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The Middle East Conflict: Contractual and Insurance Implications

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Recent military action involving Israel, the United States and Iran has significantly increased security risks in the Persian Gulf region. In response, the UK insurance market issued a Notice of Cancellation of War Risks Insurance on 1 March 2026 for certain areas, reflecting the heightened risk and the introduction of higher Additional War Risk Premiums (AWRP).

The affected areas include:

- Iran and Iranian waters, including coastal waters up to 12 nautical miles offshore
- The 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 (22°42.5'N, 59°54.5'E) to the Iran-Pakistan border (25°10.5'N, 61°37.5'E)

These developments raise a number of important contractual and insurance issues for shipowners and charterers trading to the region. Below we summarise some of the key considerations under English law highlighted by Gard.

A. Safety considerations

Under the SOLAS Convention, the Master has the ultimate authority to make decisions necessary to ensure the safety of the crew, vessel and marine environment. This means the Master may refuse to undertake a voyage that is considered unsafe.

However, the contractual and financial consequences of such a decision will depend on the terms of the charterparty and the obligations agreed between the parties.

B. Safe port warranties

Under English law, a port is considered unsafe if a vessel cannot reach it, use it and depart from it without being exposed to danger that cannot be avoided by good navigation and seamanship.

If a charterparty contains an express safe port warranty, owners may be entitled to refuse orders to proceed to ports in areas considered unsafe due to war risks. The cancellation of war risks cover and increased insurance premiums may be viewed as strong indicators of such risk.

Where no express safe port warranty exists, one may sometimes be implied—most commonly in time charters with wide trading limits. However, this is difficult to establish and specific legal advice should be sought.

C. War risk clauses

Many charterparties incorporate standard industry war risk clauses, such as CONWARTIME 2013 or VOYWAR 2013.

Where such clauses apply, owners may be entitled to refuse voyage orders that expose the vessel to war risks. The recent cancellation of war risk insurance for parts of the Persian Gulf may strengthen the argument that proceeding to certain ports could expose the vessel to such risks.

If a voyage to a war risk area is nevertheless undertaken, charterers are typically responsible for paying any Additional War Risk Premiums (AWRP) under these clauses.

D. Force majeure and frustration

Unlike many civil law jurisdictions, English law does not recognise a general doctrine of force majeure. Instead, the effect of a force majeure event depends entirely on the wording of the clause included in the contract.

The BIMCO Force Majeure Clause 2022, for example, identifies events such as war or warlike operations as potential triggering events. Even when triggered, such clauses do not necessarily suspend payment obligations, meaning hire, laytime or demurrage may

continue to run depending on the terms of the charterparty.

In the absence of a force majeure clause, parties may need to rely on the doctrine of frustration, which applies only where a contract becomes impossible to perform or its fundamental purpose is radically changed. Under English law, frustration is difficult to establish and each case will depend heavily on the facts.

E. Blocking and trapping risks

At present, there has been no official closure of the Straits of Hormuz, although reports suggest reduced traffic and possible restrictions affecting some vessels.

If navigation becomes impossible, vessels inside the Persian Gulf could become trapped while those outside may be unable to access ports in the region. The allocation of delay risks will depend largely on the type of charter:

- Time charters: hire generally continues during delays unless the charter becomes frustrated.
- Voyage charters: delays during the sea passage typically fall on owners, while delays during cargo operations may fall on charterers depending on laytime and demurrage provisions.

F. Cargo liabilities

Delays or disruptions may also lead to claims from cargo interests under bills of lading.

Where bills of lading incorporate the Hague or Hague-Visby Rules, shipowners may rely on defences such as “act of war” or other causes beyond the carrier’s control. In addition, many bills of lading include wording allowing cargo to be discharged at a safe alternative port if the contractual discharge port becomes unsafe.

Owners should ensure appropriate surveys are conducted if cargo is discharged at an alternative port in order to document the condition of the cargo.

Conclusion

The evolving security situation in the Persian Gulf raises complex contractual and insurance issues for shipowners and charterers trading in the region. Matters such as safe port obligations, war risk clauses, force majeure provisions and cargo liabilities will depend heavily on the specific wording of the charterparty and bills of lading.

Parties affected by these developments should seek specialist legal and insurance advice when assessing their contractual rights and obligations.

Disclaimer

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