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Second Circuit Affirms $54 Million Judgment for Loss "Arising From" Insurrection

Services

Insurance

Reinsurance

Professionals

MICHAEL K. ROBLES
WASHINGTON:
202.378.2300
MICHAEL.ROBLES@
HUSCHBLACKWELL.COM

BRIAN J. O'SULLIVAN
WASHINGTON:
202.378.2300
BRIAN.OSULLIVAN@
HUSCHBLACKWELL.COM

In *CITGO Petroleum v. Ascot Underwriting Limited, et al.*, Case No. 24-227 (2d Cir. 2025), the U.S. Court of Appeals for the Second Circuit recently affirmed a $54.2 million judgment (plus interest) in favor of CITGO Petroleum Corporation, holding that CITGO's loss of nearly one million barrels of crude oil seized by Venezuelan authorities in 2020 "arose from" an "insurrection" within the meaning of its marine cargo reinsurance policy.

CITGO purchased crude oil from a subsidiary of Venezuela's state-owned oil company (PDVSA) for transport to Aruba. Amid Venezuela's deepening political crisis, Nicolás Maduro retained *de facto* control of the government, while opposition leader Juan Guaidó was recognized as the country's legitimate interim president by both the Venezuelan National Assembly and the United States. Following new U.S. sanctions and official recognition of Guaidó, the Maduro regime tightened its grip, including through acts of violence and suppression of opposition. In January 2019, CITGO's cargo was loaded onto the M/T Gerd Knutsen in Venezuelan waters, but Maduro-controlled authorities refused to let the vessel depart, citing payment disputes worsened by U.S. sanctions. A months-long standoff ensued, ending in February 2020 when Venezuelan military forces compelled the vessel to return to port, where the cargo was seized and delivered to PDVSA.

CITGO's marine cargo reinsurance policy contained an "Institute War Clauses (Cargo)" condition, which stated that the "insurance covers…loss… caused by…seizure…arising from" an "insurrection." CITGO claimed the loss was covered; the reinsurers denied coverage, arguing that the events did not constitute an "insurrection" and that no sufficient causal link existed between the political unrest and the loss. The district court granted summary judgment

for CITGO on the meaning of "insurrection," and a jury found in CITGO's favor on causation and damages. The Second Circuit affirmed.

On appeal, the reinsurers argued that the Venezuelan turmoil did not meet the policy's "insurrection" requirement, and that the district court should have required proximate, not but-for, causation. They maintained that "insurrection" in the war risk context refers to a violent uprising by a group seeking to overthrow a government with actual control, and that the U.S. recognition of Guaidó was irrelevant since Maduro held effective power. In their view, "insurrection" should not apply to acts by a sitting regime resisting a rival claimant, and the term was not ambiguous or previously used to cover such circumstances.

The Second Circuit rejected these arguments. The court found "insurrection" ambiguous, as the policy did not define the term and both sides' interpretations were plausible. The court construed the ambiguity in favor of CITGO. Relying on its decision in *Pan American World Airways, Inc. v. Aetna Casualty & Surety Co.*, the court defined "insurrection" as a "violent uprising by a group or movement acting for the specific purpose of overthrowing the constituted government and seizing its powers." According to the court, the "actions of Maduro and his allies were clearly violet," there was an "uprising" as the violence was "insurrectionary in intent," and, under the recognition doctrine, since the U.S. recognized Guaidó as president and U.S. courts must defer to the Executive Branch's recognition of foreign governments, the insurrectionary act was committed against a "lawfully constituted regime."

On causation, the reinsurers argued that the district court erred by instructing the jury that coverage under the policy required only a "but-for" causal relationship between the insurrection and the loss, rather than the more stringent "proximate cause" standard. The Second Circuit rejected that argument, finding that the policy language at issue—specifically, the phrase "arising from"—did not require proximate causation under New York law. The court distinguished its earlier decision in *Pan Am*, explaining that the proximate cause standard applied there because the policy language excluded losses "due to or resulting from" enumerated perils, and the court cautioned that "future parties may draft different contract language should they 'desire to have more remote causes determine the scope of exclusion.'" In contrast, the court held that the New York Court of Appeals has held that the "substantially similar phrase" "arising out of" "established a but-for causation standard." According to the Court, because the parties "negotiated contractual language that mirrored the language in the New York Court of Appeals decision in *Maroney v. New York Central Mutual Fire Insurance Co.*, "the causation standard from that case applies." (The court also noted that the reinsurers had withdrawn their objection to the jury instruction at trial, waiving the issue. Even absent waiver, the instruction was legally correct.)

What this means to you

This decision underscores how New York courts interpret undefined insurance policy terms and the applicability of a but-for causation standard for "arising from" language. It also highlights the significance of U.S. government recognition in coverage disputes involving foreign political events.

Contact us

If you have questions regarding the court's decision, please contact Michael Robles, Brian O'Sullivan, or your Husch Blackwell attorney.