MORNINGSTAR | DBRS

Commentary

Venezuela and the Shifting Map of Insurance Risks in the Caribbean

Morningstar DBRS
January 8, 2026

Key Highlights

- Direct exposure to Venezuela appears limited for most international insurers, but regional spillovers matter because of increased geopolitical tail risk.
- Marine and aviation are the most immediately sensitive P&C insurance lines, with losses more likely to emerge through volatility and coverage friction than through large event claims in the near term.
- Sanctions compliance and claims enforceability are key differentiators for credit risks. Heightened sanctions and opaque counterparties can elevate the probability of coverage disputes, delayed settlements, and legal risk.

Marcos Alvarez
Managing Director
Global Financial Institution Ratings
+34 919 036 529
marcos.alvarez@morningstar.com

Elisabeth Rudman
Managing Director
Global Financial Institution Ratings
+44 20 7855 6655
elisabeth.rudman@morningstar.com

Overview

Recent geopolitical developments in Venezuela have brought renewed focus to tail risks for the global insurance sector, particularly across specialty property and casualty (P&C) lines with exposure to marine, aviation, and trade credit in the Caribbean region. While Venezuela has long been a marginal market for most international insurers, the current situation matters because it could disrupt regional transport corridors and trade routes covered by global insurers.

From a credit perspective, the key transmission channels are indirect rather than balance sheet-driven. Direct underwriting and investment exposure to Venezuela remains limited for most international insurers. However, heightened geopolitical tensions increase the risk of earnings volatility, loss accumulation across specialty books, sanctions-related coverage disputes, and claims settlement friction, all of which can gradually weigh on the credit profiles of insurers operating in the region.

Exhibit 1 shows how Venezuela-related geopolitical risk affects different P&C lines. Marine insurance is the most sensitive because of higher war-related exposure, risk accumulation, and complex sanctions. Travel insurance is mainly affected by the number of claims and has less impact on capital.

Exhibit 1 Venezuela-Related Insurance Risks Heatmap

P&C Line	Geopolitical Sensitivity	Loss Severity	Frequency/ Volatility	Aggregation Risk	Sanctions and Legal Risk
Marine (Hull/Cargo/War/P&I)	High	High	Moderate to High	High	High
Aviation (Hull/Liability/War)	Moderate to High	High	Moderate	Moderate	Moderate
Political Risk	High	High	Low	Moderate	High
Trade Credit	Moderate	Moderate	Low	Moderate	High
Energy and Property	Moderate	Moderate	Low	Moderate	Low to Moderate
Travel Insurance	Low to Moderate	Low	Moderate to High	Low	Low

P&I = protection and indemnity insurance.
Source: Morningstar, Inc.

The situation highlights the sensitivity of certain P&C lines to geopolitical shocks. For insurers with concentrated exposures to marine, aviation, political risk, or trade credit, even a contained regional escalation can have disproportionate effects on underwriting performance and risk appetite.

Key Credit Considerations for Insurers

From a credit perspective, several factors are central to assessing the impact of Venezuela-related geopolitical tensions. The degree of exposure to specialty P&C lines such as marine, aviation, political risk, and trade credit is a key differentiator among insurers, with more concentrated writers facing greater sensitivity to adverse developments.

Sanctions governance and compliance capabilities have become increasingly important for insurers. Robust frameworks can mitigate regulatory, legal, and reputational risks, whereas weak controls can exacerbate losses and attract supervisory scrutiny. This has become a more prominent consideration in credit analysis as sanctions have expanded globally.

Finally, the structure and effectiveness of reinsurance programs matter. Heightened geopolitical risk can reduce reinsurance capacity or increase pricing for war risk covers, potentially raising net retentions and earnings volatility. For most well-capitalized global insurers, the current environment is more likely to affect quarterly results than solvency metrics.

Why Venezuela Matters Again for Insurers

Venezuela has been a challenging jurisdiction for international insurers for more than a decade, because of prolonged economic contraction, high inflation, currency controls, international sanctions, and legal uncertainty. These conditions prompted many global insurers to significantly scale back or exit the market, reducing direct premium volumes and limiting capital at risk. As a result, Venezuela gradually faded as a material contributor to earnings or risk for most large insurance groups.

Despite this retrenchment, recent geopolitical developments have reintroduced Venezuela as a source of risk, primarily through regional spillover effects. Enforcement actions, sanctions, and heightened security activity linked to Venezuelan trade and transport could affect shipping lanes, ports, and airspace across the wider Caribbean basin. These corridors are insured globally, meaning that risk can be transmitted well beyond Venezuelan borders.

For insurers, this dynamic illustrates how geopolitical risk can migrate from a country-specific issue to a regional and multiline exposure. Even in the absence of large insured losses, changes in perceived risk can lead to rapid repricing, tighter terms, and shifts in reinsurance availability, all of which can affect underwriting profitability and volatility.

Direct Insurance Exposure to Venezuela

Among international insurers, direct primary insurance exposure to Venezuela is generally limited and immaterial relative to group earnings and capital. Years of economic instability and regulatory unpredictability have constrained foreign insurers' ability to operate profitably, leading to a steady withdrawal of capacity. As a result, Venezuela-related premiums typically represent a negligible share of consolidated revenue for large global insurers.

One of the more notable international groups maintaining a local presence is Spanish insurer MAPFRE, which continues to operate in the Venezuelan insurance market. Although the scale of this business is small within the group, it nonetheless implies ongoing underwriting exposure and operational risks, particularly related to claims settlement, currency convertibility, and the potential accumulation of trapped capital. These risks are generally manageable but can become more pronounced during periods of heightened political or economic stress.

By contrast, several global insurers previously exited Venezuela. Zurich Insurance Group and Liberty Mutual Holding Company Inc., for example, sold their Venezuelan insurance subsidiaries in 2019, materially reducing their direct exposure. Such exits reinforce the notion that direct Venezuelan underwriting risk does not represent a significant credit concern for most international insurers at this stage.

Reinsurance and Cross-Border Transmission Channels

Although direct primary insurance exposure is limited, Venezuela-related risks can still enter global insurance balance sheets through reinsurance and specialty markets. Cross-border reinsurance participation allows Venezuelan risks, or risks linked to Venezuelan trade flows, to be ceded into international markets, often through facultative placements or layered programs. These exposures can be difficult to identify and quantify, particularly when embedded within broader regional portfolios.

The Lloyd's market remains registered as a foreign reinsurer in Venezuela, enabling Venezuela-related risks to access international capacity subject to sanctions restrictions and underwriting controls. While sanctions clauses and exclusions mitigate some of this exposure, they can also create uncertainty around coverage applicability when losses occur, increasing the likelihood of disputes.

From a credit perspective, reinsurance exposure in this case is less about the absolute size of potential losses and more about complexity and tail risk. Claims involving sanctions, unclear ownership structures, or cross-border payment restrictions can take longer to resolve and may result in adverse reserve development, particularly for specialist reinsurers and Lloyd's syndicates with concentrated exposures in the region.

Marine Insurance: The Most Immediate Exposure

Marine insurance represents the most direct and sensitive line of business affected by current geopolitical tensions. Maritime activity linked to Venezuelan oil exports and regional shipping routes has faced increased scrutiny and enforcement, which can rapidly alter perceived risk across broader Caribbean shipping lanes. Even modest changes in enforcement posture can lead to higher war risk premiums and additional charges for vessels operating in or near designated risk zones.

For insurers, this environment increases underwriting volatility rather than necessarily leading to immediate large losses. However, the risk of accumulation across fleets, cargoes, and routes becomes more pronounced, particularly for specialist marine insurers and Lloyd’s syndicates. Exposure is often geographically correlated, meaning that a single escalation event could affect multiple insured interests simultaneously.

Marine underwriting challenges are further compounded by opaque shipping practices, including “dark fleet” vessels with unclear ownership structures, incomplete documentation, or disabled tracking systems. These factors complicate underwriting and claims handling, increasing the likelihood of disputes over seaworthiness, coverage applicability, and sanctions compliance. From a credit standpoint, such disputes can extend claims settlement timelines and increase uncertainty around ultimate loss costs.

Aviation Insurance and Airspace Disruption

Aviation insurance is another line where Venezuela-related geopolitical developments can have a meaningful, though indirect, impact. Temporary airspace restrictions and heightened security advisories in parts of the Caribbean underscore the sensitivity of aviation operations to geopolitical shocks. For insurers, the primary exposure lies in aviation war risk covers, which are typically written separately from standard hull and liability policies.

These war risk covers can reprice sharply following geopolitical events, with insurers tightening terms, increasing deductibles, or reducing capacity. While major hull or liability losses generally require kinetic incidents, the potential for accumulation at affected airports remains a key consideration, particularly if multiple aircraft are simultaneously grounded or rerouted.

Political Risk and Trade Credit Insurance

Political risk and trade credit insurance are exposed to the current environment through nonphysical loss mechanisms rather than direct damage. Sanctions, enforcement actions, and heightened geopolitical uncertainty can lead to contract frustration, nonpayment, or currency inconvertibility for corporates operating in Venezuela or trading with Venezuela-linked counterparties. These risks can materialize even in the absence of physical disruption.

Losses in these lines tend to be low frequency but potentially high severity, with long settlement periods and a higher likelihood of legal dispute. Claims often require complex documentation and may be contested by multiple parties, increasing uncertainty around timing and ultimate loss amounts.

From a credit perspective, underwriting discipline and diversification are critical mitigants. Insurers with concentrated exposure to political risk or trade credit in the region may be more vulnerable to adverse developments, particularly if sanctions regimes tighten further or geopolitical tensions escalate.

Energy, Property, and Supply Chain Spillovers

Energy-related and property-linked exposures represent a more indirect but still relevant transmission channel for Venezuela-related geopolitical risk. Disruptions to maritime logistics and sanctions affecting Venezuelan oil exports can have knock-on effects on offshore support operations, ports, terminals, and associated infrastructure across the Caribbean. While such disruptions do not necessarily imply large stand-alone property losses, they can amplify losses when combined with marine or political risk events. For example, interruptions at a key port or terminal could affect multiple insured parties, increasing the potential for correlated claims.

The primary concern from a credit standpoint is aggregation risk rather than single-event severity. Insurers with exposure across multiple segments of the same energy or logistics chain may face correlated losses that are not fully captured by traditional risk models, underscoring the importance of accumulation management.

Travel Insurance and Short-Term Earnings Effects

Travel insurance is likely to experience the most immediate volume-driven impact from aviation disruption and heightened travel advisories during the peak of the holiday season. Trip cancellation, interruption, and additional accommodation claims can arise following flight suspensions or route changes, particularly if disruptions persist or recur.

Although individual claim sizes are typically modest, elevated claims volumes can affect short-term profitability and strain claims-handling resources. For insurers with large travel insurance portfolios, operational efficiency and reinsurance support are important for mitigating these effects. Policy exclusions related to war, civil unrest, and government advisories are critical in determining ultimate loss outcomes. Clear policy wording and disciplined claims management can significantly limit downside risk, while ambiguity can lead to disputes and reputational challenges.

Morningstar DBRS' Perspective

In our view, current Venezuela-related geopolitical tensions do not pose a systemic threat to the global insurance sector. Direct exposure to Venezuela among international insurers remains limited, and overall sector capitalization is generally strong. Nevertheless, the situation illustrates how regional geopolitical developments can rapidly translate into tail risk for specialty P&C lines, particularly marine and aviation, with secondary effects on political risk, trade credit, energy-related exposures, and travel insurance.

For insurers with diversified portfolios, disciplined underwriting, and strong sanctions controls, the credit impact should remain manageable. For more concentrated specialty writers, however, current events serve as a reminder that geopolitical risk remains a persistent and potentially volatile feature of the operating environment that requires active, ongoing management.

Related Research

- *When Trade Flows Falter: How Procyclicality Affects Trade Credit Insurance During Economic Downturns*, November 20, 2025
- *First Brands' Bankruptcy Tests Coverage Boundaries in Trade Credit Insurance*, October 13, 2025
- *Commercial Property Insurance Prices Are Softening Despite Escalating Insured Losses—but for How Long?*, September 15, 2025
- *Global Reinsurers H1 2025: Solid Results Despite Elevated Catastrophe Losses*, August 26, 2025
- *Wildfires in Southern Europe Highlight Growing Importance of Secondary Perils for the Insurance Industry*, August 18, 2025
- *Strong 2024 Results Confirm the Italian Insurance Sector is in Good Shape*, July 23, 2025
- *Insurance Companies Increasingly Look to AI for Growth and Profitability*, July 15, 2025
- *Middle East Tensions Add Underwriting and Investment Risks for Global Insurers and Reinsurers*, June 24, 2025
- *Reaching a Final Destination? High Court Rules in Favour of Lessors in Russian Aircraft Insurance Test Case*, June 16, 2025
- *From U.S. Trade Policy to Global Insurance Policies: Where Does It Matter and How Will Insurance Companies Respond?*, April 24, 2025
- *Aftermath of Los Angeles Wildfires: A Wake-Up Call for Property & Casualty Insurers and Regulators*, April 7, 2025
- *Global P&C Reinsurers: Solid Earnings in 2024, but There Are Potential Headwinds on the Horizon for 2025*, April 3, 2025
- *Navigating Liability: Collision in the North Sea and Marine Insurance Fallout*, March 12, 2025
- *Los Angeles Area Wildfires Will Cause Record Insured Losses; Solutions to Address Insurability Are Needed*, January 15, 2025

Note:
All figures are in U.S. dollars unless otherwise noted.

About Morningstar DBRS
Morningstar DBRS is a full-service global credit ratings business with approximately 700 employees around the world. We're a market leader in Canada, and in multiple asset classes across the U.S. and Europe.

We rate more than 4,000 issuers and nearly 60,000 securities worldwide, providing independent credit ratings for financial institutions, corporate and sovereign entities, and structured finance products and instruments. Market innovators choose to work with us because of our agility, transparency, and tech-forward approach.

Morningstar DBRS is empowering investor success as the go-to source for independent credit ratings. And we are bringing transparency, responsiveness, and leading-edge technology to the industry.

That's why Morningstar DBRS is the next generation of credit ratings.

Learn more at dbrs.morningstar.com.