

SHIPPING NEWS

CARGO WAR RISKS ARE BACK ON THE TABLE - AND YOUR POLICY MIGHT NOT RESPOND

WHY THIS IS BECOMING A BIGGER ISSUE

The recent escalation in global conflicts, particularly in the Middle East, has pushed cargo war risk back into focus for Australian importers and exporters.

What War Risk Cover Actually Does (and doesn't do)

Standard cargo policies that include Institute War Clauses are designed to respond to physical loss or damage caused by events such as:

- War, civil war, or hostile acts
- Seizure, detention, or capture of cargo
- Damage from weapons of war

However, there are two critical limitations many businesses overlook:

- It only applies to sea and air transit – not inland movements
- It does not cover commercial consequences like delay or additional costs

Therefore if cargo is delayed, diverted, or incurs additional freight, that is typically not insured.

This is an example of a part of the insurance policy that most shippers need to read closely:

Coverage under Institute War Clauses (Cargo) CL385 / Air CL388 and Institute Strikes Clauses CL386 / CL389 is excluded for claims occurring in locations classified as 'high risk' (2.4 - 3.1) or above at the time transit commences.



This tool, the Joint Cargo Committee (JCC) Global Cargo Watch List, allows the general public to view the risk associated with a geographical area. It shows High-risk jurisdictions, Sanction-linked entities, Vessels or operators with elevated risk profiles and can be accessed here: <https://watchlists.spglobal.com/watchlists-viewer-public>

The Reality in 2026: Cover Is Being Cancelled or Restricted

In 2026, cargo insurers are no longer treating war risk as a static policy inclusion, but as a dynamic exposure that is being actively managed in real time.

At the same time, insurers are relying on standard policy provisions to reprice or cancel war risk cover at short notice, often with as little as seven days' notice, where exposure is deemed too high. The practical implication for importers is clear: insurance arrangements that were valid at the time of booking may change during transit, meaning cargo can move through the supply chain with reduced or no war risk protection if conditions deteriorate.

As geopolitical tensions escalate, particularly across key trade corridors, insurers are withdrawing cover in designated high-risk regions, while shipping lines are rerouting vessels away from areas such as the Strait of Hormuz. This has led to sharp increases in freight costs, war risk premiums, and overall insurance pricing.



If shippers are shipping to these regions, then it is possible to approach insurance providers for cover at a higher premium on a case by case basis. Any land travel however is still more than likely to remain excluded in the coverage.

This is general advice only and we recommend you consult your insurance provider for specific advice.