

# The impact of Wars on Maritime Transport and Insurance contracts

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Presented by :

Lana Zainal – Chief Technical Officer – AWRIS

Eman Haji – Technical Manager - AWRIS



Who is AWRIS ?

الصندوق العربي لتأمين أخطار الحرب

Aab War Risks Insurance Syndicate

# Highlights on AWRIS

## Establishment

The Arab War Risks Insurance Syndicate (AWRIS) commenced its operations on January 1, 1981

## Structure

Lead by prime international reinsurers, including Lloyds of London and other A-rated key International industry players

## Facultative & Treaty

Increased reinsurance commission and profit commission under marine treaties. One source of vast facultative capacity and treaty facility



## Ownership

Owned by its members, minimising their cost of cover with favourable terms and conditions, as well as superior claims handling/settlement

## Pioneering Growth

A growing network organization that connects 190 + member companies, across 16 Arab nations.

## Retention in Member Countries

Bulk of premiums retained within member countries, thus reducing the flow to foreign players

# Member Countries



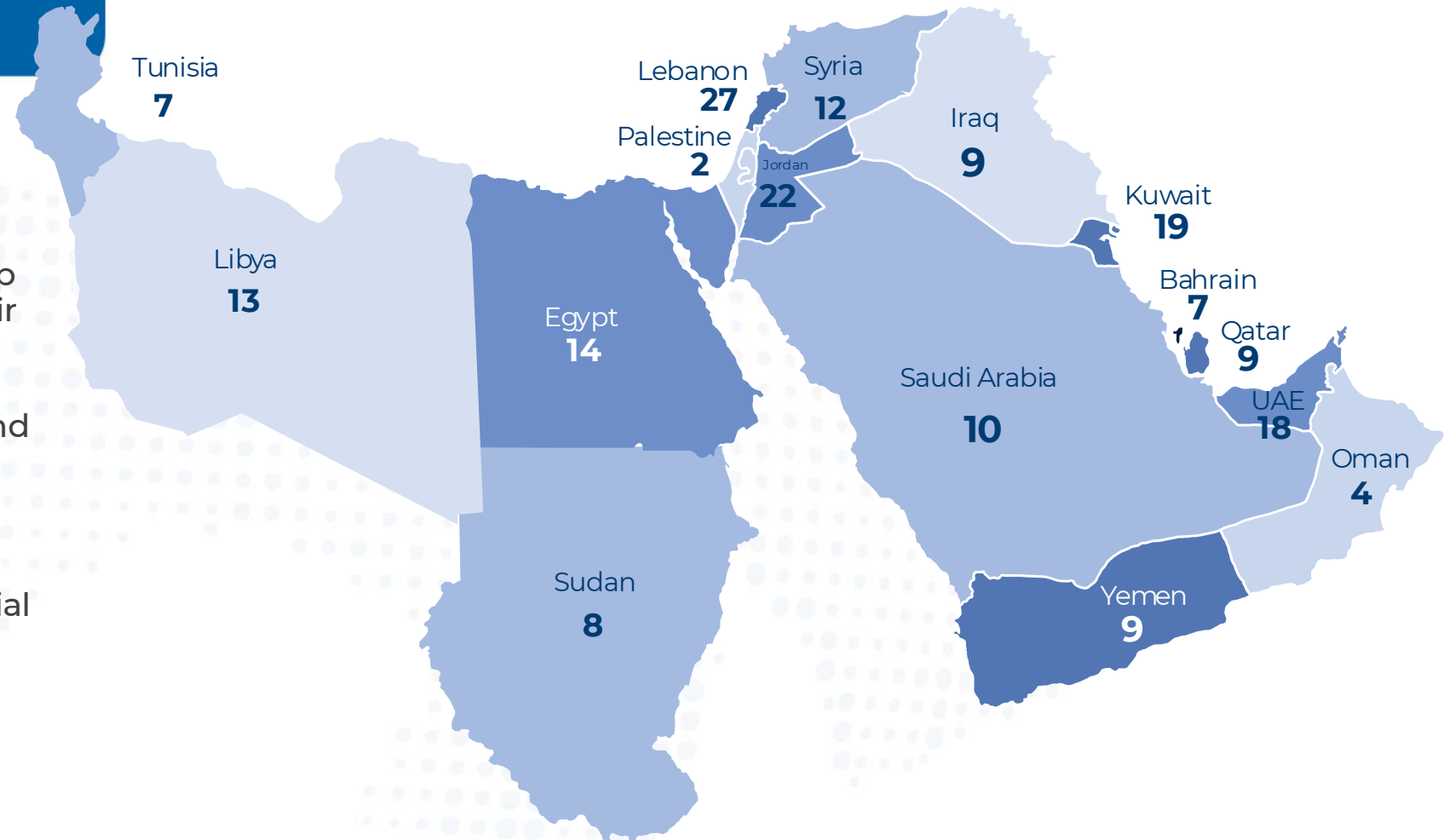
AWRIS is a network organization that connects 190+ member companies and provides support to help them grow and prosper their businesses



Annual profit distribution and sharing



AWRIS builds a solid financial reserve for member companies, accumulating yearly for the benefit of members



22

Total Arab Countries

16

Our Presence

73%

Penetration Rate





# Wars Affecting Maritime Transport



## Some Historical Examples of Wars Affecting Maritime Transport

- ❖ **Napoleonic Wars (Early 19th Century):** The conflict between Great Britain and France significantly affected international trade.
- ❖ **World War I and II:** These global conflicts had a profound and widespread impact on maritime transport.
- ❖ **Iran-Iraq War (1980-1988):** This regional conflict had a significant impact on shipping in the Persian Gulf.
- ❖ **Gulf War (1990–91) :** An international conflict triggered by Iraq's invasion of Kuwait on August 2, 1990. This war resulted in disruption of normal shipping activities due to military operations and the threat of mines. Simultaneously, the massive oil spills and pollution caused extensive and long-lasting damage to the marine environment and its inhabitants.
- ❖ **Russia-Ukraine war (February 2022) :** Ongoing impact on marine transport and disturbance in shipping activities through the black Sea and Sea of Azov, contributed to disruption of the global supply chain issues, specially in terms of goods and food like grains and oil .



# Understanding War Risks Insurance



# Understanding War Risks Insurance

## Definition:

War risk insurance provides financial protection against losses from war, civil war, and war-like events. Coverage can extend to physical damage, business interruption, terrorism, and political violence.

## Who needs it:

Entities operating in high-risk regions or industries such as energy and maritime may benefit from this insurance.

## Standard Exclusions:

Typically excluded in standard insurance policies, necessitating specialized war risk coverage.



## Characteristics of Insurance against war risks

- **Catastrophic:** Covers events with the potential for large-scale losses.
- **Accumulation of Exposure:** Risk concentration in specific geographic areas or industries.
- **Unpredictable Losses:** Difficulty in forecasting the occurrence and severity of war-related events.
- **Difficult to know the magnitude of Loss:** Challenges in assessing the full extent of damages.
- **Excluded in Traditional Marine Insurance:** Typically requires a separate, specialized policy.
- **Special Perils:** Covers risks beyond standard insurance, such as war, terrorism, and political violence.
- **Complex Claims Management:** Requires expertise in handling unique and often complicated circumstances.





# Marine War & Strikes Clauses Hull & Cargo



# Perils covered by Marine Cargo Insurance

Risk covered in clause:	A	B	C
Fire	✓	✓	✓
Explosion	✓	✓	✓
Vessel sinking	✓	✓	✓
Jettison	✓	✓	✓
Breakage	✓		
Theft	✓		
Washing overboard	✓	✓	
War			
Strikes			

Exclusion No. 6

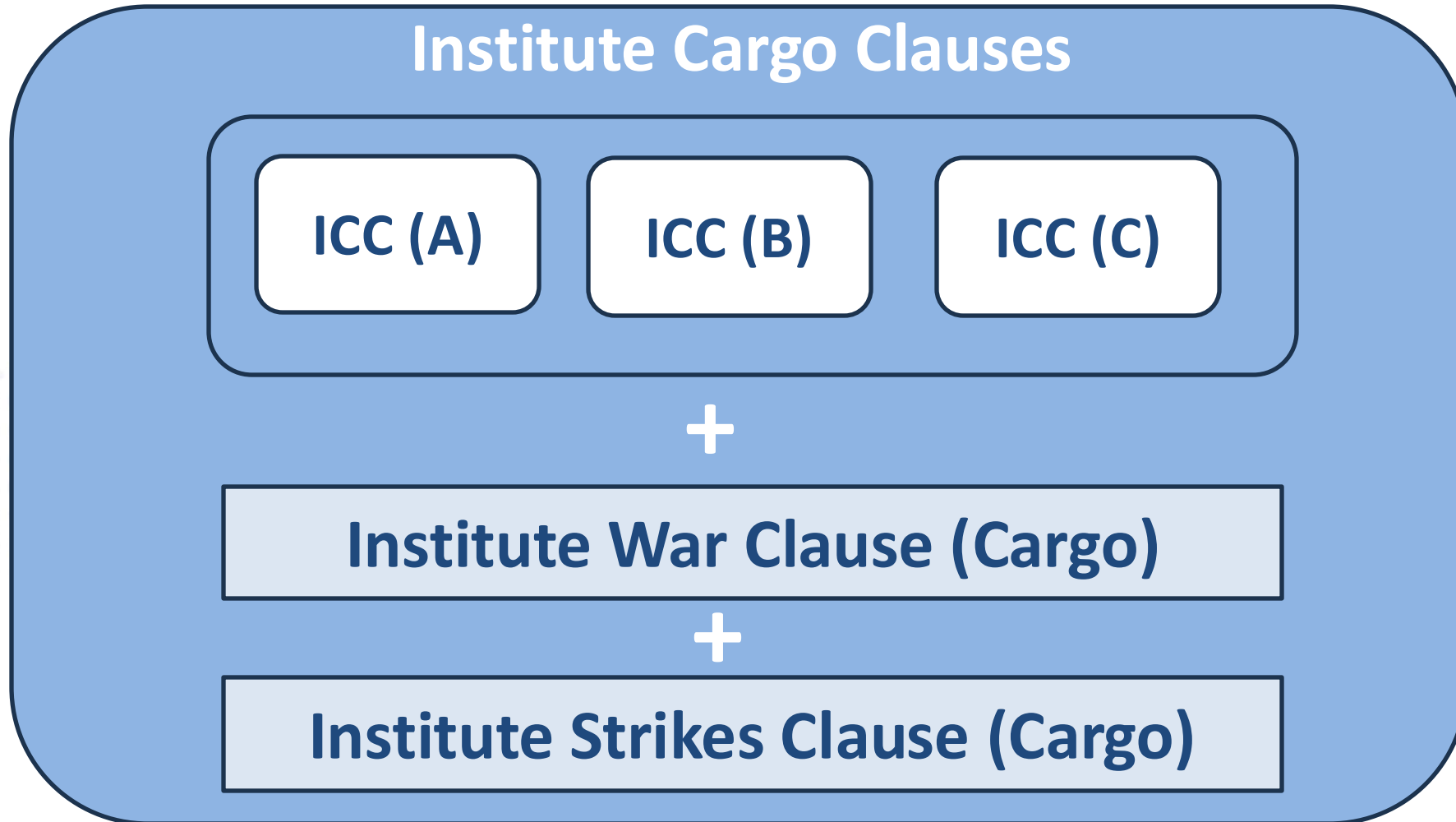


Exclusion No. 7



## Marine Cargo War Clauses - London Market

War covers / clauses complement the conventional Marine Cargo covers





## Marine Hull War Clauses - London Market

War covers / clauses complement the conventional marine covers

**Institute Time Clauses – Hulls (Cl. 280)**

+

**Institute War & Strikes Clauses (Hulls –Time) (Cl. 281)**

**Institute Yacht Clause (Cl. 328)**

+

**Institute War & Strikes Clause - Yachts (Cl. 329)**

# Cargo War and strikes – The Risks

As per Institute Clauses - London Market

## War risks :

- 1.1 War, civil war, revolution, rebellion, insurrection, or civil strife arising therefrom, or any hostile act by or against a belligerent power
- 1.2 capture, seizure, arrest, restraint, or detainment, arising from risks covered under 1.1 above, and the consequences thereof or any attempt thereat
- 1.3 derelict mines torpedoes bombs or other derelict weapons of war.

## Strikes risks :

- 1.1 strikers, locked-out workmen, or persons taking part in labour disturbances, riots or civil commotions
- 1.2 any act of terrorism being an act of any person acting on behalf of, or in connection with, any organisation which carries out activities directed towards the overthrowing or influencing, by force or violence, of any government whether or not legally constituted
- 1.3 any person acting from a political, ideological or religious motive.

**Institute War & Strikes Clause - Hull (Cl. 281) :**

In addition to the above Perils , this also covers  
Confiscation or expropriation perils.





## Areas to highlight on cargo war & Strikes

**War and Strikes Clauses operates as follows:**

**War cover :** From **Loading port** to **Discharging port**

**Strikes Cover:** From **Warehouse** at origin to **Warehouse** at destination.

➤ **War on land risks are not covered** (cf. the Waterborne Agreement 1/1/82 - now reflected in Clause 5, the Duration clause, in the Institute War Clauses (Cargo))



# Red Sea Crisis





# How Red Sea is important for international Trade



**30% of cargo to East Coast**



**≈12% of all world  
trade through Red  
Sea**



**17% of annual  
Crude Oil trade**



**USD 180  
billion**



**USD 100  
billion**



# The Impact of Red Sea Crisis



# Impact of Red Sea Crisis

## On Global Maritime Trade

- **Increased Shipping Costs:**
  - **Longer alternative routes** (e.g., Cape of Good Hope, adding ~\$300,000 in fuel).
- **Supply Chain Disruptions:**
  - **Delays in goods delivery.**
  - Impact on **global supply chains.**
- **Energy Market Volatility:**
  - **Threats to oil tanker passage.**
  - **Fluctuations in global oil prices.**

## On Insurance Contracts

- Some insurers stopped ensuring cargo vessels travelling through one of the busiest shipping routes of the world, which resulted in **reduction of available war insurance capacities and more strict policy terms and conditions.**
- Some shipping companies are **rerouting their cargo** to the longer route via South Africa and the Cape of Good Hope, **raising insurance and other costs.**
- Insurers continuing to cover shipping companies that opt to use the Red Sea route **forced to charge a significant war risk premium, adding to freight costs.**

## Mitigation strategies during maritime Crisis:

- **Diversification of Routes:**
  - ✓ Exploring **alternative routes** to reduce reliance on vulnerable areas.
- **Enhanced Security Measures:**
  - ✓ Increased **naval patrols/security**.
  - ✓ Implementation of measures by the International Maritime Organization (IMO).
- **Technological Innovations:**
  - ✓ Use of unmanned **drones for security**.
  - ✓ Improved **satellite monitoring** for security and efficiency.
  - ✓ **Satellite-based AIS tracking** for monitoring ship movements in volatile regions.

### Global Marine War Insurance Market Response

- **Bab al-Mandab strait in the Red Sea** has been **added to the listed areas** by a decision of the War Joint Committee.
- **Cover for war / warlike perils is additional extension** in Hull & Machinery and Cargo Insurance
- **War extension is agreed as per navigation limits / waters.**
- **Institute War Clauses – unified wordings** are used for war cover in H&M and Cargo
- **Defining of war risk zones** : Hull -Joint War Committee , -Cargo: Joint Cargo Committee Watchlist
- **Notice of Cancellation issued by 7 days notice**
- **Reinstatement of War Cover** : War cover provided for an additional premium.
- **Breach War Cover / Buyback - additional cost** for war cover is charged per risk.



## Expectations from direct insurers / War Underwriters ?



**Presenting proposal form** with highlighting all requirements and material facts.



**Using market intelligence tools** that helps in maritime underwriting.



**Performing sanction checks** for involved entities and **classification check** for the vessel.



**Ensure that proper documents were presented** prior to binding.



Ensure that **all reinsurers' requirements** were fulfilled.



# Market Intelligence Tools

# Cargo War Watchlist by LMA and IUA



<https://watchlists.ihsmarkit.com/watchlists-viewer>

Location	Risk	Marine - War	Marine - Strikes	Air - War/Strikes	Air - War	Ground War/Strikes	Piracy: only for use with JC2011/017 GCWL Clause 2011	Cargo Theft
Afghanistan	(Very High) 3.9			✓	✓	✓		
Argentina	(Elevated) 1.9	✓	✓	✓	✓	✓		
Bangladesh	(High) 2.4	✓	✓	✓	✓	✓		
Brazil	(Elevated) 2.1	✓	✓	✓	✓	✓		
Brazil ( BR-116 Highway Curitiba- Sao Paulo; SP-330 Highway Uberaba-Santos port; BR-116 Highway Rio de Janeiro-Sao Paulo, BR 050 Highway Brasilia-Santos).	(Very High) 3.3							✓
Burkina Faso	(Very High) 3.2			✓	✓	✓		
Burundi	(High) 2.4			✓	✓	✓		
Cameroon	(High) 2.5	✓	✓	✓	✓	✓		
Central African Republic	(Very High) 4.1			✓	✓	✓		
Chad	(Very High) 3.4			✓	✓	✓		
Colombia	(High) 2.5	✓	✓	✓	✓	✓		





# Hull War

## Listed Areas by Joint War Committee

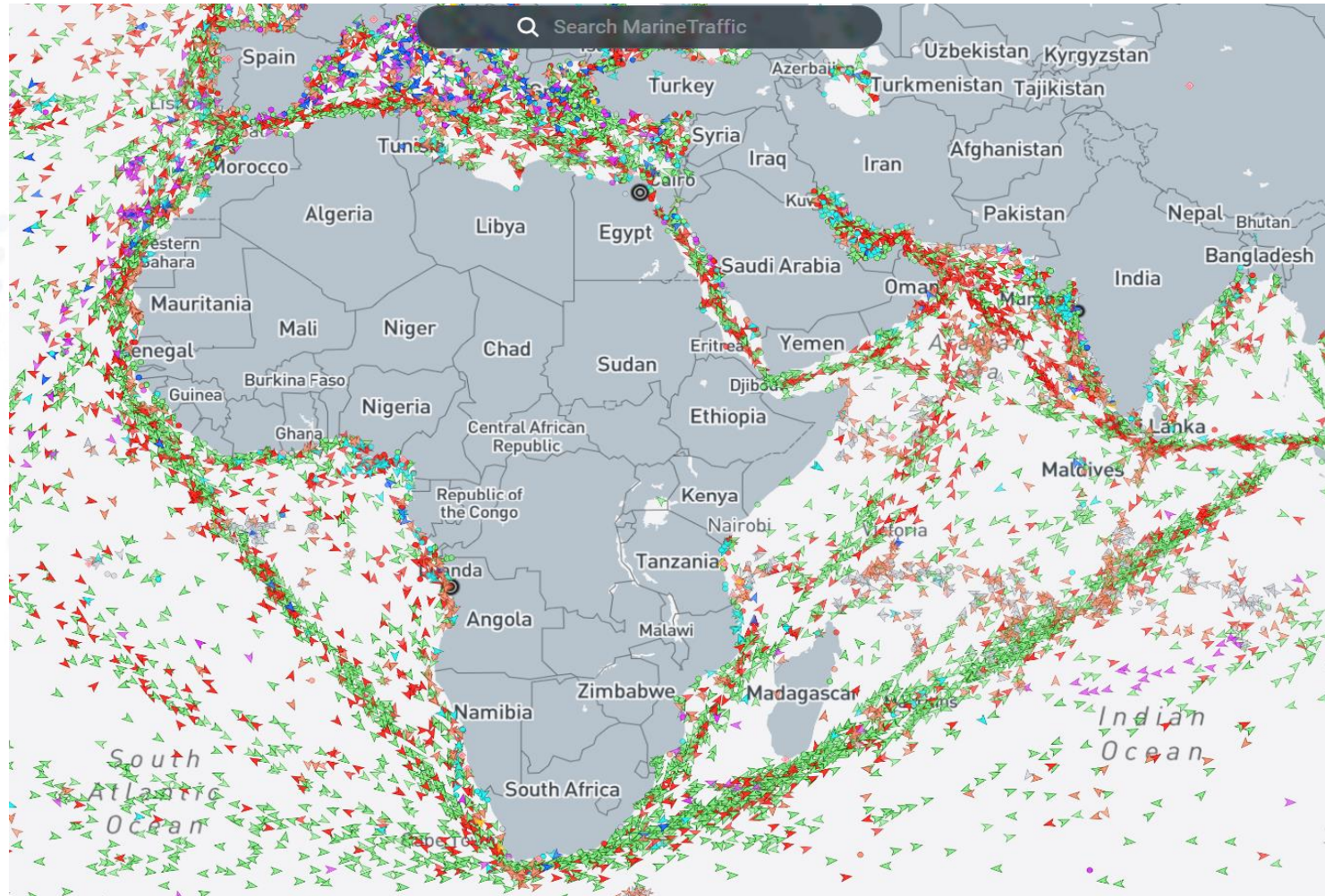


JWLA-032  
18<sup>th</sup> December 2023

JWC Listed Areas Hull War, Piracy, Terrorism and Related Perils	
<b>Africa</b>	
Benin	
Cabo Delgado, waters as defined overleaf	
Eritrea, but only South of 18° N	
Gulf of Guinea, waters as defined overleaf	
Libya	
Nigeria	
Somalia	
Sudan	
Togo	
<b>Europe</b>	
Sea of Azov and Black Sea waters plus inland waters as defined overleaf	
<b>Indian Ocean, Gulf of Aden and Southern Red Sea</b>	
Waters as defined overleaf	
<b>Asia</b>	
Pakistan	
<b>Middle East</b>	
Iran	
Iraq, including all Iraqi offshore oil terminals	
Israel	
Lebanon	
Oman (Musandam Governorate)	
Persian or Arabian Gulf and adjacent waters as defined overleaf	
Saudi Arabia (Gulf coast)	
Saudi Arabia (Red Sea coast) excluding transits	
Syria	
United Arab Emirates	
Yemen	
<b>Russia</b>	
<b>South America</b>	
Guyana, but only calls to offshore installations in the Guyanese EEZ beyond territorial waters	
Venezuela, including all offshore installations in the Venezuelan EEZ	



# Marine Traffic Tool





## Get a clear view of risk

Stay compliant and have confidence in your partners, with a suite of tools specifically designed to help you spot and assess risk

### Complete compliance checks, quickly and simply

Automated compliance risk assessment tools simplify your workflow

### Avoid sanctions

Sanctions data and alerts keep you informed

### Know your customer

Company data helps you understand complex ownership structures

### Get an unbiased view of vessels

Risk indicators help you assess your exposure to risk

### Stay informed of casualties and incidents

Understand where and when they happen



## Monitor maritime trade and seize opportunities

Increase efficiency and act on clear insight with a comprehensive understanding of shipping patterns and real-time operations



### Identify supply and demand shifts

Global trade data helps you spot patterns and anticipate changes



### Know which vessels are where

Vessel movements data gives you a view of the global fleet



### Track containers

Simplify transshipment tracking with end-to-end downloadable data trails on containers



### Act quickly and stay ahead

Automated alerts inform you of relevant changes and keep you ahead of your competitors

## Seasearcher

# Get the complete view of the world fleet

Live. Connected. Trusted.





For more details about AWRIS

**Please visit**

AWRIS Web-site :

<https://www.awris.com>



Thank you