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LEVERAGING CONTINGENT CAPITAL AS A NON-TRADITIONAL DISCIPLINE OF ECONOMIC WARFARE

BY MATTHEW FLUG AND TOM JOHANSMEYER



On the cover:

As the U.S. shifts away from large-scale combat operations, adopting a new approach to irregular warfare in the economic security domain may be necessary to address strategic competition with near-peer adversaries. Parametric insurance could be leveraged to support this new approach by providing a low-cost, high-impact strategy that fits neatly into broader deterrence and compellence frameworks and reinforces the principles of integrated deterrence. (Image: Adobe Stock)

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Leveraging Contingent Capital as a Non-Traditional Discipline of Economic Warfare

BY MATTHEW FLUG AND TOM JOHANSMEYER

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Introduction

The rise of sentiment in the Global South favoring key strategic adversaries of the U.S. calls for a new approach to irregular warfare (IW) in the region. The successful weaponization of economic resources and capabilities by Russia and China underscores the opportunity for the Special Operations Forces (SOF) enterprise to embrace new forms of IW in the economic security domain. This is a difficult proposition—for the SOF enterprise and in general—given the lofty ambitions the U.S. has for building alliances while also requiring constraints on how economic resources are used. Insurance as economic security (IAES) introduces a novel approach to economic warfare. The use of parametric insurance, uniquely suited to conditions in the Global South, creates a new discipline of IW in the economic security domain, as well as an opportunity for the SOF enterprise to be the lead vehicle for tactical application.

The U.S. must address the reputation and influence gap it faces in the Global South, and it is going to take more than money to solve the problem. Traditional approaches to economic influence in the Global South are not sufficient to counter the increasing influence of strategic adversaries such as Russia and China, leaving the U.S. a step behind in an effort to court 6.3 billion people.¹ Traditional areas of SOF enterprise support—such as “the provision of security, logistics, communications, or engineering”—are unlikely to advance U.S. interests or deny progress to strategic competitors like Russia and China.² Instead, the SOF enterprise must adapt and prepare for new and emerging fields of influence and IW to include a new approach to the domain of economic warfare.

There is an opportunity for the SOF enterprise to leverage a unique form of economic risk transfer—parametric insurance—as an implement of economic warfare, which represents a novel application within the broader economic security subset and an original contribution to the historical literature and theory on economic security.

At the intersection of civil affairs, local influence, and partner resilience lies the opportunity to develop a new and novel subset of economic warfare and security: IAES. The ability to weaponize capital for scenarios involving specific economic stressors in sensitive regions could productively expand the SOF enterprise IW toolkit and relevance in non-combat driven environments.

There is an opportunity for the SOF enterprise to leverage a unique form of economic risk transfer—parametric insurance—as an implement of economic warfare, which represents a novel application within the broader economic security subset and an original contribution to the historical literature and theory on economic security. Parametric insurance differs from conventional insurance in that it references an independent measure of event magnitude to trigger a claim payment (such as a Category 5 hurricane landfalling in Miami)—as opposed to measuring the actual economic

loss sustained by the insured.³ This proposed economic warfare role for the SOF enterprise received insufficient attention in past analysis on both the kinetic and non-kinetic aspects of the SOF enterprise mission. This discourse could not be more timely or necessary as the U.S. enters a period of strategic, near-peer competition and shifts away from large-scale combat operations (LSCO).

Strategic Competition and Economic Security

The U.S. is losing support in the most vulnerable parts of the world, while China and Russia appear to be gaining ground. Among the 6.3 billion people living outside liberal democracies, “70% feel positively towards China, and 66% positively towards Russia.”⁴ Influence, like deterrence, “can be difficult to achieve, because you cannot buy it directly.”⁵ Even when deploying capital to vulnerable states bolsters influence, there is more to the mission than money; purpose and conditions matter as well. This is particularly true in circumstances where local economic and food security is stressed through such factors as conflict, man-made impediments to supply, and natural disaster. Influence is achieved not just by delivering resources but by doing so in a way the affected state can receive, absorb, and disseminate appropriately, which can be difficult in developing states where the value systems of affected regimes may not align with Western ideals.

Where Russia and China Lead, the U.S. Fails to Follow

China’s inroads among “middle-income” countries are growing, with those countries

seeing large (and positive) impacts on their economies.⁶ China’s strategy involves the development of a bloc in the Global South “to act as a counterweight to the US global alliance system.”⁷ In developing this bloc, China seeks to “undermine the US-led rules-based international order by creating a Chinese-led alternative,” ultimately to “roll back US influence and shape global governance through international institutions and forums.”⁸ This includes proposing to expand the BRICS group from Brazil, Russia, India, China, and South Africa⁹ to a much larger group, including prospective members ranging from Kazakhstan to Mexico.¹⁰ Russia is ostensibly no less ambitious than China. Positioning the West as “a powerful but historically retreating construct,”¹¹ the National Research University, Higher School of Economics’ paper *Russia’s Policy Towards World Majority* classifies the world majority as “a territory of peace for us” and prioritizes developing relationships with those states a “long-term strategic task.”¹²

What differentiates Russian and Chinese economic engagement in the Global South from that of the U.S. is that the former can be more flexible with the economic aid and support they provide, while the U.S. and its Western partners may include more requirements and constraints around issues such as human rights or liberal democracy.¹³ Russia and China generally feel they do not need to buy alliances or partnerships, instead seeing neutrality as acceptable. Russia even makes this point overtly, seeing neutrality “to be itself beneficial.”¹⁴ Essentially, the U.S.-led bloc requires a certain amount of alignment, if not alliance or even informal “friendship,” while China and Russia are satisfied to have non-enemies.

Economic Security as a New Domain of Warfare

Economic security, according to Emeritus Professor of International Relations at the London School of Economics and renowned security strategy scholar Barry Buzan, “concerns access to the resources, finance and markets necessary to sustain acceptable levels of welfare and state power.”¹⁵ The fact that there are vulnerabilities of this sort naturally means that there is also a potential for weaponization and exploitation. Such doctrine creates a foundation for the adoption of economic warfare missions by the SOF enterprise, given that it already has explicit authorization for foreign internal defense, civil affairs, military information support operations, and humanitarian assistance, as well as the broadly applicable “[s]uch other activities as may be specified by the President or the Secretary of Defense.”¹⁶

An important purpose of economic warfare, particularly within the SOF enterprise context, is to “weaken the economic foundation of the enemy’s power,”¹⁷ which can include restricting or controlling energy supplies to freeze economies reliant on imports—or easing their flow to support energy, food, and other forms of economic security to restore or maintain stability. There is a particular opportunity for the SOF enterprise to focus on economic warfare and security, specifically when they intersect with the conditions that cause acute economic stress such as armed conflict, famine, and natural disasters. Historically, such conditions have been treated as cases for the dissemination of direct foreign aid,¹⁸ but taking that conventional view comes at



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the expense of an IW opportunity directly suited to denying and deterring competitor access to affected regions.¹⁹ The use of economic resources to engage in IW may come in the form of aid and support or as a tool for coercion, compellence, and control.²⁰ In either case, engaging in such activity on a localized basis benefits from SOF enterprise competencies in local language, culture, and customs.²¹

Unfortunately, conventional approaches to the dissemination of economic support are increasingly reactive.²² The use of economic support to address such challenges as food and energy security—areas in which China and Russia are already actively engaged in the Global South—would benefit from a proactive and predictive approach, based on the efficiency and effectiveness of understanding where aid may be more useful in advance, the improved resourcing that comes with understanding the cost and nature of support to be provided, provisioning the necessary capital, and improving the likelihood of execution as intended.²³ The development and implementation of weaponized economic

As an emerging subset of economic warfare, the Special Operations Forces enterprise can weaponize insurance as a way to deploy capital to strategic regions in the Global South experiencing acute need.

capabilities before they are needed creates the establishment of an economic support infrastructure that exists before, during, and after times of acute need.²⁴

A SOF enterprise-led approach to economic security and warfare in the Global South requires a new paradigm for economic engagement. Classical thinking that economic warfare is not just “special operators and intelligence analysts following or halting bad actors’ money” may be as dated as it is limiting.²⁵ The broad dimension of economic warfare includes a wide variety of disciplines, such as sanctions,²⁶ embargoes, trade controls²⁷, dumping, and currency manipulation.²⁸ Specifically, as an emerging subset of economic warfare, the SOF enterprise can weaponize insurance as a way to deploy capital to strategic regions in the Global South experiencing acute need. Rather than react to a natural disaster or conflict with economic support, the use of insurance would enable for the delivery of capital immediately when the need arises but using a pre-negotiated framework that obviates the frictional factors traditionally associated with the dissemination of aid, as described. The SOF enterprise is uniquely

suited for this mission, operating within local cultures and communities in vulnerable states and giving them unparalleled access to affect economic change on a targeted basis to stabilize vulnerable regions and counter-malign foreign influence.²⁹

Few entities within the U.S. government have the capability to maneuver areas and ways,³⁰ particularly in Cold War-like conditions and nominal peacetime when low-visibility operations are conducted in non-combat zones. Special operators simply need the specific tasking and training to take on this new role, involving a centuries-old form of economic and risk-transferring activity—insurance.

The Use of Insurance as an Economic Security Lever

Insurance is already an established economic security lever in both politics and security strategy.³¹ At a fundamental level, there is the presupposition that insurance markets exist to help shift economic burden-sharing across society, minimizing the demands on taxpayers and accelerating the delivery of economic relief during periods of need. Further, insurance can take the sting out of attempted acts of economic warfare, as well as the effects of kinetic warfare and other forms of political violence. After all, the global insurance industry has absorbed an estimated \$26 billion in damage caused by the war in Ukraine³² and close to \$60 billion³³ after the terror attacks of September 11, 2001.³⁴

The fact that insurance has responded to major economic calamity—both natural and man-made³⁵—demonstrates that the industry can absorb considerable amounts of loss and

Rather than treating insurance as a defensive capability to ensure stability, it instead could be converted into a resource for economic engagement.

a willingness by its members to take risk. In a sense, it is a “found object” for economic security.³⁶ States may have little influence over the broad contours of commercial activity, but they have come to rely on the presence of a robust and well-functioning insurance market.³⁷ The availability (and adoption) of insurance allows for the injection of capital after a major economic loss event from sources other than the government, which means diversifying capital sources away from taxpayers. From 1998-2021, insurance directed \$4.3 trillion in capital that otherwise would have had to come from government (and taxpayer) funds.³⁸ In Ukraine, the insurance industry is due to provide more than \$20 billion in economic relief.³⁹ In fact, the connection between insurance and economic security is even made explicit in the U.S. national cybersecurity strategy released in 2023.⁴⁰ The presence of such a market in developed states provides a foundation for the use of insurance within the IAES context discussed. Specifically, this means turning insurance into an externally facing tool for influence (whether as support or coercion). Rather than treating insurance as a defensive capability to ensure stability, it instead could be converted into a resource for economic engagement.

The Practicality of Insurance as Economic Security

The use of IAES specifically as an implement of economic warfare is most effective where certain specific economic stressors are mitigated when followed by an insurance payment. There are several benefits to IAES as a tool of economic warfare.

First, IAES is relatively inexpensive. Because it is insurance, the cost is limited to the premium rather than the amount that would be paid if a loss were to occur.⁴¹ Specifically, the U.S. would not underwrite insurance policies to use in this context. Rather, it would deploy financial resources to partially or fully pay premiums to commercial insurers using a unique form of insurance (i.e., parametric insurance). With this approach, a small outlay offers a much larger impact, because the outlay is to help pay a premium, which is a small percentage of the protection that the insurer(s) engaged would offer.

Second, unlike foreign aid, insurance is negotiated and implemented in advance of a major event, and payment terms are predictable. This has several important implications: It makes aid easier to direct (and harder to impede); it provides for immediate soft-power impact, even if the policy does not need to pay out; and it facilitates the expansion of U.S. influence to geographic regions where achieving a physical presence may be difficult or impossible.

With regard to facilitating the direction of aid, perhaps counterintuitively, decision-making flexibility shrinks once an insurance policy is in place. As mentioned above, the terms are pre-agreed. This means that payment of a claim—after a qualifying event

has occurred—is not at the discretion of the SOF enterprise community implementing IAES or any other U.S. government actor. There is an agreement between the insurer (a commercial entity) and the insured (the state being supported by the insurance policy). As a result, there is an increase in the certainty of capital flows because political considerations could not impede those flows.

The fact that insurance has responded to major economic calamity—both natural and man-made—demonstrates that the industry can absorb considerable amounts of loss and a willingness by its members to take risk. In a sense, it is a “found object” for economic security.

Further, there is an influence impact even from the time of policy inception, provided the inception of that policy is promoted properly. The existence of such a policy to protect vulnerable populations threatened by natural perils, with premiums financed at least in part by the SOF enterprise, itself is a show of aid—even if at a much-reduced cost than traditional forms of aid. It shows an early step toward economic partnership in advance of a catastrophic event. As a result, insured populations should feel a sense of security on day one. Of course, the effectiveness of such an approach largely relies on skillful public diplomacy, which is “the practice of engaging with foreign audiences to strengthen ties, build trust, and promote cooperation.”⁴² It is an effort that may start with civil affairs engagement within the SOF enterprise but ultimately benefit from diplomatic support from other agencies as IAES efforts achieve scale and maturity.

Third, in utilizing insurers to provide such protection, economic impact could be achieved in parts of the world where

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it may be difficult to put U.S. operators on the ground for more visible forms of relief operations. The pre-deployment of catastrophe relief aid in the form of insurance can be executed remotely, which allows for benefit provided by IAES operations to be completed without direct U.S. presence or operations while still providing a foundation of U.S. support that can be celebrated via public diplomacy as a way to improve SOF enterprise access to such regions.

Delivering purposeful economic assistance to civilian populations offers significant advantages for the U.S. government and military. The traditional approach of providing security assistance is “notoriously difficult to execute,”⁴³ facing such challenges as corruption, questionable loyalty, and uncertain effectiveness in future conflicts.⁴⁴ By designating local individuals or businesses as named insureds, the U.S. can better oversee the allocation of resources via the SOF enterprise, mitigate risks associated with unreliable foreign militaries, and ensure more accountable use of U.S.-provided equipment.

IAES would aim to put a mechanism in place before a stressing event occurs,

resulting in a show of protection and an initial instance of positive engagement with the local population, fulfilling a traditional SOF enterprise civil affairs mission.⁴⁵ If such an event does arise in a region targeted for and engaged with the SOF enterprise in IAES, then the immediate payout of the insurance policy would provide another instance of positive engagement with the disbursement of funds. Publicly demonstrating how insured populations recover faster from disasters⁴⁶ or attacks can create a stark contrast with adversarial-controlled areas, where instability may persist. This narrative can weaken malign influences and encourage civilian cooperation with government or allied initiatives.

Managing Cost and Perception

It is easy to view such a program with skepticism, particularly in an environment where disaster-related instruments of soft power have been de-prioritized and cut aggressively.⁴⁷ Within this context, it could be difficult to ascertain how the introduction of a new program—and ostensibly new expense—would succeed in a government environment that seeks to spend and engage less with other states. Proposing such a new program would indeed be a challenge, but there are characteristics that could make IAES more attractive than the forms of aid and support currently being reduced or eliminated.

Unlike the forms of aid that the U.S. has traditionally provided, IAES would rely on a public-private partnership in which the latter is more heavily engaged. While the U.S. would pay at least partial insurance premiums for the programs used to support exposed states, that amount is far smaller



Insurance as economic security is a novel approach to economic warfare, offering a way for the Special Operations Forces enterprise to leverage parametric insurance as a new implement of irregular warfare. (Image: Adobe Stock)

than the payments that would be triggered when disaster strikes. Private insurance companies would write the big checks that the U.S. government wrote in the past. The program could be seen as a pro-business approach to disaster relief in the Global South that minimizes U.S. expense, and with the SOF enterprise involved in distribution, the program could be positioned as defense-related domestically, with public diplomacy used to soften that message in beneficiary states.

Insurfare and Foreign Influence Operations

The use of contingent capital—as a subset to the expanding realm of economic warfare—actually moves even closer to the SOF enterprise discipline of IW, and there is room for more progress to be made. Insurance programs, as capital upon certain conditions occurring, can play a critical role in counterinsurgency and influence efforts,⁴⁸ while limiting the threat to life in a more traditional military context. For example, crop or property insurance in conflict zones

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ensures that local populations can recover quickly after disasters,⁴⁹ reducing the economic despair insurgents often exploit to gain recruits. These programs can also bolster the legitimacy of allied or local governments by demonstrating their ability to provide stability and support during times of crisis. This model fits seamlessly with SOF priorities of strategic competition, and most importantly here, integrated deterrence, in a post-Global War on Terror world as stated by General Bryan P. Fenton, commander of U.S. Special Operations Command.⁵⁰

Insurance warfare (or “insurfare”) represents a possible novel and emerging domain for the SOF enterprise, leveraging financial instruments to shape the operational environment in support of great power competition. By deploying these tools, as part of a whole-of-government approach, insurfare operators can discreetly deter adversaries by reducing their ability to exploit economic vulnerabilities, compel cooperation by ensuring resilience in the face of external pressures, and bolster alliances through proactive economic support—which already factors into their scope.⁵¹ Such

programs align more closely than ever with “regular” IW expertise of the SOF enterprise, offering a low-cost, high-impact strategy that fits neatly into broader deterrence and compellence frameworks, all while reinforcing the principles of integrated deterrence and being mindful of budgetary constraints.

Parametric insurance is uniquely suited to the SOF enterprise and its operations in the Global South.⁵² Already, parametric insurance has become popular in the developing world because of the simplicity with which it can be explained and implemented.⁵³ Funds are disbursed to insureds quickly when pre-agreed triggers, like tropical cyclone winds of a certain speed or an earthquake of a certain magnitude, are reached.⁵⁴ For example, a parametric policy could be designed to pay out when an earthquake of at least 7.0 moment magnitude (Mw) is reported to have struck a specific location. If the threshold is reached, the insurer pays, irrespective of estimated damages. However, if the earthquake is only 6.9Mw, it does not. This simplicity is what makes parametric insurance



The ability to weaponize capital for specific economic stressors productively expands the SOF enterprise’s irregular warfare toolkit. This novel approach, known as “insurfare,” leverages financial instruments to shape the operational environment in support of great power competition. By using these tools, the SOF enterprise can discreetly deter adversaries by reducing their ability to exploit economic vulnerabilities in non-combat environments. (Image: Adobe Stock)

such a powerful IAES tool for future SOF enterprise insurance operations, allowing for a proactive, nimble, targeted, and low-cost service that other U.S. government agencies would be ill-equipped to execute.

To avoid any appearance of manipulation or conflict of interest, the U.S. would not underwrite these policies or commit capital for coverage. What makes this approach uniquely effective is that the SOF enterprise would deploy insurance protection with U.S. support for premium payments but not the actual protection amount. IAES would require a minimal capital outlay with disproportionate impact in beneficiary states by providing a benefit that is difficult to counter. Economic support effectively denies adversaries access to the information space—not through counter-information operations but by eliminating the grievances that create a welcome environment for foreign influence.

The parametric use case within IAES offers an important and reliable alternative to large-scale, misdirected aid packages, and even minimizes corruption or leakage, as payouts are only triggered when predetermined thresholds—such as weather events or commodity price spikes—are met.⁵⁵ These thresholds, collaboratively devised by lead SOF enterprise elements and private capital providers, are tailored to address specific economic vulnerabilities and stabilize contentious or strategically critical regions.

For instance, to prepare for the threat of a Russian disinformation campaign that uses a poor crop yield as its hook, parametric insurance could be used to ensure that the affected farmers receive a timely influx of capital they could use to feed their families and more broadly support their communities.⁵⁶ Not only

would this foster some amount of goodwill toward the U.S., but it would also remove the underlying sentiment necessary for such a disinformation campaign to take hold.⁵⁷ This approach not only delivers aid more efficiently but also strengthens local capacities and builds trust with populations that might otherwise remain ambivalent or antagonistic toward U.S. influence. On a basic level, money is fungible, and people want the ability to have income to feed their families.

Implementing Insurance as Economic Security

The development and launch of a SOF enterprise IAES program requires clear roles and responsibilities. The notion that SOF deploy into hostile territory with actuarial models, policy forms, and claim calculators may elicit a chuckle, but practical execution would be much different. Again, it is important to remember that insurance underwriting would reside with traditional insurance companies. Many U.S. and Western companies are equipped to evaluate and write parametric insurance worldwide to include regions that may be difficult to insure using more traditional methods. Moreover, insurers would not need to visit affected areas if an event occurs, as parametric instruments can use publicly available data, satellite capabilities, and other remote resources.

IAES likely would be largely a civil affairs mission within the SOF enterprise, integrated into a broader set of societal and economic programs that are used to increase the resilience of communities exposed to undue influence from U.S. adversaries. Where civil affairs teams in the past would engage with local leadership to identify financial and

other resource needs and facilitate access to them, the mission under IAES would involve identifying and targeting regions exposed to natural disasters and foreign influence, with an effort to engage local leadership on preventive planning and measures. As part of that effort, IAES would be introduced, after which the parameters needed for protection (e.g., rainfall amounts, earthquake magnitude) would be identified.

The execution of parametric insurance agreements would be the easiest part, given that such mechanisms and practices are already well established. Operators would simply take the necessary thresholds to pre-identified insurers for execution. From there, it becomes a simple insurance discussion. While this would require some amount of education, the level of effort would be manageable and not require a significant time investment.

How Adversaries Could Respond

IAES need not be confidential or classified. Doing so would cost the U.S. the public diplomacy benefits, and trying to conceal such operations, although possible, would be complicated given the regulatory compliance activities in which insurers must engage. However, even with IAES operations being known publicly, the range of potential adversary responses is relatively narrow. Increased information operations—more of the same, effectively, to overwhelm an influx of capital—would likely be a de facto response. However, it would struggle against what is effectively an asymmetric response. While it is true that “[t]argeted external influence campaigns could trigger civil unrest after a disaster event by shifting perspectives on pre-existing grievances and post-event government responses,”⁵⁸ targeted capital infusions would then serve to defuse such

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grievances, leaving an eroded foothold for influence operations. More effective responses would require either prevailing financially or finding further asymmetry.

As for financial responses, the natural and intuitive counter to IAES would be simply to outspend. While it may seem difficult to muster significant financial resources on short notice, it should be remembered that adversaries of the U.S. (e.g., China and Russia) are less burdened by governmental procedure than liberal democracies, making it easy for them to execute rapidly. Despite the concerns about government spending in the U.S. at present, the economic effects of natural disasters in the Global South are utterly manageable financially. Economic damage from natural disasters reached only \$400 billion in Asian countries in the Global South from 2014–2022.⁵⁹ That comes to less than \$40 billion on an annualized basis for the region, with only a portion of that requiring a financial response.

While the risk of being outspent by an adversary in a post-disaster environment would be a real concern, IAES at least brings the U.S. in first, requiring adversaries

to respond. This alone would improve U.S. positioning for strategic competition in the Global South, but it should not be forgotten that IAES is only one tool that should be part of a broad array of the tactical or strategic toolkit. Further, outspending by adversaries may not be effective. With the leverage allowed by using U.S. resources to subsidize parametric insurance premium rather than simply disburse as aid, it is possible to drive large amounts of capital into the post-disaster environment quickly. The result would be a reduction in opportunity for adversaries to spend, similar to a reduction in available targets in a kinetic scenario.

This raises the prospect that U.S. adversaries could similarly engage in IAES, which is certainly a possibility. Excluding sanctioned states, who would have limited access to the global insurance market, U.S. adversaries certainly have access to the same market. After a few market cycles, the IAES approach would be commoditized, requiring structural innovation in order for states to use this strategy competitively. This is no different from competition to deploy post-disaster aid, with a preference for utilizing secure companies within Western nations to mitigate some competition.

The threat of manipulation may also seem like a possibility, but the risk of this is largely mitigated by the nature of the parametric insurance product. Because the insurance product is simple, binary, and straightforward, it is difficult to invent grounds for lawfare or market manipulation. Suing or defrauding as a mechanism for unwarranted triggering of a policy would be difficult with parametric insurance because the data source used for determining whether a payment is warranted is clearly defined and independent. U.S. government agencies regularly contract

with private vendors, implementing varying degrees of vetting and security protocols; this program would be no different.

The IAES strategy is novel and potentially quietly effective, enabling a unique opportunity to expand the role of the SOF enterprise in IW within the economic domain. Entrance into new roles and domains, however, requires a keen understanding of whether such expansion is permissible.

Legal Implications and Authorities

Using insurance as a tool within a broader SOF enterprise-led economic warfare strategy would be authorized under 10 U.S. Code § 167(k)⁶⁰, which permits the Department of War (DoW) to support irregular forces, groups, or individuals engaged in operations that further U.S. national security objectives, as well as a presidential finding under 50 U.S. Code § 3093⁶¹, governing covert actions. Additionally, 10 U.S. Code § 4022 (formerly § 2371[b])⁶² governs the DoW's authority to carry out certain prototype projects⁶³ under "Other Transaction Authority" (OTA), providing the flexibility to partner with private-sector actors on novel capabilities that fall outside standard acquisition channels. In this context, parametric insurance isn't just permissible; rather, it is a lawful, strategically aligned financial instrument designed to disrupt adversarial influence, stabilize contested environments, and extend U.S. competitive advantage in the gray zone⁶⁴. When grounded in these authorities, contingent capital becomes not just a financial mechanism but also a fully authorized operational tool in the IW toolkit. While a presidential finding may allow for added layers of authority or legal foundations, that may be simply unnecessary given the approved companies being used

and general flow of funds.

At its core, insurance procurement would be a classical use of specialized contracting authorities; the public sector frequently purchases insurance for a variety of purposes. One step further, OTA is particularly well-suited for non-traditional contracts tied to a national security purpose—such as economic stabilization in regions vulnerable to adversarial influence—which falls within the broader interpretation of prototype projects.⁶⁵ While these are the most likely avenues for legal authorization within the defense community, other statutes certainly provide ample cover.

Either approach would focus on leveraging private-sector capabilities to enhance economic security and deny adversaries access to critical markets, without commandeering private entities or violating principles of neutrality. Drawing inspiration from the voluntary agreements framework in Section 708 of the Defense Production Act⁶⁶, this initiative would encourage private-sector participation without imposing mandatory requirements. This strategy would avoid requiring companies to act, preserving their autonomy and eliminating concerns of government overreach.⁶⁷

Conclusion

The integration of contingent capital into SOF enterprise activities represents a novel and strategic approach to strengthening economic resilience and stability in strategic regions. The objective of this insurfare strategy is twofold: first, to provide contingent capital in advance to mitigate potential economic security issues, and second, to announce and demonstrate the availability of this support through reinforcing stability and trust in key areas. It presents a scalable, efficient, and proactive means of

addressing economic shocks—without the inefficiencies of traditional aid mechanisms or the slow response times of U.S. government-centric, macro-level government initiatives.



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This does not mean that operators become merely conduits to the private sector. Rather, in contributing decades of hard-earned geopolitical experience,⁶⁸ they serve as regional facilitators, leveraging an economic tool to stabilize environments and counter adversarial influence in a Cold War-like era where few LSCO's exist. Unlike agencies within the U.S. Department of Treasury, State, or even the CIA, the SOF enterprise possesses unique agility, covert capabilities, and local expertise to implement these strategies in contested, hostile, or even denied areas coupled with other elements of a unified special operations mission set. This tactical-level approach complements broader government efforts, enabling the U.S. to respond decisively and effectively in ways that align with both immediate operational goals and long-term foreign policy objectives. 📌

Notes

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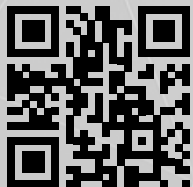
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