

## Steps To Maintain War Insurance Amid Middle East Conflict

By **Sergio Oehninger, Emily Garrison and Josh Singh** (April 10, 2026, 4:58 PM EDT)

The escalating conflict in the Persian Gulf, also referred to as the Arabian Gulf, involving Iran, regional actors and Western powers has materially increased operational risk in one of the world's most strategically important corridors. Disruptions or threats carry global economic consequences and regional instability.

Increased insurance premiums, broader geographic exclusions of coverage short-notice cancellations by insurers, and sanctions-related constraints have significant implications for companies operating in the region and can reshape risk allocation.

Understanding the complexities of war insurance is vital to companies in managing operational, contractual and financing risk in conflict-affected environments.

### War Insurance

War insurance operates separately from standard hull, marine liability and all-risk policies — which typically exclude losses arising from war-related risks or hostile acts — unless it is bought back or obtained in a standalone war policy.

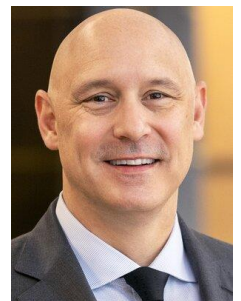
War insurance can fill the gap for geopolitical developments, and provide coverage for physical loss or damage sustained as a result of armed conflict, terrorism, seizure, confiscation or detention, as well as third-party liability for hostile acts or loss of income due to conflict.

War insurance is, however, highly sensitive to geopolitical developments, as war insurance policies often permit short-notice cancellation of seven days or less. In rapidly escalating scenarios, coverage can narrow faster than risk-management efforts and financing structures allow.

### Insurance Response to Geopolitical Escalation

When conflict intensifies or spreads, commercial war insurers often increase premiums for assets, amend geographical limits, cancel war coverage or require stricter sanctions compliance for companies to maintain coverage.

This creates serious risks for companies in:



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- Lease compliance: Companies with assets on lease generally require lessees to maintain war insurance naming the lessor as an additional insured and loss payee.
- Repossession: Geopolitical escalation may increase seizure or detention of assets with increased difficulties in securing repossession.
- Financing exposure: Lenders and note holders generally require continuous war coverage as a condition of financing.

In the shipping arena, as the impact of the conflict on available commercial insurance grows, the U.S. International Development Finance Corp. announced a \$20 billion maritime insurance facility. This program is different from political risk insurance already offered by the DFC, which typically covers risks associated with investment and development in emerging markets such as political violence, expropriation and currency convertibility.

Instead, the newly announced maritime insurance facility will provide war hull-risk insurance, war protection and indemnity insurance and war cargo insurance. The offering will apply to vessels transiting the Strait of Hormuz that meet eligibility criteria provided by the U.S. government. The actual impact of the DFC program on available coverage at this stage in the conflict is uncertain.

## **Risk Management**

Stakeholders with exposures in the Gulf should consider several key steps from a risk management perspective.

### ***1. Review Geographic Exclusions***

Review the geographic exclusions in war insurance policies. While certain jurisdictions such as Iran may be excluded, other affected regions may not. Some policies also contain exclusions for state-on-state conflicts. These provisions should be carefully reviewed to determine whether current developments could trigger broader exclusion language.

### ***2. Reviewing War Notice and Cancellation Provisions***

Pay careful attention to war insurance notice periods and expiration dates. The exclusion of specific geographies may affect decisions regarding where assets are operated or grounded. In some cases, unless the insured accepts a geographical amendment, coverage will be canceled upon expiration of the notice period.

To avoid an unintended lapse of coverage, it is often advisable to accept such amendments prior to the deadline and expressly reserve all rights under the policy and law. The precise wording and implications of each notice should be reviewed before any acceptance.

### ***3. Stress Testing Financing Contracts***

Companies should proactively review financing documents to assess how insurance could cascade into contractual breaches. Many loan agreements, leases and contracts require war insurance at all times by insurers with specified credit ratings. If war insurance is canceled (subject to territorial exclusion) or falls below required limits, companies may be in noncompliance even where no loss or damage has occurred. Companies should take proactive steps to:

- Review cure periods for insurance breaches;
- Confirm notice requirements before lenders can accelerate loans;
- Identify which assets operate in higher-risk regions; and
- Engage contracting parties and lenders if amendments are needed.

#### ***4. Evaluating Operational Adjustments and Asset Deployment Strategies***

When war risk premiums increase, coverage narrows or insurers issue cancellation notices, companies should assess whether operational adjustments can reduce exposure.

Alternative routing or asset deployment are often the most immediate risk mitigation tools available. These measures include avoiding high-risk zones through rerouting assets, using alternative infrastructure where available, and loading/unloading outside designated zones. These measures can reduce premiums, avoid triggering territorial exclusions and preserve war coverage. These steps help mitigate insurance risks, financing protection, sanctions compliance and asset preservation.

#### ***5. Assessing Renewal Considerations***

If renewing insurance, expect underwriters to focus closely on current geopolitical developments where insurers may seek to:

- Reduce aggregate limits;
- Impose jurisdiction-specific sublimits; or
- Expand geographic or conflict exclusions.

It is critical to assess whether a loss is in progress before a cancellation, geographical notice or expiration of a policy period takes effect as coverage may attach if the triggering event precedes a reduction in coverage. This issue is particularly significant in the current Middle East environment where rapidly increasing war-risk premiums and short-notice cancellations may limit or complicate recovery if the timing of loss is not carefully documented.

#### ***6. Consider Other Policies, Including Cyberinsurance***

The conflict may also implicate other types of insurance, particularly cyberinsurance, given the heightened risk of cyberattacks as regional tensions escalate. For example, an Iranian hacker group recently targeted a medical device manufacturer, exfiltrating the company's data and permanently erasing devices with warnings of more assaults on future targets.

Companies should proactively review their cyberinsurance policies to identify notice and reporting triggers, and to determine how the policies might respond to evolving cyber threats tied to the conflict, including state-sponsored cyberattacks and infrastructure disruptions.

Careful review is required to ensure that revised limits are sufficient to cover the full value of an asset operating in a region.

#### **Conclusion**

War insurance does not provide static protection against war-related risks. It is one layer in a broader set of risk management tools. Proactive monitoring of policy terms, coordination with insurers and

lenders, and alignment of operational decisions with insurance and contractual frameworks are essential.

In a region where geopolitical developments can evolve quickly, resilience depends not only on securing coverage, but on understanding how that coverage interacts with financing structures, lease obligations and commercial risk allocation.

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