

They're Making a Killing: The \$1 Billion Industry of War Risk Insurance

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I. How Does It All Work?

Does it pay to bet on war? The \$1 billion war insurance market based out of London believes so.¹ The history behind the London insurance market is key to understanding its current position. The first recorded mention of Edward Lloyd's Coffee House on the River Thames was in 1688. Lloyd's was a gathering place for mariners, businessmen, and entrepreneurs. What started as betting on whether a ship would return from sea eventually led to the world's most sophisticated gambling system. In its humble beginnings, Lloyd's rented its cafe tables to businessmen to barter with shipowners on marine insurance policies before ships left port.² Now referred to as boxes, underwriters still rent space from the same entity—now known as Lloyd's of London—to write marine insurance risks. While the building and location have changed, the nature of the business remains the same. Lloyd's operates like a high-demand farmers' market, with various syndicates competing for rent in their respective boxes. A syndicate is made up of multiple underwriters who write their name under a specific risk on an insurance slip,³ known as underwriting. Underwriters take a percentage of each risk they choose to underwrite, akin to taking a piece of the risk pie. A syndicate will receive a portion of the premium on a given insurance policy in exchange for taking a percentage of the given risk; if there is a claim on that aspect of the insurance binder,⁴ the syndicate will have to pay. Various syndicates sit on the ground floor of Lloyd's, with competitors just steps away from each other. Many will sign their name under the same individualized risk on any given day. All the syndicates sitting within Lloyd's are “Lloyd's Backed,” meaning that all

risks are reinsured by other syndicates within the market. Therefore, if a particular syndicate takes a risk with a detrimental claim, the entire market suffers.

In modern times, shipowners are located all over the world, so brokers negotiate on their behalf. Brokers operate as the middlemen between the underwriters and shipowners, taking a cut of the premium as a brokerage fee. The industry is collegial. Brokers' offices are typically within walking distance of the Lloyd's building. Most of the market operates under longstanding relationships between brokers and underwriters. These relationships are more than just colleagues; the people who work in the London insurance market are genuinely friends. The market works primarily through long lunches between brokers, underwriters, or clients. Many deals are negotiated over drinks or meals. The success of the market is dependent on this trust-based system, that a good or safe risk is brought to close colleagues or friends. Regardless, those in the market for war risks must have a healthy appetite for gambling and betting against the house.

There are various types of marine insurance, including Protection & Indemnity ("P&I") Insurance, Hull and Machinery Insurance ("H&M"), Charterparty and Cargo Insurance, and War Risk Insurance, among others. While each brokerage might define its various insurance policy options under different names, it is imperative to understand how these policies work together. Underwriters within a syndicate often specialize in different types of risk, just as brokers within a brokerage have their own distinct areas of expertise. For example, a broker that specializes in H&M and is looking to insure an H&M policy will visit several different H&M underwriters and colleagues at different syndicates to take different portions of the H&M risk.⁵ These policies are generally a part of a larger insurance binder for a specific company.

II. War Risks

The political tensions of the 1890s made war risks in the London insurance market rather unpopular, leading to a general meeting of Lloyd's in 1898, which called for the exclusion of war risks from marine insurance policies.⁶ This led to war risks being written under a separate policy.

This “war risk” coverage is defined as “losses stemming from war, civil war, revolution, rebellion, insurrection, civil strife, and terrorism.”⁷ Separate policies are required to protect against marine war risks. These policies are not compulsory unless traveling through an area that has been excluded by the Joint War Committee (“JWC”). The JWC, a committee of twelve underwriting representatives that underwrite marine hull war insurance, puts forth these territorial exclusions, measured by various risk factors, to decide if a separate policy would be necessary for a voyage through a specific listed area. If an owner chooses to pursue a journey through an area that the JWC has excluded, an additional war insurance policy might be necessary.⁸ If a shipowner wants to transit through one of the designated areas, they would need to notify their underwriter and then pay a supplemental premium.⁹ The underwriter or shipowner, if the charterer is proposing the voyage, will then have seven days to determine if an additional premium or cancellation of coverage is necessary.

A marine war risk policy can come in two forms: as an annual policy, for example, if the ship is mortgaged, lenders may require a yearly war risk policy,¹⁰ or for a single voyage through an excluded area, which will come at a high premium to justify the risk. These policies can last for any time period from seven days to a year.¹¹

III. Current Picture

A large portion of the Red Sea has been a “listed area” of the JWC, meaning that to be protected by insurance, an additional war risk insurance policy is necessary for any voyage looking to pass

through that area.¹² These one-off voyage war risk insurance policies require a tremendous undertaking by the marine insurance market. Creating an individualized policy for a voyage through an excluded area requires finding underwriters with the appetite for the specialized risk of war. While many insurers boast their desire to gamble on war, the market fluctuations on war risks mirror the state of world affairs.¹³

The JWC meets monthly, or if an emergency arises, like the invasion of Ukraine.¹⁴ Before the official invasion of Ukraine, the JWC placed the Black Sea and the Sea of Azov on the list of listed areas in an attempt to brace for the potential impacts of war breaking out in Ukraine.¹⁵ Since war policies have a seven-day cancellation policy, under which underwriters can change or cancel existing coverage, insurers began issuing calls for extra premiums as soon as war was declared.¹⁶ For Black Sea passage, after the outbreak of war in Ukraine, war rates went as high as 10% of the total hull value of a vessel.¹⁷

(1) Nordic Plan

After the 2022 invasion of Ukraine, an estimated \$1.2 billion worth of ships were trapped in Black Sea ports; the marine insurance market reacted in a panic.¹⁸ The market attempted to pass the cost on to shipowners, and consequently, marine insurance prices increased. 2022 was expected to result in a \$1.2 billion loss to the war insurance market, but due to an offset of costs in other areas and the humanitarian grain corridor, there was a massive profit for the war market, with a 61.98% increase in profit from premiums over claims in 2022.¹⁹ The humanitarian grain corridor, also known as the Black Sea grain deal, was an agreement between Russia and Ukraine to allow for a safe corridor to export Ukrainian grain through a pre-planned Black Sea Route.²⁰

The war risk market had a profitable year in 2022, leaving war underwriters with the confidence to bet on more risks. This included the insurers of the *M/V Galaxy Leader*, a roll-

on/roll-off vehicle carrier with an estimated \$65 million value, that was hijacked by Houthi rebels via helicopter in the Red Sea on November 19th, 2023.²¹

There are several standard war risk insurance contracts, such as the Nordic Plan and the Institute War and Strikes Clauses Hulls (“IWSC”).²² The *M/V Galaxy Leader*'s war risk insurers used the Nordic Plan, which gained popularity in the last fifteen years by broadly including war-related risks.²³ This created much speculation about whether the Nordic Plan would cover the loss of the *M/V Galaxy Leader*, as the nature of the Houthi rebels' attacks is not typically considered an act of war. However, due to market pressures and concerns that most shipowners would abandon the Nordic Plan in the future if the *M/V Galaxy Leader* was not covered, the loss was covered. The loss was estimated to be between \$40 and \$50 million and led to an increase in rates for voyages in the Red Sea.²⁴

(2) IWSC

The IWSC gained popularity in the 1980s, based on the United Kingdom's Marine Insurance Act of 1906 and common law precedent. The IWSC leaves much of its interpretation in a grey area for insurers to determine whether a claim may be covered. The IWSC mirrors the language within the standard marine insurance contract, Institute Time Clauses (Hulls) (“ITCH”), which contains a paramount war exclusions clause. This paramount clause covers “War Exclusion; Strikes Exclusion; Malicious Acts Exclusion; and the Radioactive Contamination Exclusion Clause” and overrides any other assurances within a traditional marine insurance contract that would violate the exclusion clauses. The ITCH replaced the historically used FC&S clause with interlocutory clauses that encourage uniformity of coverage that can be placed in traditional marine insurance contracts. The FC&S clause served the same purpose but used the language under “warlike operation.” It lost popularity because of the lack of uniformity for coverage and

exclusions with the war risk insurance policies. Specifically, the FC&S clause presented its structural flaws after the ruling in the *Yorkshire Dale Steamship Co., Ltd. v. Minister of War Transport, 'Coxwold'*²⁵ case, where a vessel that ran aground in convoy was held to be a war risk rather than a traditional marine risk.²⁶ To address this, the Institute of London Underwriters (“ILU”) developed the IWSC, ITCH, and other standard insurance contracts that collectively promoted coverage uniformity. The IWSC bases its war risk coverage on a set of clauses defining what is covered under a war risk insurance policy.²⁷ Specifically, section one of IWSC replaced the Perils covered with the exclusion of “warlike operation” language used in the FC&S clause with language providing coverage for “any hostile act.”²⁸

IV. Profit & Confidence

In 2023, Lloyd’s syndicates “returned an excellent profit on [war][] USD85M in net premiums vs >500k in losses.”²⁹ While the war market has been historically lucrative, these massive profits increased underwriters' appetite for risk.³⁰ Some insurance companies operate outside the typical Lloyd’s structure, like Navium, a managing general agent (“MGA”) that wrote 100% of the war risk on the bulk carrier *M/V True Confidence* before Houthi rebels attacked it on March 6th of 2024.³¹ The *M/V True Confidence* was the first incident of loss of human life from the Houthi rebel attacks, with three crew members killed. Navium’s appetite for war obligated it to absorb the estimated \$17.6 million in hull value.³² MGA’s have opened to rival Lloyd’s of London insurers, and they operate as stand-alone coverage for more dangerous voyages that some insurers inside Lloyd’s would be hesitant to underwrite. MGA’s charge premiums that can earn the firm millions if there are no incidents on the voyage.³³ This cover has made traversing through the Red Sea and Black Sea possible, insuring cargo valued at an estimated \$830 million per day .

These incidents, totaling more than 100 since the Houthis began their attacks in 2023, combined with the countless other threats from the Red Sea, left underwriters who had a healthy appetite for war risks after the Ukrainian invasion timid and afraid to underwrite war risks.³⁴ The Houthis claim to be acting in response to the war in Gaza, in solidarity with the Palestinians.³⁵ In an effort to avoid the Red Sea, many shipowners have taken alternative routes around the Cape of Good Hope to avoid the risk of attacks and the increased cost of war insurance. These voyages can take additional weeks to complete and require more supplies, more fuel, and extended crew wages.³⁶ Without war risk insurance for the Red Sea and Black Sea, many of the essential cargos like oil, coal, and grains would be stuck in port, as shipowners would not want to take on the additional risk with no assurances.³⁷

After the Russian invasion of Ukraine, a series of sanctions were issued by the G7, the EU, and a few other countries. They initiated a price cap for Russian Crude oil at U.S. \$60 per barrel and diesel at \$100 per barrel, and they used the International Group (“IG”) of P&I insurers, as well as brokers and other insurers, requiring them not to insure vessels over the price cap.³⁸ The Russians reacted by reflagging their ships on different registries, as well as starting to operate outside the bounds of normal shipping by not pulling into the ports that they traditionally would, by doing ship-to-ship (“STS”) transfers, as well as turning off their automatic identification systems (“AIS”).³⁹ A STS transfer is the process where two ships exchange cargo, usually in liquid form, while one or both of the vessels are at sea and one or both are at anchor.⁴⁰ Russia invented insurance companies to insure these vessels, and some Russian ships are operating without any formal insurance.

All these events have caused insurers to raise their rates for covering voyages of vessels in a designated area. The war risk premium is traditionally measured as a percentage of the ship’s

total value, which during June of 2024 surged from 0.3% to 0.4% to 0.6% per voyage.⁴¹ Reports have come out that at some points in 2024, the rates rose to 2% of the total hull value of a ship.⁴² Ships with Israeli connections have trouble finding insurers who will cover them, as they are being targeted by the Houthis. Additionally, ships with links to the United States and the United Kingdom are also being targeted. In September 2024, reports emerged of ships known to be targets struggling to secure coverage and smaller insurers being unable to write war risks for the Red Sea.⁴³

V. Clause Interpretation Under War Risks

Each insurance clause form has two purposes “[f]irst, the clause form specifically identifies the risk covered under the policy held by the assured. Second, it limits the risks covered by the insurer. Hence, it is of the utmost importance that underwriters specifically list what a policy covers and avoid any ambiguity.”⁴⁴

Determining if a risk is covered under a particular clause is imperative to the work done in the various claims departments of insurance companies. Like all specialty departments, such as hull or war, the claims process also has specialty departments in insurance. While the front end of any syndicate or brokerage deals with premiums and negotiating “what ifs,” claims departments contend with the aftermath. Once a claim is filed, the claims department on the brokerage side will start by examining the nature of the claim, specifically under the nature of the proximate cause.⁴⁵ The brokerage claim department will work in conjunction with the underwriters' claims department.

(1) Multiple Causes

The Marine Insurance Act of 1906 codified English law around marine insurance but left interpretation on proximate causation and exclusions up to the courts.⁴⁶ The same applies to

interpreting war risk clauses, as the proximate cause is still the defining test under English law. However, there are difficulties with war exclusions as multiple factors can be at play.

At the end of the day, it is the insurer who determines if a claim is an acceptable war risk or not. Insurers have found that for damage to be covered under “war” for the Institute War Clauses (Cargo) “ITWC,” it must be done with malicious intent.⁴⁷ Difficulties present themselves with physical harm because of war, and multiple factors are addressed to ensure a concise cause.

For marine losses that multiple factors could cause, the insurers must address the different insurance coverages, as well as the proximate cause of the actual loss. For example, in the case of *Incorporated General Insurances Ltd v AR Shooter T/A Shooter’s Fisheries, ‘Morning Star’*, a vessel was detained by Iranian authorities on the basis of a breach of Iran’s port regulations. The owner of the *Morning Star* claimed that the loss was caused by the “detainments of all Kings, Princes and Peoples[.]” while the insurers argued that the proximate cause was found to be failing to pay the fine to release the vessel, insinuating an operational issue.⁴⁸ However, the Supreme Court of South Africa found that while there were multiple causes, the dominant and effective cause of the detention was the “detainments of all Kings, Princes and Peoples” of the ruling power of the country.⁴⁹ This presents difficulties in determining how claims made on vessels with war insurance are approached. Specifically, for claims attributable to multiple causes, insurers must determine the proximate cause of the loss to identify which insurance policy is responsible for the claim and, further, which underwriters will be paying out.

(2) Detainment Clause

Clause three within the IWSC is the *Detainment* clause, which states:

“In the event that the Vessel shall have been the subject of capture seizure arrest restraint detainment confiscation or expropriation, and the Assured shall thereby have lost the free use and disposal of the Vessel for a continuous period of 12 months then for the purpose of ascertaining whether the Vessel is a constructive total loss the

Assured shall be deemed to have been deprived of the possession of the Vessel without any likelihood of recovery.”

English law has confirmed the difference between “capture” meaning “capture by an enemy or belligerent” and “seizure” which includes “any act of forcible possession” which can be by a lawful entity or not.⁵⁰ Force is not a requirement of detainment.⁵¹ This clause allows a total loss after twelve months of detainment.⁵² There have been very few recorded detainment losses in the market. However, one notable one was the seizure of the *M/V St. Nikolas* by the Iranian Navy in retaliation for the United States’ confiscation of oil on the ship in 2023.⁵³ Currently a Dutch-owned Dredger, *Zheng He*, is detained in Mexico, which some have speculated will be released within the next six months. The Dutch company that owns the Dredger claims that it has been seized under false pretenses and attributes the detainment to corruption. The vessel is worth \$130 million, and the marine war market awaits the potential impact of the claim.⁵⁴

Detention losses are treated as constructive total loss. However, the proximate cause of the loss must be an insured interest under the war insurance policy. In the case of *Delos Shipholding SA & Ors v. Allianz Global Corporate and Specialty SE & Ors*, where the insured vessel *Win Win* was detained in Indonesia by Indonesian authorities, the shipowner sought to recover the insured value of the vessel at \$27.5 million. The insurers argued that they insured the vessel under false pretenses because it was not disclosed that the shipowner was subject to criminal charges in Greece. Due to inadequacies of the ship-owning companies' reporting system, the company was found not to have constructive knowledge of the pending charges.⁵⁵

The *MT ZouZou* was a vessel detained in Venezuela, allegedly for smuggling diesel. *MT ZouZou* was detained for more than fourteen months. The ship was insured for \$55 million by the Hellenic Mutual War Risks Association (“HMWRA”), and it was mortgaged by Piraeus Bank, which claimed a constructive total loss for the total amount of \$71 million plus interest. The bank,

which was designated as an “assignee and loss payee under the owners’ insurance” policy,” claimed that the policy exclusions were invalid because the detainment was unlawful under Venezuelan law.⁵⁶ The bank had a mortgagee interest insurance policy (“MII”), which is built on the war risk policy and read in conjunction with it. The underwriters claimed a material non-disclosure of entrance to an Additional Premium Area, which had been excluded from coverage by the JWC. Essentially, the court found that although some war insurance is compulsory if a ship is mortgaged, war insurance and a MII will not function as a backstop mortgage, allowing the mortgagee to recover regardless of cause.⁵⁷

In Ukraine, as the one-year anniversary approached since the date of the original invasion, about sixty ships were still trapped in Ukraine. This news comforted the market that had initially expected this detainment loss to be around \$1.2 billion for over one hundred detained ships. Regardless, the shipowners of the sixty ships still trapped in Ukraine were confronted with having to pay additional premiums for war risks on ships that were already detained. If they do not pay the additional premium and twelve months pass, then the shipowners would be unable to recover under a detainment loss.⁵⁸

(3) Piracy

Piracy risks have altered the trajectory of coverage from H&M and influenced the shift toward more comprehensive coverage for these risks under alternative insurance. Piracy is still covered under some H&M policies for any physical damage to a vessel that is caused by a piracy incident, due to the market treating piracy as “arguably becoming viewed by the insurance companies as a well-constituted practice that functions in a business model which includes precise calculations of the ransom amount of money to be paid and the professional assurances of the security of the crew, ship[,] and cargo while the negotiations proceed.”⁵⁹ Adaptability from

insurers is needed to contend with the other risks that piracy presents, as piracy losses can become very costly.

The *M/V Tutor* was attacked by Houthi rebels via drone on June 12, 2024, in the Red Sea, where it ultimately sank. While Gard AS was the *M/V Tutor*'s insurer against oil spills, the ship was attacked in a designated conflict zone, meaning the estimated \$37 million loss was the responsibility of the war insurer.⁶⁰ The Houthi attacks have presented difficulties for insurers regarding what is covered under various types of insurance. Specifically, there have been difficulties defining the Houthis as either government actors, pirates, or third-party actors. If Houthi rebels attacked with ballistic missiles and drones or weapons more associated with an act of war, these claims would potentially be covered under war risk insurance. If the Houthi rebels attack ships with smaller vessels or an act associated with traditional piracy, those risks might be covered under what is typically associated with piracy insurance. Piracy is typically associated as a commercial risk with activities undertaken for personal benefit or profit by individuals, whereas political insurgencies or military-like operations carried out by actors like the Houthis can be covered under the war clauses.⁶¹

Areas that have piracy risks are often included in the excluded areas listed by the JWC. As mentioned previously, travel through an excluded area makes most existing marine insurance invalid and requires the purchase of supplemental coverage through a vessel's P&I Club for coverage for crew injuries and deaths, as well as other third-party risks that piracy might present. If the piracy is determined to be politically motivated, war risk insurance might cover the loss. Piracy is an optional coverage for war insurance. It can commonly be covered without any additional premium payment. The characterization of the event by the insurer determines if a risk will be covered under piracy insurance, war insurance, H&M, or P&I, including if there are any

sort of explosions, as some H&M and P&I insurance have explosion exclusions. Under Clause 1.3 of IWSC, which covers derelict mines, torpedoes, bombs, or other derelict weapons of war, explosions that are not mentioned in the title are covered by the marine risks policy.⁶²

H&M will cover “physical risk to the ship, like anchoring or damage from heavy seas, collision, sinking, capsizing, fire, piracy, and discarding encumbering cargo to save other property[.]”⁶³ Most cargo insurance policies will cover cargo loss attributed to piracy. Specifically, the Institute Cargo Clauses (“ICC”) (A) were introduced in 1982 as an all-risk covered clause that included piracy insurance for cargo, as the War Exclusion Clause 6.2 under ICC excluded piracy. ICC (B) and ICC (C) only provide coverage for “named peril,” which does not include piracy.⁶⁴ Regarding cargo claims, the COGSA defense of Restraint of Princes highlights the challenges of characterizing the Houthi actors as a government entity. As the case of *Lekas & Drivas, Inc. v. Goulandris* illuminates, the spoilage of goods because of a government's actions can put the onus on the carrier to show how much of the loss was caused by the excepted peril, Restraint of Princes. In *Goulandris*, the ship was attacked by the Italian government, and the delay caused the cheese to spoil in transit.⁶⁵

Contrarily, the Houthis have generally been defined as non-state actors by the insurance market, and this cargo defense is likely inapplicable. Piracy risks peaked between 2008 and 2014 during the Somali pirate crisis, creating higher rates and a reliance on war insurance and kidnapping and ransom insurance. The war rates in response to the Houthi attacks far exceeded the Somali rates. Additionally, any monetary payment to the Houthis would be considered illegal because they are designated as a terrorist organization in the US, the UK, and the EU.⁶⁶ Regardless, the parties must look at the specific wording of each insurance clause and situation to determine what is or is not covered.

(4) Charter Parties

A charterer or shipowner can decline insurance coverage or additional war insurance. At the same time, the ship operators and shipowners can entirely decline a war risk as they manage the navigational responsibilities of the vessel. The charterer and the shipowner or operator will have to work out the cost of additional premiums amongst themselves.⁶⁷

The UK Supreme Court ruled on charter liability for ransom payments in *Herculito Maritime Ltd v. Gunvor International BV (The Polar)*.⁶⁸ The Cargo interests disputed their liability on their portion of the ransom payment. The *MT Polar* was chartered to carry fuel oil to Singapore from St. Petersburg through the Suez Canal and the Gulf of Aden. The charter included clauses that covered war risks and Gulf of Aden transit on the understanding that the owners would take out supplemental kidnapping and ransom insurance at the expense of the charterer. During transit, Somali pirates seized the vessel and held it captive for over ten months, eventually releasing it for the exchange of a \$7.7 million ransom payment. The shipowner declared general average, and the case was taken to the UK Supreme Court to recover \$5,914,560.75 from cargo interests. The law of general average is an equitable doctrine that holds all joint venturers, including shipowners and cargo owners, are liable for their proportionate share of the loss. The rules for general average have been codified in the York-Antwerp Rules to be calculated based on “the value at the time and place of the completion of the voyage.”⁶⁹

At issue was whether an *implied* insurance fund or code existed within the charter party that could be incorporated into the bill of lading. The UK Supreme Court determined that a high threshold level must be met to establish the existence of a code, and that most cases involving an insurance code have joint names with insurance companies. In *The Polar*, the cargo interests did not pay additional premiums for insurance and, therefore, did not meet this threshold that would

allow the insurance code to be incorporated into the bills of lading.⁷⁰ Accordingly, the cargo interests were responsible for contributions to the general average.⁷¹ This case additionally affirmed that ransom payments would fall under a general average. While every charter will still need to be evaluated on an individual basis, this guidance provides charterers with the information necessary to prepare for voyages through the Red Sea and the Gulf of Aden.

BIMCO is a company with the goal of shaping global shipping policy and regulations that represents over 62% of the world's tonnage.⁷² BIMCO sets forth several uniform charter party forms, including the BIMCO War Risk Clause for Voyage Charter Parties ("VOYWAR") and the BIMCO War Risk Clause for Time Charter Parties ("CONWARTIME").⁷³ The Documentary Committee met in April of 2025 to revise their war risk clauses for the 2025 editions to incorporate the "dynamic of conflicts today, not least the war in Ukraine and recent attacks on shipping in the Red Sea," as explained by Nicholas Fell, Chairperson of BIMCO's Documentary Committee.⁷⁴ The goal of these changes is to provide clarity on the additional premiums that charterers would pay to shipowners for entering high-risk areas, as well as a new calculation method for additional freight and potential rerouting for safe passage under VOYWAR 2025.⁷⁵ These clauses allow owners the right not to proceed on a voyage if they reasonably believe it is unsafe.

(5) P&I Aspect

P&I Clubs are shipowner-owned protection and indemnity clubs operated by shipowners who pay a premium each year and receive payments back from the club for any claims. P&I coverage protects owners from third-party liability and put simply, covers what standard H&M insurance policies do not cover. P&I insurance excludes war risks. Supplementary insurance is offered as additional coverage for passage through a JWC-excluded area. Some P&I clubs offer separate war risk policies or recommend that the shipowner seek coverage through the traditional

insurance market. There are procedures for war risks. The International Group “IG” has war risk coverage on a mutual basis that takes effect as excess cover after the shipowner's hull war P&I insurance is applied, and the excess will cover up to \$500 million per single incident and \$80 million for the area around Ukraine.⁷⁶ P&I Clubs typically provide a seven-day notice cancellation period for coverage if a ship has entered an excluded zone marked by the JWC. If this cancellation period is put into effect, a separate war risk cover facilitated by the club might be obtained. Generally, these are standalone policies that are reinsured through the insurance market.⁷⁷

VI. Conclusion

Since the 2022 invasion of Ukraine, the war risk market has responded with ebbs and flows of confidence and fear. The original reaction of diversifying risk by passing off the cost to shipowners allowed the war risk market to anticipate a healthy profit when the humanitarian grain corridor allowed the trapped vessels to leave the Black Sea. When the estimated loss of \$1.2 billion from ships because of the Ukrainian invasion was not as dire as initially feared, the market for war underwriters gained confidence and started underwriting more war risks. The war market grew into a \$1 billion market. Then, the over seventy attacks by Houthi rebels on vessels in the Red Sea led the market to lose some of the confidence it had built with the return from the Black Sea. As attacks rose, the number of insurers comfortable with the risk shrank. As war continues to rage on, insurers must face the harsh realities of insuring such turbulent risks with uncertain outcomes.

¹ Alex Longley, *The Wartime Risk Insurers Making Fortunes Keeping Trade Moving*, BNN BLOOMBERG (Jan. 6, 2025), <https://www.bnnbloomberg.ca/investing/commodities/2025/01/06/wartime-risk-takers-keep-830-million-in-trade-moving-every-day/> (hereinafter “Longley”).

² LLOYD’S, <https://www.lloyds.com/about-lloyds/history/coffee-and-commerce> (last visited Apr. 22, 2025).

³ Slips are insurance contracts. Until COVID-19, most slips had to be physically signed by the underwriter. The pandemic drastically shifted the way the market interacted with the digital age.

⁴ Binders are what the insurance market refers to an overall insurance policy, usually consisting of several contracts “binded” together.

⁵ See Christopher M. Douse, *Combating Risk on the High Sea: An Analysis of the Effects of Modern Piratical Acts on the Marine Insurance Industry*, 36 TUL. MAR. L. J. 267, 278 (2010) (hull insurance covers property loss, for any “physical loss or damage to the vessel”).

⁶ SUSAN HODGES, CASES AND MATERIALS ON MARINE INSURANCE LAW 557 (Roy Carlile, 1999) (hereinafter HODGES); *see also* MICHAEL D. MILLER, THE HISTORY OF THE WAR RISKS POLICY 4 (3rd ed. 2005) (hereinafter “MICHAEL D. MILLER”).

⁷ ALLEN BLACK & CHARLIE PAPAVIDAS, MARITIME LAW ANSWER BOOK 10-12 (Lori Wood ed., 2022).

⁸ *Joint War Committee*, LMALLOYDS, <https://www.lmalloyds.com/lma/jointwar>.

⁹ *War risks and mutual P&I cover*, LOCKTON | P.L. FERRARI (May 2, 2023) <https://www.locktonplferrari.com/posts/war-risks-and-mutual-p-i-cover>.

¹⁰ Microsoft Teams Interview with Tom Bomford, Director, Marine Hull, Global, AON (Mar. 4, 2025).

¹¹ Longley, *supra* note 1.

¹² *The Red Sea Crisis: Impacts on global shipping and the case for international co-operation*, INTERNATIONAL TRANSPORT FORUM 15 (2024).

¹³ *See The Red Sea Crisis: Impacts on global shipping and the case for international co-operation*, INTERNATIONAL TRANSPORT FORUM 15 (2024); *see also* WAR RISKS Trusted by clients and markets alike, Miller is the leading maritime war risks (re)insurance broker in the world., MILLER, <https://www.miller-insurance.com/sectors/marine/marine-war-insurance/> (last visited Apr. 22, 2025).

¹⁴ Interview with Tom Bomford, *supra* note 10.

¹⁵ David Osler, *War risk insurers list Black Sea and Sea of Azov*, LLOYD’S LIST (Feb. 16, 2022) <https://www.lloydslist.com/LL1139886/War-risk-insurers-list-Black-Sea-and-Sea-of-Azov>.

¹⁶ Kassandra Jimenez-Sanchez, *Marine markets facing large total loss claims from ships trapped in Ukraine*, REINSURANCE NEWS (Nov. 7, 2022) <https://www.reinsurancene.ws/marine-markets-facing-large-total-loss-claims-over-ships-trapped-in-ukraine/> (hereinafter “Jimenez-Sanchez”).

¹⁷ Paul Peachey, ‘Step change’ in Russian attacks on shipping pressures Black Sea war risk premiums, TRADE WINDS (Oct. 8, 2024), <https://www.tradewindsnews.com/insurance/-step-change-in-russian-attacks-on-shipping-p pressures-black-sea-war-risk-premiums/2-1-1721307> (hereinafter “Peachey”).

¹⁸ *See* Peachey, *supra* note 17; *see also* Olena Harmash, *Ukraine announces ‘humanitarian corridor’ for ships stuck in Black Sea ports*, REUTERS (Aug. 10, 2023), <https://www.reuters.com/world/europe/ukraines-navy-announces-black-sea-humanitarian-corridor-says-russian-threat-2023-08-10/>.

¹⁹ Interview with Tom Bomford, *supra* note 10; *see also* Marine Hull- War Risks, Piracy & The Red Sea Crisis, AON Presentation (2024) (hereinafter “AON Presentation”); *see also* *Building resilience 2016-*, LLOYD’S, <https://www.lloyds.com/about-lloyds/history/driving-greater-resilience> (“2022: ‘AsOne’ Ukrainian grain facility [.] The conflict in Ukraine demonstrated the devastating toll a systematic event has on the global risk landscape. The Lloyd’s market quickly mobilized to ensure shipments of grain from Ukraine to Africa could continue, averting a humanitarian crisis.”)

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²² HODGES, *supra* note 6, at 557 (Roy Carlile, 1999).

²³ The Nordic Marine Insurance Plan of 2013, Version 2023, <https://www.nordicplan.org/the-plan>. (The Nordic Plan is not based on traditional common law interpretation but instead operates in black-and-white terms, meaning that all risks are included unless they are expressly excluded.).

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³⁴ *Id.*

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