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Marine Insurance: The Hidden Chokepoint of Global Trade

Insights Engine | Investment Research



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Executive Summary

Marine insurance has become the decisive chokepoint of the US–Iran War 2026, as a 5X surge in war-risk premiums and coverage withdrawal around the Strait of Hormuz effectively halts energy shipping and disrupts global trade.

“Marine insurance is the invisible infrastructure of global trade when underwriters withdraw from a region, commerce stops almost instantly regardless of whether ships can physically sail.”

Neil Roberts

Head of Marine & Aviation,
Lloyd’s Market Association

The outbreak of the US–Iran war on February 28, 2026, has triggered the most severe dislocation in global marine insurance markets in decades. War-risk premiums in the Persian Gulf have surged by more than 500% in a matter of days from 0.15%–0.20% to approximately 1%+ of hull and machinery value while daily Very Large Crude Carrier (VLCC) freight rates have climbed 127% to \$471,158/day by March 6.

More than ten commercial vessels have been struck in the Strait of Hormuz and surrounding waters since hostilities began, prompting major P&I clubs and hull war-risk insurers to cancel or suspend coverage for Gulf transits.

The strait through which an estimated \$1.2 trillion in annual oil and LNG trade flows has collapsed from ~135 vessel transits per day to near zero, sending crude benchmarks above \$100/barrel and threatening a global supply deficit. The marine insurance crisis is not peripheral: it is the primary financial chokepoint through which geopolitical war risk transmits into commodity prices, freight economics, and global supply chain stability.



5X

War-Risk Premium Surged

20M

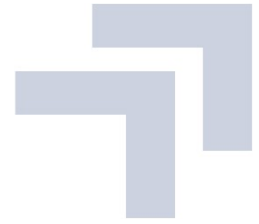
bbl/day Oil Flow at Risk

127%

Jump in VLCC Rates

\$103/b

Oil price surged above



War-Risk Premium Shock in Marine Insurance

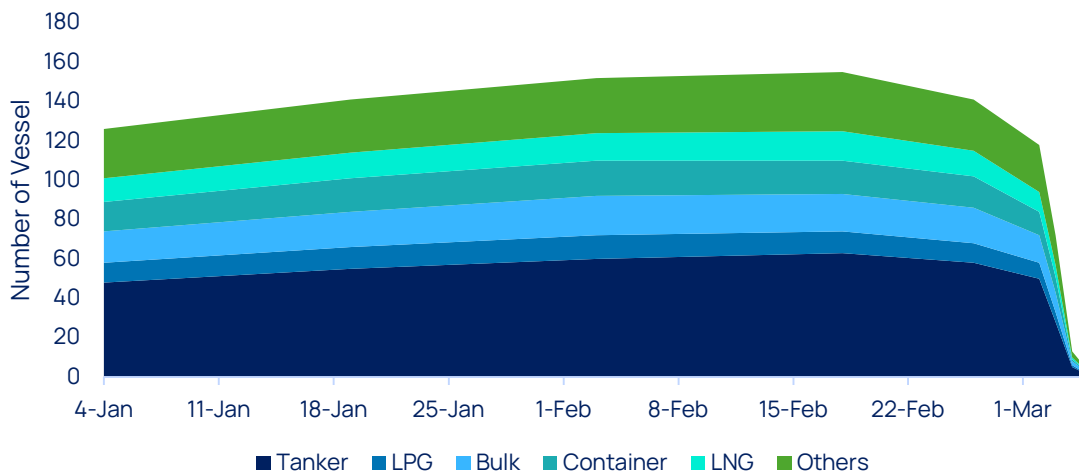
War-risk premiums in the Persian Gulf have surged 5X from ~0.15–0.20% to over 1% of hull value, as insurers dynamically reprice risk using real-time maritime threat intelligence.

The US-Iran war, which erupted on February 28, 2026, has triggered a sharp repricing shock in the global marine war-risk insurance market. Additional War Risk Premiums (AWRPs) surcharges applied by London market underwriters and Lloyd's of London syndicates for vessels transiting high-risk zones designated by the Joint War Committee have surged from a pre-conflict baseline of 0.15–0.20% of hull value to over 1% within days. The 500%+ jump places this episode among

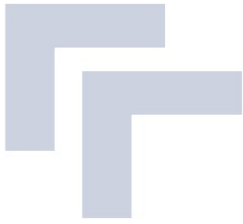
the most severe conflict-driven repricing cycles, historically characterized by 5X premium increases. Insurers are now recalibrating exposure using real-time intelligence from the Joint Maritime Information Center, including drone and missile threat assessments and naval activity around the Strait of Hormuz. With multiple ships already damaged since hostilities began, war-risk premiums are expected to remain structurally elevated until tensions de-escalate.

Traffic through the Strait of Hormuz collapsed

~135 vessels per day to fewer than 5 within days, signaling a >95% disruption in one of the world's most critical energy shipping routes.



Source: S&P Global



Transformation of the Marine Insurance Market

Government-backed reinsurance interventions and expanding war-risk zones signal a structural shift toward state-supported and dynamically priced war-risk insurance markets.

The US–Iran war is catalysing a structural transformation in the global marine insurance market that will outlast any ceasefire. President Trump’s pledge to provide sovereign reinsurance coverage for vessels transiting the Strait of Hormuz to be administered through the US International Development Finance Corp. represents the most significant government intervention in marine war-risk insurance since World War II, when the US War Shipping Administration and the UK government’s War Risk Club provided state-backed hull cover after private markets effectively collapsed.

While the US offer has been cautiously welcomed by Lloyd’s and industry brokers, shipping executives and risk specialists remain skeptical that government backstops alone will restore commercial cargo flows while Iran retains its capacity to strike vessels with modern drone and ballistic missile systems a threat environment fundamentally more sophisticated than the 1980s Tanker War. Marine underwriters at specialist firms such as Vessel Protect (part of Pen Underwriting) have acknowledged that this conflict is unprecedented in its combination of advanced weapons

systems, real-time intelligence integration, and geopolitical complexity. On the structural side, the crisis will accelerate several durable market reforms: the expansion and granularization of JWC-listed war-risk zones based on dynamic threat intelligence rather than static geographic definitions; the development of parametric war-risk insurance products that trigger payouts based on verified strike events rather than traditional claims adjustment; and the formalization of government–private sector co-insurance frameworks that can absorb catastrophic loss scenarios beyond the capacity of private reinsurance markets.

For investment banks, private equity sponsors with shipping or energy infrastructure exposure, and asset managers with positions in maritime-linked credit instruments, the structural repricing of war-risk coverage and the potential for state involvement in reinsurance markets represent both elevated near-term risk and significant medium-term opportunity in insurance-linked securities and alternative risk transfer vehicles.

Coverage Withdrawal & Insurance Capacity Crunch



Suspension of war-risk and P&I coverage by major insurers has effectively halted commercial shipping activity in the Gulf.

The withdrawal of marine insurance coverage from the Persian Gulf represents the most consequential market disruption since World War II, when private underwriters similarly retracted from active combat zones. Multiple members of the International Group of P&I Clubs which collectively cover over 90% of the world's ocean-going tonnage for third-party liabilities suspended war-risk protection indemnity coverage for vessels entering the Mideast Gulf almost immediately following the February 28 outbreak of hostilities. The suspension triggers a cascading legal collapse: without valid P&I and hull war-risk cover, vessels cannot legally operate, charter parties are rendered void under standard contract law, port state authorities may detain ships, and cargo financing banks withdraw letters of credit. The Shipowners' Club notably indicated it could reinstate limited war cover for third-party liabilities up to USD 25 million as of

March 5, but this is far below the catastrophic loss exposure of a struck VLCC carrying approximately USD 120 million in hull value alone, exclusive of cargo and crew liability. Reinsurers who provide the capital backstop for primary marine war-risk underwriters have also significantly tightened capacity, raising aggregate premium costs and reducing maximum coverage limits available per voyage. The London market, historically the world's largest and most liquid marine war-risk insurance pool, is operating under acute capital constraints, with several specialist syndicates declining new business for Gulf-bound vessels entirely. The consequence is straightforward: when insurance capacity disappears from a critical shipping corridor, commercial maritime trade stops not because vessels physically cannot transit, but because the financial and legal architecture underpinning global shipping has been dismantled.

Marine insurance as global trade bottle neck

Traffic through the Strait of Hormuz collapsing from ~135 vessels per day to near zero, shipping reroutes and insurance shocks are rapidly driving higher freight costs and global energy prices.

The Strait of Hormuz is the world's most critical maritime energy chokepoint, with roughly 20 million barrels per day of crude and oil products about 25% of global seaborne oil trade normally transiting the 21-nautical-mile passage. The route is also vital for LNG exports, particularly from Qatar's Ras Laffan, which produces around 112 bcm of LNG annually, with nearly 10 billion cubic feet per day moving through Hormuz to major markets including China, India, Japan, South Korea, and Europe.

Since the escalation of the US–Iran conflict, AIS shipping data indicates traffic through the strait has collapsed from ~135 vessels per day to near zero, effectively removing a significant share of energy supply from global markets. Oil prices reacted immediately, with Brent crude rising above \$100 per barrel, disruption persists.

To avoid the conflict zone, some vessels are rerouting around the Cape of Good Hope, extending voyages by 15–20 days and adding USD 500,000–800,000 in fuel, crew, and operational costs per trip, while also increasing insurance exposure. Freight markets have surged in response: the Platts VLCC index jumped 127% to \$471,158 per day, and clean tanker cross-Gulf MR rates rose from USD 375,000–400,000 to over \$1 million within a week.

For major importers particularly China, India, Japan, South Korea, and Europe the disruption is translating into higher energy costs, supply chain instability, and mounting energy security risks, governments are mulling the release of supplies from their strategic stockpiles to cope with the supply disruption, highlighting how marine insurance shocks can quickly escalate into broader global economic disruptions.

The US–Iran war has exposed marine insurance as the decisive pressure point in global trade resilience more immediate in its economic impact than sanctions, more structurally consequential than freight rate volatility alone. With war-risk premiums exceeding 1,000% above pre-conflict levels, the Strait of Hormuz effectively closed to commercial shipping, and government backstops only beginning to take shape, the marine insurance market faces a fundamental reconfiguration. The central insight: In the modern global economy, marine insurance is critical trade infrastructure and its disruption is a systemic risk that demands active portfolio consideration and strategic response.

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