DAC BEACHCROFT

Political Risk, Trade Credit and Political Violence
Predictions 2026

Drone warfare will lead flight to political violence insurance

The exponential rise of the use of drones in the theatres of combat will raise the awareness (and need) for political violence insurance far beyond the front lines. The increase in use is driven by advancements in AI and lower costs, making them a cheaper and 'safer' alternative to manned aircraft for both surveillance and offensive strikes. Unmanned aerial vehicles have become the main weapon of the war in Ukraine, now accounting for up to 80% of all Russian and Ukrainian casualties. The technology is causing mayhem far beyond the front lines, with Ukraine using quadcopters (drones with four rotors) to mount a devastating attack on airfields deep inside Russia, including one in eastern Siberia some 3,000 miles from Kyiv. But their recent usage demonstrates how neighbouring countries, and insureds therein, are also exposed to the threat of this technology. In September 2025, 19 Russian drones flew over Poland overnight, of which up to four were shot down - the wreckage of 16 were found scattered across the Polish countryside, smashing into homes and damaging cars. It marks the first time Russian drones have been downed over the territory of a NATO state. The provision of political violence cover within a country actively engaged in a war is likely difficult (and expensive). However, drone warfare will mean that those insureds that consider the epicentre of conflict to be far from their property would be well advised to consider their political violence coverage, including whether it extends to perils such as War, Warlike Operations and Hostile Acts of sovereign entities, to name just a few potentially applicable perils.

US tariffs will be a key driver of demand for political risk and trade credit insurance

Last year we predicted an increased demand for political risk and trade credit insurance in light of escalating global tensions. This has proved accurate, though perhaps driven by something not contemplated in terms of scale this time last year. On 2 April 2025, Trump announced global tariffs of a minimum of 10% on all US imports (save for those from Cuba, North Korea, Russia and Belarus). Additional tariffs ranged from 11% to 50% for those countries where 10% didn't apply, although their imposition was paused subsequently for 90 days on 9 April 2025. This occurred at a time where a 'trade war' escalated between the United States and China, resulting at one point with 245% import tariffs imposed on a significant volume of Chinese goods flowing into the United States, and 125% tariffs applied by China for US imports. Since this late Spring/early Summer period, certain nations and/or trading blocs like the European Union have reached trade agreements (or framework agreements), lessening the impact of US tariffs, although significant duties still apply to nations such as India (50% at the time of writing). The practical impact of tariffs is, perhaps, still to be felt by exporters to the United States, and beyond given threats of reciprocal tariffs. This does little to alleviate existing concerns among traders, suppliers, and/or financiers regarding certainty of contractual counterparties complying with payment obligations – and we predict that trade credit insurance will increasingly be viewed as a significant risk mitigant against a potential tariff shock.

US tariff imposition may lead to indirect responses with potential exposure for political risk underwriters

The full impact of US tariffs could result in countries adopting regulatory measures adverse to US investors, and beyond. In September, the Organisation for Economic Co-operation and Development noted that while global growth was more resilient than had been expected, the full impact of US tariffs was yet to be felt. By the end of August 2025, the effective US rate on merchandise imports was estimated at 19.5%. While AI investment and goods stockpiling meant US companies were able to absorb the economic shock via lower margins, it is perhaps only a matter of time before both factors begin to wane. This could lead to a greater reliance on US domestic, non-tariffed goods – an oft-stated goal of the tariff policy – resulting in fewer imports and foreign states' economies losing out. Tariffs appear to be here for the medium term, at least. Faced with shrinking economies and domestic dissatisfaction with diminishing trade with the United States, foreign governments could seek reprisal through their domestic regulatory regimes. Local content and/or shareholder requirements for foreign companies to invest in domestic operations and/or the extraction of resources could be imposed in indirect response to US tariffs. The impact on foreign investors targeted (with non-US third country companies being dragged in to avoid obvious anti-US accusations) could bring into play common perils insured by the political risk market, such as (creeping) expropriation, discriminatory treatment, and possible nationalisation. Investors, as well as political risk underwriters and risk analysts, would be sensible to keep a particular eye on the investment environment in countries with the highest level of tariffs imposed by the US regime.

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The need for innovative insurance solutions will strengthen in light of numerous false dawns on the resolution to global conflicts

Crisis management products will become fundamental elements of risk managers' insurance portfolios as global conflicts continue. In March 2025, global (re)insurer MS Amlin bound a reinsurance scheme that could provide €1 billion in war risk cover annually to Ukrainian SMEs insured by three local Ukrainian insurers. This innovative scheme aims to stimulate business activity growth with a view to a post-war Ukraine's reconstruction. While, at the time of writing, resolution of the Ukrainian conflict may seem far away, the Ukraine reinsurance facility is an example of just how London and international (re)insurance markets can and do act to promote the reconstruction and recovery of war-torn regions and countries. One hopes that global conflicts will find peaceful resolution in the coming 12 months and, if they do, we predict the insurance market will be ready to de-risk peacetime investment.

Sanctions considerations will continue to keep underwriters and compliance functions busy

Sanctions impacting a swathe of lines of business will keep requiring careful consideration in 2026. The past year has seen a rise in disputes related to sanctions regimes and the decisions of insureds – especially in the maritime sector. These decisions have not only related to the decisions of corporates that have breached sanctions, but also decisions made not to act pursuant to sanctions concerns (where this decision not to act has given rise to breach of contract). They have also highlighted the potential commercial liabilities of advisors (such as solicitors holding funds in escrow on behalf of parties that subsequently become subject to US sanctions) and the complexities of the (dis)application of the extraterritorial effect of certain sanctions regimes. These cases demonstrate that the English courts are increasingly subjecting the sanctions compliance decisions of businesses to high levels of scrutiny in order to assess whether they are objectively reasonable. Recent decisions indicate an increasing willingness by the courts to conclude that businesses are liable for damages in circumstances where cautious decisions have been made in purported compliance with sanctions regimes of multiple jurisdictions and where the basis for those decisions might be undermined by other available evidence. Insurers need not only to be aware of the plethora of sanctions implications at play in international trade and business, but also to ensure that their decisions are thorough, well-documented, and reasonable in deciding when to continue and when to hold back on the basis of sanctions breach concerns.

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