



The Middle East conflict: Contractual and insurance implications

Following coordinated military action by Israel and the United States against Iran and the cancellation of war risks cover for parts of the Persian Gulf, shipowners and charterers face immediate contractual and insurance exposure. This article outlines the principal issues arising under English law, including safety obligations, war risks clauses, frustration and cargo liabilities.

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On 28 February 2026, Israel and the US launched a coordinated attack on various sites in Iran. Whilst many of the targets are inland, attacks have also been reported on a number of Iranian ports and on 1 March 2026, the UK insurance market issued a Notice of Cancellation of War Risks Insurance to reflect the increase in the level of risk associated with the area and higher Additional War Risk Premium Rates applying in the following areas:

- Iran and Iranian waters including coastal waters up to 12 nautical miles offshore
- Persian/Arabian Gulf and adjacent waters including the Gulf of Oman and waters west of the line from Oman's territorial limit off Cape al-Hadd at 22°42.5'N, 59°54.5'E northeast to the Iran-Pakistan border at 25°10.5'N, 61°37.5'E

If a ship is proceeding to the affected area, owners will need to make new arrangements for additional war risks insurance; for ships already within the area, the existing rates are likely still to apply, depending on the precise terms of the insurance. As a result of these developments, we are receiving enquiries arising from owners and charterers who disagree about whether or not to proceed to the Persian Gulf littoral states due to the conflict in the area. We therefore outline some of the Frequently Asked Questions primarily related to Defence issues below. While many questions will depend on the specific facts, we provide some general guidance which will be supplemented as events unfold. These answers are based on the charterparty being subject to English law. The answers may be different if the charterparty is subject to another legal system. The below is accurate as at the time of publishing but, the situation remains fluid and fast-moving.

Issues of safety

The Master's right to take steps to protect the safety of the crew and the ship is enshrined in SOLAS: **International Convention for the Safety of Life at Sea - Chapter V - Safety of navigation** as follows :

The owner, the charterer, the company operating the ship as defined in regulation IX/1, or any other person shall not prevent or restrict the master of the ship from taking or executing any decision which, in the master's professional judgement, is necessary for safety of life at sea and protection of the marine environment.

As such, the Master has the ultimate say as to whether or not the ship will undertake a voyage which is potentially unsafe. However, the financial consequences of such a decision will depend on a party's contractual commitments.

General contractual considerations

The classic definition of unsafety from *The Eastern City* case applies to both voyage and time charters as follows:

“ A port will not be safe unless, in the relevant period of time, the particular ship can reach it, use it and return from it without, in the absence of some abnormal occurrence, being exposed to danger which cannot be avoided by good navigation and seamanship...”

However, the consequences of unsafety are different.

1. If the charterparty contains a safe port warranty can orders to ports on the Persian Gulf be refused?

- Advice should be sought on your specific situation, but the answer is likely yes. The fact that war risk underwriters have issued a notice of cancellation and increased rates for this area is a strong indicator that it is an area of heightened risk and therefore unsafe. Persian Gulf ports would not be considered safe for most vessels and in the very unlikely event of the vessel being ordered to them, they can be refused.

2. If there is no express safe port warranty in the charterparty, can one be implied?

- It can be implied but this is quite difficult. It is most likely to be implied in a time charter with wide trading limits, but is less likely to be implied in a voyage charter or time charter trip with named ports. Please consult with your claims handler before assuming that the charterparty has an implied safe port warranty.

3. What if the charter does not include an express or implied safe port warranty?

- There may be other clauses that would enable you to refuse calls to ports on the Persian Gulf - see the commentary below on war risk clauses.

4. Can the owner ask for revised orders if a port becomes unsafe?

- A time charterer is obliged to issue fresh orders if a port becomes unsafe whilst the vessel is on approach and the ship would remain on-hire whilst waiting for orders.
- As a matter of law, there is no such obligation on a voyage charterer. As such, if a port nominated by a voyage charterer subsequently becomes unsafe, any variation or cancellation is a matter for negotiation between the parties. Any such negotiations should be clearly marked “without prejudice” to avoid arguments about repudiatory conduct. In the absence of an agreement, a vessel would have to wait outside the port until the charter became frustrated (see below). This is not a practical solution, particularly given the heightened risk in the general area of the Persian Gulf so a negotiated solution should be found, if at all possible. This may result in cargo being discharged in alternative discharge ports where a ship is laden.

Specific contractual clauses: war risk, force majeure, cancellation etc.

Contractual clauses have been developed to address the allocation of war risks. These may be negotiated on a case-by-case basis between the parties, or they may elect to use standard industry clauses, such as the BIMCO war related clauses, revised in 2025. These clauses will vary but we have considered below some common clauses that have been the subject of questions from Members.

5. Can an owner refuse voyage orders given by a time charterer to proceed to a port in the Persian Gulf by relying upon a CONWARTIME 2013 and VOYWAR 2013 clause?

- It seems reasonably clear with the cancellation of the war risks insurance that owners will be able to refuse orders to go to a Persian port or to leave the area by reason of being exposed to “war risks”.
- As mentioned, the BIMCO war clauses were revised in 2025, but it is likely that parties are still using the more established 2013 clauses. For the sake of completeness, it is worth noting that the calculation of the cost of any deviation was amended under VOYWAR 2025.

6. Who is liable to pay the significantly increased Additional War Risk Premiums (AWRP) in respect of calls to ports in the Persian Gulf?

- If such a call is considered to involve going through a war risks area as defined in the CONWARTIME 2013 and this clause is included in the charter, then charterers will be responsible for the AWRP. The same is equally true of the VOYWAR 2013 clause.

7. If the Member has a force majeure clause in the charterparty are owners and charterers obligations suspended?

- Unlike many civil legal systems, there is no common English law concept of “force majeure”. As such, the application and effect of a Force Majeure Clause will depend entirely on how the clause has been drafted and care must be taken to follow the contractual requirements precisely. In the absence of a Force Majeure Clause, neither party will have a right to rely on the principles and they will potentially have to fall back on the English law doctrine of frustration which is notoriously difficult to argue successfully for the reasons discussed below.
- Everything depends on the wording of the clause which must be considered very carefully. The BIMCO Force Majeure Clause 2022 is a good example. It has been designed for use in either time or voyage charterparties, although it would be more common in the latter. It defines “actual, threatened or reported war, act of war” and “warlike operations” as being among the Force Majeure events. It is therefore likely that events near the Persian Gulf would qualify as an event which would trigger the application of the clause. As always, the formalities of the clause must be followed and applied, for example, notice must be given by the party relying on force majeure. The clause does not operate to suspend payment obligations, i.e., hire must continue to be paid and laytime or demurrage will continue to run in accordance with its provisions. In addition, this force majeure clause will permit termination of the charterparty where the parties have agreed to this option and there is no cargo on board.
- In general terms, a vessel waiting off Persian Gulf to load cargo may well be experiencing a force majeure event, which could substantially change the parties’ rights and obligations to each other if there is a force majeure clause. Members and clients are recommended to seek guidance from their normal FD&D lawyer if they think a force majeure clause may be triggered.

8. If cargo operations are delayed does the ASBATANKVOY exceptions clause interrupt the running of laytime or demurrage?

- No. Unless specifically referred to, the general exceptions clause does not apply to the running of laytime and demurrage.

Blocking and trapping

At the time of writing, there is no official closure of the Straits of Hormuz so it appears that some traffic is still able to pass although, not surprisingly, there has been a reduction in inbound traffic. Whilst it remains to be seen how the situation develops, early reports suggest that some ships are not being permitted to leave whilst others can, so it may depend on whether or not the ship is perceived to be connected with Iran’s allies. If this situation changes and navigation is no longer possible, it is possible that ships within the Persian Gulf will become trapped and equally possible that ships outside the Persian Gulf will simply be unable to access the ports inside.

9. Who bears the risk of delays?

Under a time charter, hire will continue to be payable for the duration of any delays unless they are of sufficient duration to frustrate the charterparty (see below). Conversely, under a voyage charter, delays during the sea voyage will fall to the shipowners. During cargo operations laytime and demurrage run as usual unless there are specific laytime or demurrage exceptions clauses which are triggered, including force majeure clauses. Once cargo operations have been completed and the vessel's documents have been returned, owners will only be able to claim against charterers for the delay by way of detention. However, to claim the same charterers must be in breach of the charter which they would not be if the delay was the fault of neither party.

10. Are the charterparties for vessels which become trapped in the Persian Gulf frustrated?

- Under English law, there is a doctrine of frustration (similar to the civil law concept of force majeure) which may apply if the disruption continues for a sufficient duration. Charterparties will potentially be frustrated where they are considered impossible to perform or their principal purpose is radically changed. At this early stage, it is difficult to predict whether frustration is likely to arise, but it is generally very difficult to prove under English law so it is always better to seek a negotiated end to the charter. Furthermore, the consequences of frustration are blunt since the losses lie where they fall.
- If ships are unable to exit, each case will depend on its own facts (including when the vessel was trapped and the duration of the charter). We would recommend that your claims handler is consulted before any notice of frustration is submitted.
- Voyage charters are more likely to be frustrated due to the relatively short nature of the voyage contemplated. If freight has been paid, owners will be able to retain the funds, but they will be unable to claim detention as a result of the delays. If freight has not yet been paid, the owners' best chance of obtaining payment may simply be to wait it out, at least until the Straits of Hormuz re-open and the owners can re-assess their options.
- If charterparties are treated as frustrated by charterers, it is equally possible that bill of lading contracts may become frustrated. However, the vessel owners will still have obligations towards any cargo that has been loaded, and early advice should be sought by them on their responsibilities and options.

11. Are charterparties for vessels bound for Persian Gulf ports frustrated?

- Voyage charters and time charter trips for Persian Gulf ports are likely to be frustrated if it becomes impossible to get there, but are less likely to be if the charterparty contains a "or so near thereto as she may safely get" provision in relation to the port.
- Time charters will not be frustrated since, as mentioned above, the owner can call for alternative orders and the charterers are obliged to provide them.

Cargo issues

Members are also concerned about potential claims from cargo owners under bills of lading if the cargo is damaged or delivery delayed or if delivery becomes impossible. The potential liabilities for owners will depend on whether the charterparty is incorporated into the bill of lading and its terms. However, the Hague or Hague Visby Rules will generally be incorporated.

12. Are owners likely to be liable under any bills of lading issued for any damage to the cargo as a result of the delay to the voyage and the ensuing delayed arrival of the cargo at destination?

- On the basis that the bills should incorporate the Hague or Hague Visby Rules, owners will most probably be able to rely upon one or more of the defences set out in Article IV r 2 of the same. For example: (e) Act of war or (q) Any other cause arising without the actual fault or privity of the carrier.
- Many standard form bills of lading also qualify the discharge port with the protective wording “or so near thereto as she may safely get” which entitles the shipowners to discharge the cargo at an alternative discharge port where the contractual discharge port is no longer safe. If shipowners exercise this right, discharge at the alternative port will not be a breach of the bill of lading contract and they should be able to rely on the wording in defence of any claims for late or non-delivery. Shipowners should undertake an outturn survey to capture the condition of the cargo upon discharge in case it is subsequently damaged.

Insurance covers

The events in Iran and the Persian Gulf touch on all covers available to Members. If you have questions about coverage, please contact your claims handler. This article primarily covers defence issues, and we have therefore predominantly looked at issues relating to FD&D (Defence).

13. If Members have potential claims against their counterparties arising out of the war in Iran, will the legal costs of pursuing these claims be covered by Defence?

- Our Defence handlers will advise and assist you as far as they can in finding a solution. If a claim must be brought, Defence will be provided subject to the usual rules.

As we have seen before in similar conflicts, the situation is likely to change rapidly on a day to day basis so please to reach out to your Defence claims handler to make sure that any advice is as up to date as possible.

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