



Client Briefing

Shipping and Marine Insurance Implications of the Current Situation in the Strait of Hormuz

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1. Executive Summary

Significant changes have occurred in the marine insurance market following the recent escalation of geopolitical tensions involving Iran, Israel and the United States.

As at 29 June 2026, public reporting indicates that commercial transits through the Strait of Hormuz continue, albeit at reduced levels and subject to change at short notice given evolving security conditions. This heightened security environment has resulted in increased war risk premiums, enhanced underwriting scrutiny, revised voyage risk assessments and additional operational precautions for vessels trading in the region.

Several insurers and P&I Clubs have reviewed their underwriting approach to voyages involving the Persian/Arabian Gulf, the Gulf of Oman and adjacent waters, with many requiring prior notification, additional premiums and case-by-case approval before cover is confirmed.

The evolving security situation continues to create contractual, operational and insurance challenges for owners, charterers, cargo interests and financiers.

2. Background and Geopolitical Context

Recent military exchanges involving Iran, Israel and the United States have significantly increased navigational and security risks throughout the Gulf region.

Although commercial shipping continues to transit the Strait of Hormuz, vessel operators are closely monitoring security developments, with many implementing enhanced routing procedures, additional security measures and contingency planning.

The conflict has increased concerns regarding missile attacks, drone activity, GPS interference, electronic jamming, mine risks and other hostile acts capable of affecting commercial shipping.

The insurance market has reacted rapidly, with underwriters reassessing regional exposures and applying stricter underwriting conditions for voyages into the affected areas.

3. Insurance Market Response

Rather than adopting a uniform approach, insurers have responded by reviewing individual risks, increasing war risk premiums, issuing additional trading requirements and, in certain cases, exercising contractual rights to cancel or restrict non-mutual war risk cover in accordance with policy provisions.

Recent English authority has highlighted the importance of the 'grip of the peril' principle, (*AerCap v AIG* 2025) which may allow cover to respond even if the loss materialises after the policy has expired or has been cancelled by notice. This is directly relevant to vessels already in the region at the onset of hostilities.

4. Market and Operational Impact

4.1 Vessel Movements

- Vessel operators are suspending or rerouting transits through high-risk waters. Tankers are clustered off Iraq, Saudi Arabia, and Qatar.
- Some vessels are now going dark (AIS off) or reversing course to reduce targeting exposures.
- Traffic disruptions now extend beyond Hormuz into the Red Sea corridor. Shipping through the Strait of Hormuz has slowed significantly, with vessels clustering off Iraq, Saudi Arabia, and Qatar.
- Cargo bookings to the Middle East have paused.

Potential constructive total loss (CTL) exposures under hull war policies Specifically, under the Institute War and Strikes Clauses (Hulls), there is a presumption of a CTL where the vessel is deprived of use for a (commonly) continuous period of 12 months following capture, seizure or detainment.

- Increased pre-voyage security assessments are now expected by many insurers.
- Owners should expect greater scrutiny before entering designated high-risk areas.

4.2 Freight and Insurance Cost Inflation

- Oil Shipping rates to Asia
- War risk premiums remain highly volatile and may increase substantially depending upon the vessel, cargo, routing, flag, ownership profile and prevailing threat assessment at the time of the voyage.
- Additional premiums are being assessed on a voyage-by-voyage basis and vary considerably according to the individual underwriting assessment.
- Brent crude has risen by an estimated 7–13% due to supply fears.

5. Legal and Contractual Consideration

5.1 Charterparty Provisions

- War risk clauses and allocation of additional premiums.
- Safe port warranties (critical given IRGC closure threats).
- Force majeure provisions.
- Deviation and suspension rights.
- Delay exposure and potential frustration arguments from prolonged disruption.
- FD&D cover may respond to legal costs arising from charterparty and insurance disputes triggered by the conflict, subject to relevant rules and discretionary approval of the Association.

5.2 Insurance Arrangements

- Whether cancellation notices have been received under existing policies.
- Whether alternative cover is available (subject to significant premium increases).
- Obtaining prior written confirmation from underwriters before entering potentially targeted or excluded areas.
- Whether proximate cause issues arise from overlapping perils (mines, drones, GPS interference, fires, detentions).

- Confirm whether the intended voyage falls within any Listed Area under the Joint War Committee classifications.
- Ensure compliance with all policy notification requirements before entering high-risk areas.

5.3 Compliance and Disclosure

Changes in operating risk may trigger reporting obligations to financiers, P&I Clubs, and cargo interests. Financial and insurance covenants under loan documentation may also be engaged.

Operators should also be aware of significant sanctions exposure. Vessels have reportedly been pressured into Iranian territorial waters and required to pay IRGC-imposed tolls. As the IRGC is a designated terrorist organisation under US law, any such payment may breach OFAC sanctions and may trigger sanctions exclusions in war risk and P&I policies.

6. Recommended Client Actions

Immediate Steps

- Review all active voyages and upcoming voyages for exposure to excluded zones.
- Confirm receipt of cancellation notices with brokers/insurers.
- Evaluate contractual risk, particularly war risk cost allocation before fixing new business.
- Review policy definitions of war.
- Confirm whether charterparty war clauses remain appropriate in light of the current threat environment.
- Liaise with charterers and cargo owners regarding routing adjustments.
- Liaise with insurers and brokers regarding alternative cover, acknowledging higher premiums and restricted capacity.

Strategic Considerations

- Build additional time and cost contingencies into voyage scheduling.
- Strengthen operational security protocols for crew and vessel movements.
- Assess long-term supply chain exposure to Gulf-based routes.
- Consider contingency planning for Red Sea / Bab el-Mandeb diversions.
- Monitor potential CTL exposure for vessels detained or unable to transit for prolonged periods.

7. How We Can Assist

We can support by:

- Reviewing policies and cancellation notices and advising on insurance coverage implications arising from evolving geopolitical events.
- Reviewing war risk clauses in charterparties, financing documentation and commercial contracts and advising on client's rights and obligations under increased war risk conditions.
- Reviewing the interaction between charterparty war clauses and the client's insurance programme to identify any uninsured contractual exposures.
- Drafting notifications to insurers, brokers, and counterparties.

- Supporting communications with insurers, financiers, and charterers.
- Providing tailored strategic risk assessments for your fleet and supply chain.
- Assisting with voyage-specific insurance strategies and negotiations with underwriters.

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