



MARINE & CARGO PRACTICE

War and Strikes Risks: Coverage and Premiums

The recent political developments in the Gulf region of the Middle East, with an increase in political tensions and warlike actions, have caused Cargo Insurance insurers to reconsider how they provide insurance coverage for War and Strikes risks under Marine Cargo insurance policies.

The requirement for a separately identified insurance premium for War and Strikes risks had largely been removed over the last 20 years on most Marine Cargo insurance placements.

However, the attacks on the *Kokura Courageous* and the *Front Altair* led to significant Marine Cargo insurance losses and following this, whilst they may not have been directly impacted by the events, a large proportion of Marine Cargo insurers decided that they could not continue to effectively provide “free” coverage for such risks going forward, particularly relating to the Gulf region.

The detention by the Iranian authorities of the *Stena Impero* has further increased the will of Marine Cargo insurance insurers to either cancel insurance coverage for shipments to/from this region or more likely to charge an additional premium to reflect the perceived increased risk exposure.

Risk

Marine Cargo insurance insurers traditionally reserve the right to cancel War and Strikes insurance coverage by issuing 7 days’ prior notice before such cancellation becomes effective.

The idea being that in the event of a deteriorating political situation the insurers can protect themselves from being overwhelmed by losses from such an event. This cancellation doesn’t apply however to any shipments/risks that have already attached under the insurance policy, just to “new” shipments/risks occurring after expiry of the notice period.

In terms of the interests being shipped that are being affected by this notice of cancellation, we have been made aware of instances involving the following:



- **Oil interests in bulk** - this is the most high profile interest due to the importance of the Gulf region to the production and trading of Crude Oil especially.
- **Other interests shipped in bulk** - which could include Ores or Chemicals.
- **Interests intended for construction projects** - these are also a concern for insurers due to the fact that often financial delay insurance coverage is often purchased in addition to coverage against physical loss or damage to interests.
- **General interests shipped by container.**

Whilst in the vast majority of cases the existing Marine Cargo insurer is prepared to reinstate the war and strikes insurance coverage, this will be subject to the payment of additional premiums on shipments to or from the Gulf region of the Middle East and the cost of this can vary significantly.

Solution

Marsh Cargo in London have an insurance product available designed specifically to provide insurance coverage for War and Strikes risks.

The insurers involved are Lloyd's syndicates and insurance companies trading in the insurance market in London.

This insurance product can provide up to USD225M of capacity for product on-board any one vessel or conveyance.

The capacity can be bound by the agreement of one insurer.

The intention of the product is to:

1. Remove the Marine Cargo insurance insurer from facing such risks where they do not wish to do so.
2. Secure an alternative pricing proposal for clients, which may prove more favourable for clients, particularly where large volumes/values are concerned. This can take the form of lower premium pricing or "no claim" rebates of premium at the end of the insurance policy period or sometimes both.

NEXT STEPS

If you have clients that may be interested, please send us the exposure information which should include:

- Details of the client.
- Content of shipment.
- Period of coverage required (based on the commencement date of the shipment).
- Volumes/values of the shipment.
- Dates of shipment and vessels used (if known).

We will seek a facility quote if we think it would be more attractive than what is being offered by the client's Cargo insurers.

MARSH JLT SPECIALTY

We are specialists who are committed to delivering consulting, placement, account management and claims solutions to clients who require specialist advice and support. We consider problems from every angle and challenge the status quo with entrepreneurial ideas and solutions.

With unparalleled breadth, our Marsh JLT Specialty global team is united by a determination to bring the most experienced and relevant specialist resources to our clients, regardless of where in the world they are located. This approach means our local specialists work seamlessly with global experts, together creating and delivering tailor-made risk and insurance solutions which address each client's unique challenges.

Our service offering is enhanced with insight-driven advice supported by tailored data, analytic and consultancy capabilities to support clients in making important decisions about their complex risks.

Exceptional service combined with transparency, integrity, and accessibility underpins our partnerships with clients.

ABOUT MARSH

Marsh is the world's leading insurance broker and risk adviser. With over 35,000 colleagues operating in more than 130 countries, Marsh serves commercial and individual clients with data driven risk solutions and advisory services.

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