DUAL Europe

Managing War risks under a Cargo Insurance Policy

24 February 2022 – Russia invades Ukraine





24 February 2022 – Action?

- For most of us, first time in our Marine carreer we are faced with a War situation
- Outbreak of war: situation is different from the situation at the time of concluding the policy; the risk materialised; higher risk of loss or damage
- Insurers may not want to continue cover for War or may want to adjust the terms/better terms
- What to do? How to manage?
- Back to basics: Policy wording and market clauses
- Policy - Cancellation provision: 7 days cancellation notice for WSRCC
- Clause 304 ABAMBVT – War and Strikes Premium
- Policy - Leading Underwriter clause
- Clause 601 ABAMBVT – Medeverzekering en Leiding



Policy clause – 7 days cancellation provision

Sample of Cargo policy common cancellation provision

…
Parties are entitled to cancel this open cover at any time, with sixty days' notice by registered letter to [the broker]; notice to commence as from sending, the postmark to count as evidence.

This cancellation notice however being restricted to seven days as regards war, strikes, riots and civil commotions risks …

Should one or more companies cancel war, strikes, riots and civil commotions risks during the currency of this open cover, the assured to have leave to cancel marine, transit and other risks hereunder, the latter then ending on the same date as the cancelled war, strikes,riots and civil commotions risks.

All sendings on risk before expiry of the cancellation notice, to remain fully covered in accordance with the stipulations mentioned under…duration of risks.

Clause 304 ABAMBVT – War and Strikes Premium

Clause 304 ABAMBVT – War and Strikes premium - dated 19 October 2006 (updated 1st April 2019)

The premium rate for the risks of war and/or strikes, riots and civil commotions as mentioned in the particular conditions is only valid for regions which, upon inception of the risk, are rated as 'low' or 'moderate' according to the 'Risk Scale' of the 'Global Cargo Watch List' (GCWL).

Shipments to, from or through regions not rated as 'low' or 'moderate' have to be declared by the assured and are held covered subject to additional premium to be agreed or, if necessary, to be arbitrated.

The risks of strikes, riots and civil commotions relating to storage risks in the aforementioned regions follow the same rule as above.

Policy clause - Leading Underwriter clause

Sample of Cargo policy common Leading Underwriter clause

The undersignd co-insurers, companies … and/or agents or companies hereby undertake to follow the decisions taken by the leading underwriter as regards any matter concering: its interpretation or management, including rates, premiums and conditions of insurance, extending or amending the latter, territorial limits or insured goods, also concerning any measures whatsoever to be taken in case of a claim or in order to prevent claims, …
It is agreed that this list is given as examples only ad cannot in any way be restrictive, all co-insurers being irrevocably bound by any decision whatsoever taken by the leader with the only exception of exclusions hereafter.
…
Exclusions
Are only excluded from this undertaking the following amendments thta must, as a consequence, be accepted by each co-insurer:
…
- *Inclusion of following risks:*
  b) war risks
- *Amendments in cancellation notice period*

Clausule 601 ABAMBVT – Medeverzekering en Leiding

Clause 601 ABAMBVT – Medeverzekering en Leiding – dd 26 maart 1998

In geval van medeverzekering gelden volgende bepalingen:

…

3. 3.1 Elke medeverzekeraar verbindt zich ertoe de leidende verzekeraar te volgen in al zijn beslissingen met betrekking tot het beheer, namelijk de uitvoering en de interpretatie van de verzekeringsovereenkomst;

…

4. Vallen onder meer buiten het beheer en dienen met elke medeverzekeraar voorafgaandelijk en uitdrukkelijk overeengekomen te worden:

…

4.4 dekking van de risico's van oorlog, staking een oproer, indien deze risico's nog niet gedekt waren;

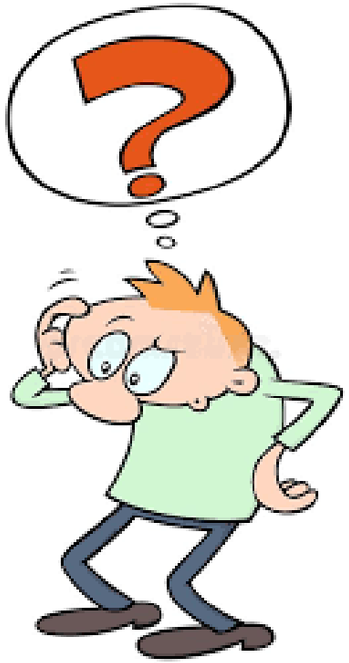
…

24 February 2022 – Action?

- Look at terms of each individual policy

- Insurers who are happy with the terms, no action needed

- Insurers who are not happy with the terms (not prepared to grant War cover or not happy with held covered), action needed: cancellation/serve NOC



- Who takes the initiative/first step? Cancellation of War Risks allows Assured to cancel Ordinary Risks with the same notice period. Insurers fear loss of portfolio.

- And how?
  - For each individual policy?
  - Each insurer for his share? Does NOC by the Leading Underwriter is effective for all co-insurers?
  - By registered letter

- And quid reinstatement?

24 February 2022 – Action? - *continued*

- Each Insurer **different position/instructions**
- Each Insurer **different timing**: different start and end date of NOC's
- **Different scopes** of NOC and reinstatements: RUB +/- Black Sea
- Cargo policies are co-insurance policies

⇒ NO UNIFORMITY

⇒ COMPLEX SITUATION/CHAOS

⇒ IMPOSSIBLE TO MANAGE FOR THE BROKERS

⇒ UNHAPPY BROKERS/CLIENTS



NOC & REINSTATEMENT – SIMULTANEOUS - SAMPLE

Following escalation of the conflict between Ukraine and Russia and in accordance with policy terms, we hereby give formal notice of cancellation of cover for war, strikes, riots and civil commotion (WSRCC) risks.

A 7 days' notice applies and will start on 3rd March 2022 at 00.01 hrs CET.

At expiry of the cancellation notice, WSRCC cover is automatically reinstated subject to amendment of policy wording as follows: "Transits to, from or within Ukraine, Black Sea and Sea of Azov; Belarus or Russia within 200 km of the land border with Ukraine; inclusive of disputed territorial waters around Crimea or the Sea of Azov, will be subject to prior submission to Insurers and confirmation of cover and terms to be agreed by Insurer".

NOC – operation of NOC

Policy Wordings:

- *All sendings on risk before expiry of the cancellation notice, to remain fully covered in accordance with the stipulations mentioned under…duration of risks.*

- *Notice, if given, shall not apply to any risks which have already attached or been declared prior to the expiry of the applicable notice period.*

Cl 300 ABAMBVT – War Risks for the Carriage of Cargo by Sea – dated 20 April 2004

Duration of risks
…
6.1. Direct voyage without transhipment
6.1.1. This insurance attaches as and when the subject-matter insured or part thereof is loaded on the oversea vessel for the purpose of the insured voyage

NOC – operation of NOC



- Waterborne cover
- Policy wording is clear: cargo loaded before expiry of notice period is covered
- Difference between Cover or No Cover: on land, no cover <-> on board, cover
- Load as much as possible before the cancellation notice expires, to trigger War cover
- Or not?

NOC – operation of NOC – War Russia/Ukraine

- Vessels continued loading operations after outbreak of war in Ukraine and during notice period
- Ukraine government had formally closed all the ports
- Russian navy was patrolling the Black Sea and the Sea of Azov
- vessels were trapped
- Is the cargo loaded during the NOC covered against War risk?
- « It’s like bringing garden furniture in a burning house »



NOC – operation of NOC – War Russia/Ukraine

- Insurance cover fortuities not certainties
- Once an insured peril operates, the Insured has a duty to sue and labour and should take reasonable steps to avert or minimise an insured loss
- On the facts: vessels would not be leaving the ports
- War perils of restraint or detainment had started to operate from 24th of February 2022 onwards
- Insured who continued loading after the 24th of February must or should have known that the vessel was never going to be able to sail from the load port
- Continued loading was done to
    - Trigger War Risks cover
    - To argue that the cargoes loaded were a total loss by reason of deprivation of possession

NOC – operation of NOC – Conflict US-Israel-Iran and SOH

- Would the same argument work in the US-Israel-Iran War and the SOH?
- Matter of fact!
- Iran may have tried to close the SOH
- Was the SOH actually closed?
- No ships with cargoes becoming stuck in any ports in that area and being unable to move

December 2023 – Houthi attacks in Red Sea







January 2023 – Action?

- Again NOC and reinstatement: different part of the world excluded for War
- Again CHAOS due to differences between insurers in terms of NOC (timing/scope) and differences in reinstatements
- Worldwide unstable geopolitical situation: 50-60 armed conflicts worldwide
- Weekly/monthly NOC’s plus weekly/monthly readjustment of geographical scope of War covers?
- How to do deal with this in a more efficient way AND resolve frustration of the brokers?
- Inspired by the French way of working: no cover for zones 7 and 8 of CESAM
- Led to the ABAMBVT clause 305



Clause 305 ABAMBVT – Terms for WSRCC Risks

- Clause 305 ABAMBVT – Terms for WSRCC Risks - dated 10 October 2024 (replaces clause 304 of 19 October 2006)

The cover for the risks of war and/or strikes, riots and civil commotions, if covered in the particular conditions, is only valid for shipments from, via, to or within countries and/or regions which, upon inception of the risk, are rated up to and including the level "High" according to the 'Risk Scale' of the 'Joint Cargo Committee Global Cargo Watch List' (JCC GCWL).

Shipments from, via, to or within countries and/or regions which, upon inception of the risk, are rated as 'Very High' on the JCC GCWL have to be declared by the assured and are held covered at terms and conditions to be agreed or, if necessary, to be arbitrated.

Shipments from, via, to or within countries and/or regions which, upon inception of the risk, are rated as 'Severe' or 'Extreme' on the JCC GCWL are not automatically covered. The cover will be subject to prior agreement and at terms and conditions to be agreed.

Changes in rating triggering the aforementioned regime of absence of cover shall apply after a transition period of 7 days to count from midnight (24:00 hrs) Central European Time (CET) on the day of modification of the JCC GCWL. This transition period will be 48 hours when the change in rating concerns shipments:
- to, via, from or within the USA or
- for transits by air.

Irrespective of the above, this policy further excludes loss, damage or expense arising from the outbreak of war (whether there be a declaration of war or not) between any of the following countries: United Kingdom, United States of America, France, the Russian Federation, the people's Republic of China.

The risks of strikes, riots and civil commotions relating to storage risks in the aforementioned countries and/or regions follow the same rules as above.

cl 305 ABAMBVT – Terms for WSRCC Risks

- Terms for WSRCC
- Automatic mechanism
- Reference to JCC GCWL
- If policy covers WSRCC, shipments from, via, to and within countries or regions:
  - Up to High: covered
  - Very High: held covered at terms and conditions to be agreed
  - Severe or Extreme: no automatic cover; prior submit and agreement on terms and conditions
- Transition period of 7 days from midnight CET on the day of modification of JCC GCWL / 48 hours for air transit and for US nexus
- Five Powers War
- Storage risks

Clause 614 ABAMBVT – Co-insurance and leadership

Clause 614 ABAMBVT – Co-insurance and leadership - dated 10 October 2024

…
4. Always fall outside the mandate of the leading underwriter and shall require the prior and express agreement of each co-insurer:

…

4.5 coverage of the risk of war, strikes and riots if these risks were not insured, or for shipments from, via, to or within countries or regions rated as 'Severe' or 'Extreme' according to the 'Risk Scale' of the 'Global Cargo Watch List' (GCWL) (**)

…

(**) terms of coverage agreed with the leading underwriter for the risks of WSRCC for shipments from, via, to or within countries or regions rated as 'Very High' according to the 'Risk Scale' of the GCWL shall immediately upon their release be shared by the broker with the co-insurers.

Clause 613 ABAMBVT – Co-insurance and leadership

Continued

Clause 614 ABAMBVT – Co-insurance and leadership - dated 10 October 2024

5. Cancellation and/or shortening of the notice period

Cancellation of the insurance policy and/or shortening of its notice period by the leading underwriter binds all co-insurers. The leading underwriter shall inform each co-insurer about this decision in writing as soon as possible.

The postmark (or e-mail date in case of mutual agreement to communicate this by e-mail) shall be proof of said communication.

Cancellation of the insurance policy and/or shortening of its notice period by a co-insurer binds only himself.

The mutual agreement to communicate by e-mail shall be deemed accepted by the recipient of the communication as soon as the later responds in writing without explicitly rejecting e-mail as a means of communication.

28 February 2026 – start conflict US-Israel-Iran









February 2026 – Action?

- Test case for the cl 305 ABAMBVT
- Automatic mechanism: sit back and relax
- Waiting for JCC to adjust
- Other markets: chaos/no uniformity







Trigger of cl 305



- Joint Cargo Committee = the Cargo Commission of the UK Marine Association
- S&P advises JCC: 1x per month, second Wednesday of the month
- Conflict started on 28 Feb; list was adjusted 4th of March

JCC Global Cargo Watch List

Publish Date: April 8, 2026 | Geography: (All)

Low 0.1-0.7	Moderate 0.8-1.5	Elevated 1.6-2.3	High 2.4-3.1	Very high 3.2-4.3	Severe 4.4-6.4	Extreme 6.5-10.0

Geographies

	Risk Level	*Marine Score*	*Air Score*	*Ground Score*
Central African Republic	Very High		Very High	Severe
Chad	Very High		High	Very High
Congo Democratic Republic	Very High	Elevated	Very High	Severe
Ethiopia	Very High		High	Very High
Haiti	Very High	Severe	Very High	Severe
Iran	Severe	Extreme	Extreme	Severe
Iraq	Severe	Extreme	Severe	Severe
Israel	Very High	Severe	Severe	Very High
Kuwait	Severe	Extreme	Severe	High
Lebanon	Very High	High	Very High	Very High

Can policy be cancelled for War risks?

- General cancellation provisions:

> *« parties are entitled to cancel this open cover at any time with a 60 days notice. This cancellation notice shall be restricted to seven days as regards war, strikes, riots and civil commotions risks. »*

- Does cl 305 prevents cancellation of the policy?
- Priority of conditions: General vs Particular conditions
- Is there a contradiction between cl 305 and a general cancellation provision?
- Stipulate that Insurers/Parties will maintain the right to cancel the war risks corresponding to the cancellation provisions of the policy.

Deviating provisions in the policy?

- Cl 305 vs specific clause in the policy:

  « It is agreed that in the event of a transit to or from or within the geographical areas listed as Elevated, High or Severe in the GCWL, war and/or strikes risks in respect of such transits are held covered in accordance with the applicable war and/or strikes clauses contained in the Policy at rate(s) to be agreed.»

  No automatic cover (cl 305) vs held covered.

- Priority of Conditions: General vs Particular conditions?

- The most favorable benefits to the Assured

- Stipulate that clause 305 will be paramount?

Which scoring applies?

- Average score vs the risk score corresponding to the specific means/component
- General wording of the clause: countries and/or regions which …are rated
- Clarification needed?

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Iraq	Severe	Extreme	Severe	Severe
Israel	Very High	Severe	Severe	Very High
Kuwait	Severe	Extreme	Severe	High
Lebanon	Very High	High	Very High	Very High

Does the regime applies to the entire voyage?

- Does the regime applies to the entire voyage OR only to the specific High Risk Area (HRA)

- General wording: *« shipments from, via, to or within countries and/or regions which… »*

- Different views – 2 schools in Belgium:
  - Yes/no (only HRA)
  - or distinction *« from/to »* vs *« via »*

- Hull practice?



Does the clause applies to container shipments?

- No distinction made in cl 305

- Position in other markets?

- Does cargo interest know the routing of a container?

- Different views – 2 schools in Belgium:
  - Yes/no
  - Or distinction *« from/to »* vs *« via »*





Evaluation of cl 305/JCC GCWL



- Automatic mechanism: both ways, increase and decrease in risk (in a geopolitical instable world)
- Basis objective data/trigger: S&P/JCC GCWL scoring
- Clear geographical delimitation
- Adjustment to frequent change
- Accessible to everyone

=> Results in UNIFORMITY and CERTAINTY

- Trigger/Reactivity of S&P/JCC GCWL adjustments
- Absence of narrative
- Absence of mailing flagging changes

INDIAN OCEAN, GULF OF ADEN AND SOUTHERN RED SEA (Marine risk in the waters enclosed by the following boundaries: a) on the northwest, by the Red Sea, south of Latitude 25.5°N (not including Egyptian territorial waters), b) on the northeast, from the Yemen border at 16°38.5′N, 53°6.5′E to high seas point 14°55′N, 53°50′E, c) on the east, by a line from high seas point 14°55′N, 53°50′E to high seas point 10°48′N, 60°15′E, thence to high seas point 6°45′S, 48°45′E, d) and on the southwest, by the Somalia border at 1°40′S, 41°34′E, to high seas point 6°45′S, 48°45′E)

Severe

Evaluation/Comparison JCC GCWL vs CESAM

- Semi Public
- Paying
- Narrative against a charge
- Slow in adjusting
  (Red Sea: Jan 24)
- No Map
- English

- Public
- Free of charge
- Narrative
- Reactive in adjusting (Red Sea: Dec 23)
- Map
- English and French

JCC Global Cargo Watch List

Publish Date: April 8, 2026 | Geography: (All)

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Iraq	Severe	Extreme	Severe	Severe
Israel	Very High	Severe	Severe	Very High
Kuwait	Severe	Extreme	Severe	High
Lebanon	Very High	High	Very High	Very High

CESAM

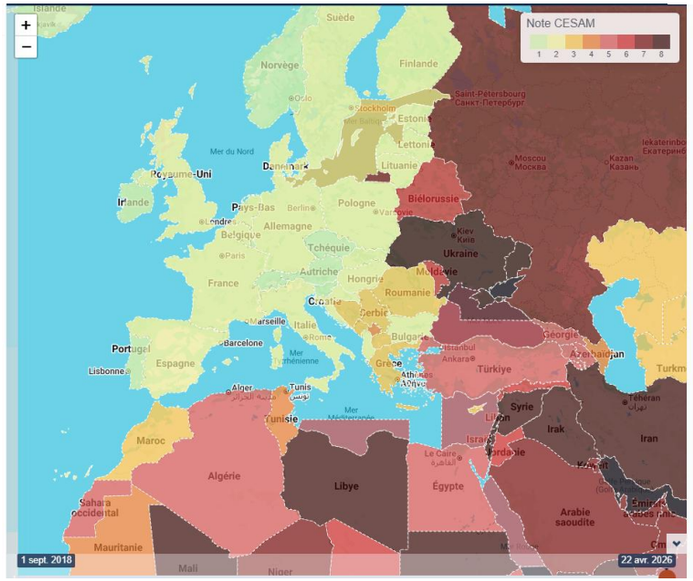
English version

EXPLANATORY NOTE: **PERSIAN GULF, GULF OF OMAN – Quoted 8 instead of 7**

The US and Israeli military operations launched in a synchronized manner against Iran on Feb. 28, 2026, and the subsequent massive retaliatory actions carried out by Iranian forces throughout the region, have increased the risk of freight transport operations in the Persian Gulf and the Gulf of Oman, particularly near the Strait of Hormuz, to a critical level. Since the early days of the conflict, several merchant ships have been damaged in regional waters due to direct missile and drone attacks, explosions of unknown origin, and falling debris resulting from the interception of military craft and projectiles.

Those involved in transport operations to and from countries in the region now must contend with repeated hostile actions, including acts of war, being directed at commercial interests in the maritime domain. Any merchant vessel approaching the Strait of Hormuz is now at risk of being targeted or suffering collateral damage amid military clashes. The nature and intensity of the ongoing military operations also directly threaten air transport over the Gulf waters, prompting airlines to avoid the area.

Consequently, CESAM's quote for the special maritime area "**Persian Gulf, Gulf of Oman**" is upgraded from 7 to **8** with effect from March 4th, 2026. As a reminder, apart from neighbouring countries' territorial waters already quoted, this area includes the waters of the Persian Gulf and the Gulf of Oman according to the International Hydrographic Organization: all waters northwest of the line joining Ràs al Hadd (22°32'20'' N, 59°47'17'' E) on the Arab Peninsula, to Ràs Jiwani (25°00'54'' N, 61°46'43'' E) on Pakistan's coast.



Zone(s)

Recherche...

ZONE	ZONE CESAM GE	ZONE CESAM WB
Afghanistan	8	-
Afrique du Sud	3	2
Albanie	2	2
Algérie	5	3
Allemagne	2	2
Andorre	1	-
Angola	4	3
Antigua-et-Barbuda	2	2
Arabie saoudite	7	7
Argentine	3	3
Arménie	5	-
Australie	2	2

Future of cl 305

- Need for clarification: ~ note
- Amending and issuing new version of the clause per 1/1/2027 inserting clarifications
- Move from JCC GCWL to CESAM?



Reinstatements - validity

- Clause 305:

Shipments from, via, to or within countries and/or regions which, upon inception of the risk, are rated as 'Severe » or 'Extreme' on the JCC GCWL are not automatically covered. The cover will be subject to prior agreement and at terms and conditions to be agreed.

- Volatile environment: escalation and de-esclation

- Validity of our terms: 12, 24 or 48 hours up to max 96 hours

- Cancellation with a 24 or 48 hours notice; cargo loaded before expiry of cancellation notice is covered for the entire voyage

- OR alternatively, once the Assured accepted the terms, the vessel must enter the HRA within 24 hours or max 5 days.

- Limit on duration within the HRA: ex. 10 days, extension is possible

Reinstatements - warranties

Warranties in **respect of Persian Gulf / Gulf of Oman Transit**

Warranted vessels not carrying any Iranian cargo or any goods supplied, whether directly or indirectly, from Iran.
Warranted no arms, ammunition and/or military equipment to be carried on board the vessel as cargo.
Warranted the Subject Matter Insured is not for military use
Warranted not in breach of UN/EU/UK/US economic sanctions, embargoes and/or trade restrictions.
Warranted the insured voyage is in full compliance with all applicable sanctions, laws, and regulations governing this contract
Warranted no ship-to-ship (STS) transfers of cargo, stores, or bunkers shall take place during the insured transit or within the warranty zone (north of Latitude 26°N to south of Latitude 26°N).
Warranted the conveying vessel's owner / operator / manager / charterer does not have Israeli, Saoudi Arabian or US interest for the insured voyage
Warranted the conveying vessel not enroute to Israeli, Saoudi Arabian or US port or vessel's AIS showing destination as Israeli, Saoudi Arabia or US port during the voyage
Warranted the conveying vessel is not carrying any cargo which is loaded in, originates from, or is destined for Israel, Saoudi Arabia or US
Warranted Conveying Vessels do not have any Israeli touchpoints, defined herein as ownership, flag, operated at any time in the past 12 months
Warranted Conveying Vessels do not have any US or UK touchpoints, defined herein as ownership, flag, operated at any time in the past 1 month .
Warranted Conveying Vessels have conducted no previous calls to any Israeli ports in the past 12 months
Warranted Conveying Vessels have conducted no previous calls to any US or UK ports in the past 1 month
Warranted there will be no onward calls to any Israeli, Saoudi Arabia or US ports on the shipment voyage covered hereunder
Warranted the direct consignee or consignor is not domiciled in Israel, Saoudi Arabia or US, or owned by an Israeli, Saoudi Arabian or US company
Warranted that the vessel, its registered owner, beneficial owner, commercial operator, disponent owner, manager, charterer (at all levels), and cargo interests are not: (a) listed on the OFAC Specially Designated Nationals and Blocked Persons List, the UK Consolidated List of Financial Sanctions Targets, or the EU Consolidated Financial Sanctions List; (b) owned or controlled, directly or indirectly (including by application of the 50% ownership aggregation principle), by any such listed person; or (c) an Iranian person within the meaning of the Iranian Transactions and Sanctions Regulations (31 CFR Part 560), the Iran (Sanctions) (EU Exit) Regulations 2019, or EU Regulation 267/2012 (as amended).
No claims payment, salvage award, sue and labour expenditure, or other sum payable under or in connection with this insurance shall be paid to, or for the direct or indirect benefit of, any person listed on the OFAC or any Iranian person, Iranian government entity, or entity owned or controlled by any of the foregoing
No salvage, wreck removal, towage, or repair services shall be contracted with or procured from any Iranian person, Iranian port authority, IRGC-affiliated entity, or any entity operating from Iranian territory, without the prior written approval of underwriters' Compliance function and, where required, the prior grant of a specific licence
It is warranted that no payment or benefit shall be provided, directly or indirectly, to the Iranian Government, the Islamic Revolutionary Guard Corps (IRGC) and/or the IRGCN, or any entity owned or controlled by the the foregoing, in connection with the vessel's transit in the Strait of Hormuz.
Register and report movements to regional maritime security coordination centres
Record all security-related communications
Maintain continuous monitoring of VHF Ch.16 and regional naval frequencies.
Condition Precedent to insurer's liability that VHF communications from threat actors with instructions to cease the voyage or about turn, must be adhered to.

CONCLUSIONS

- Insurance needs to support Global Trade
- In « very » volatile environment
- Insurers need to offer to brokers/clients:
    - CERTAINTY
    - CLEAR AND UNAMBIGUOUS COVERS



Thank you for your attention!



Helping you do more

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