanctioned transaction may refuse to pay, while a trader that uses a vessel of the shadow fleet exposes itself to sanctions risks.

1 Notes

1. Miller Insurance, "Non-payment, non-performance and political risks insurance for commodity traders", miller-insurance.com (accessed September 2026): cover for non-payment through a buyer's insolvency or default, for non-honouring of payment guarantees and letters of credit, for confiscation and expropriation, contract frustration or repudiation through government action, currency inconvertibility and non-transfer, and for non-repayment of prepayments following non-delivery; insurance structured to support balance sheet treatment and financing. Marine cargo insurance and export credit agencies are not covered by this source. ↩

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