CLIENT ALERTS & INSIGHTS

Iran Conflict - Global Shipping Risks Explained

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Featured Industries: Transportation & Logistics, International Trade & Supply Chain Management

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Armed conflict with Iran commenced on February 28, 2026. Since that time vessel operators, logistics providers, cargo owners, and those looking to receive landed product have faced far-reaching challenges. War is not a new risk any more than supply chain interruption risk. Still, this conflagration and its epicenter at the Strait of Hormuz raises legal issues in ways that the global pandemic (2020), war in Europe (2022), war in the Gaza and the Red Sea (2024), and the IEEPA tariff roll-out (2025) only brushed upon. This article explains the top legal concerns on industry minds today and their impact.

Insurance Impact. Geopolitical instability places stress on marine insurance placements by testing coverage assumptions that often remain unexamined during stable periods. The current environment is no exception. For vessels engaged in the carriage of petroleum, petrochemicals, fertilizer, helium, and other politically sensitive cargoes, risk is under close review by stakeholders. Risk allocation is increasingly shaped by the interaction of policies, contracts, and counterparties, the dynamics of which too often become clear only after a delay, detention, or loss has occurred.

War risk insurance, which is typically maintained as a separate placement from hull and machinery coverage, has taken on renewed significance in light of the conflict. Underwriters are scrutinizing voyage profiles with greater intensity, including the effects of routing, port calls, cargo descriptions, and counterparty exposure. Insureds should expect renewals and mid-term adjustments to include additional premiums, expanded notice obligations, and voyage-specific endorsements. Strict compliance with those requirements is essential since failures involving notice, warranties, or trading limits may materially impair coverage. Sanctions-related exclusions further complicate recovery, particularly where losses are connected to state actors, designated entities, or restricted jurisdictions.

Hull and machinery policies present distinct but related challenges. Losses arising from detentions, seizures, blockades, or adverse governmental actions fall between insured marine perils and excluded war risks. Coverage disputes in these areas tend to turn on causation, particularly whether the proximate cause of a loss is operational or geopolitical in nature. Where commercial or navigational decisions intersect with evolving political conditions, insurers and insureds often end up with divergent views about the intent and scope of coverage.

Cargo interests face similar exposure. Standard cargo policies exclude war-related risks, including seizure and confiscation, absent a specific endorsement. When coverage is declined, shippers may look to contractual mechanisms such as letters of indemnity or force majeure provisions for relief. However, these tools frequently offer limited protection where losses fall outside insured risks or

implicate sanctions compliance. Claims in these contexts tend to be fact-intensive and slow to resolve, underscoring the importance of early coordination with insurers.

Supply Chain Impact. Acute challenges to supply chain functions across operators and shippers have been broader than many outside of the industry would imagine. For example, traffic in the U.S. trades has drawn outstandingly fast attention from the Federal Maritime Commission ("FMC") as well as Customs and Border Protection ("CBP"). Air cargo markets have seen the double challenge of increased volumes and airspace closures. Shipper industries outside of core petrochemical businesses have witnessed the threat of war surcharges, letter of indemnity demands, force majeure notices, reroutings, and delivery delays.

Two immediate changes under regulatory law emerged in quick succession. First, CBP issued a Jones Act waiver effective March 17 to May 17. This waiver permits foreign flagged, owned, and operated vessels to traffic across sequential ports of call in the United States. It is intended to increase shipping capacity in the U.S. trades. Second, the FMC issued a shipper-protective announcement on March 11 followed by a denial of four Special Permission requests filed by steamship lines seeking to waive the 30-day publication requirement for war surcharges. Across these actions, the FMC advised beneficial cargo owners to closely review carrier tariffs and service contracts, and to consider dispute resolution and litigation in the event of breach, while also reminding the lines that any deviation from tariff publication rules requires an adequate showing of cause.

Ocean carrier bid season is occurring alongside this conflict which has raised some new commercial challenges between shippers, their carriers, and NVOCCs. Rating and cost variance may rise again as a challenge for procurement departments just as it did during the pandemic. Simultaneously, we are seeing repeated instances of letter of indemnity demands placing shippers on notice that loss may be recoverable and uninsured. We are also seeing early rumblings of force majeure claims. The challenge with force majeure, however, is that it is a defense to non-performance rather than a "free for all" in the event of costly or challenging operations. It is common for blanket force majeure notices to be legally deficient, since the events claimed do not prohibit performance, or if they do, the period of non-performance does not align with the occurrence of those events as is required under the law.

War defenses to cargo loss and damage claims are the bedrock issue at the heart of commercial relationships during this period. Carriers of all modes have long avoided liability under the law for losses caused by acts of war, government intervention, or the public enemy. In the U.S., the Carriage of Goods by Sea Act ("COGSA") governs liability for ocean shipping and yet has historically excluded responsibility resulting from war (46 USC 30706 (Note at Section 4(2))). Similarly, international air carriage subject to the global treaty known as the Montreal Convention has since its inception excluded liability for an act of war or armed conflict (Article 18 at Section 2(c)). In all events, delay is typically not compensable as a damage under ordinary circumstances and the total cost of service can be expected to lawfully increase in the event of reroutings.

Navigating These Waters. This geopolitical environment is a wake-up call for awareness of the interconnectedness between marine insurance, global supply-chain operations, and commercial risk allocation. The initial point of interruption is probably no surprise. For vessels carrying petroleum, petrochemicals, and other strategic cargoes, these tensions manifest first as operational disruptions

affecting routing, schedules, and vessel availability. The knock-on effects are harder for many to predict and manage. Resulting changes in insurance market responses, supply-chain decision-making, regulatory response, and the potential for disputes are as wide-ranging as they are impactful.

Persistence of these conditions will trigger sustained pressure on marine insurance markets with war risk premiums, listed trading areas, sanctions exclusions, and compliance requirements that demand the insured's close attention. Operational disruptions and disputes over surcharges, force majeure, and war cargo coverage affect cargo flows and commercial relationships, producing immediate downstream effects for ports and operators even where local operations remain stable. Needless to say, these are the times when risk and supply chain professionals can become heroes of their organizations by rising to the occasion and charting the best course of action.

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