



STRAIT OF HORMUZ: LEGAL & INSURANCE FLASHPOINT

A short-form Q&A for shipping, trading and (re)insurance markets

The issue is no longer theoretical.

With fresh access restrictions, heightened naval presence, and active enforcement risk around Iranian-linked traffic, the Strait of Hormuz has become a live test of how contracts, sanctions and insurance actually work under stress.

Below is a concise Q&A to frame immediate discussions.

Q1. WHAT ARE LAW FIRMS TELLING CLIENTS RIGHT NOW?

Three words: legality, insurability, viability.

- **Legality:** Transit passage under UNCLOS still exists—but is no longer decisive in practice.
- **Insurability:** The real constraint is whether war-risk underwriters will support the voyage—and on what terms.
- **Viability:** A lawful voyage that cannot be insured or financed is commercially dead.

Market shift: Advice has moved to real-time decision-making:

- Voyage-by-voyage sanctions clearance
- Pre-fixture underwriter engagement
- Daily risk reassessment
- Evidence preservation (for inevitable disputes)

Discussion point: Are your voyage approvals being driven by legal analysis—or by what your insurers will actually stand behind?

Q2. WHY DOES CLASSIFICATION OF INCIDENTS MATTER SO MUCH?

Because labels determine who pays.

The same incident may be framed as:

- War / hostile act
- Terrorism / political violence
- Piracy



- Detention or seizure
- Unsafe port event

Each classification drives:

- Insurance response (covered vs excluded peril)
- Charterparty rights (refusal, deviation, AP recovery)
- Liability allocation
- Forum and Dispute strategy

Q3. HOW DOES P&I DIFFER FROM CONVENTIONAL MARINE COVER IN THIS CONTEXT?

This is where many commercial assumptions break down.

P&I Clubs (liability focus):

- Third-party liabilities (collision, pollution, cargo liabilities, crew)
- Mutual structure with defined war-risk carve-outs
- War exposure often sits in separate excess war programmes

Conventional marine cover (property focus):

- Hull & Machinery → physical damage to the vessel
- Cargo → loss/damage to goods
- War policies → separate or endorsed, often cancellable at short notice

Key reality: A vessel can be “insured” (P&I intact) but still commercially exposed if hull/cargo war cover is withdrawn or repriced.

Discussion point: Are your teams treating P&I as “full cover”? It isn't.



Q4. WHERE DO POLITICAL VIOLENCE POLICIES FIT?

They sit in the grey zone between:

- Terrorism / sabotage (potentially covered), and
- State-on-state conflict (often excluded or restricted)



They can:

- Plug gaps in certain scenarios
- Support claims where classification is contested

But they are not a cure-all.

Why markets may withdraw cover:

- Aggregation risk across fleets
- Difficulty pricing escalation scenarios
- Sanctions exposure
- Uncertainty over classification (war vs terrorism)

Result: Expect premium spikes, tighter wording, or outright withdrawal.

Q5. WHAT ARE THE KEY CHARTERPARTY PRESSURE POINTS?

For owners:

- Can you refuse the voyage?
- Is the area now a war-risk zone?
- Can you recover additional premium?
- Is deviation justified?

For charterers:

- Delay exposure (hire, demurrage, downstream contracts)
- Safe port warranty risk
- Sanctions breach exposure
- Substitution and supply chain failure

For cargo interests:

- Delay and non-delivery risks often exceed physical loss
- LC structures and sale contracts may fail before insurance responds

Legal reality: Everything turns on wording + timing + evidence.





Q6. WHAT DOES “BEST PRACTICE” LOOK LIKE IN THIS ENVIRONMENT?

The market is converging on a disciplined approach:

- Pre-fixture sanctions and counterparty diligence
- Early underwriter engagement (not post-incident)
- Active use of war clauses (CONWARTIME / VOYWAR)
- Tight documentation of decisions and risk assessments
- Alignment between contracts, insurance and financing

The clients best placed are not the most aggressive—they are the most coordinated.

CLOSING THOUGHT

The Strait of Hormuz is no longer just a chokepoint for oil. It is a stress test for how well legal, insurance, and commercial frameworks align under pressure.

The question is not “can the voyage proceed?”

It is “who carries the risk if it does?”

This publication is produced by BLK Partners for general informational purposes only. It does not constitute legal advice. For advice specific to your matter, please contact our Real Estate and Dispute Resolution teams directly.

CO-AUTHORS:



Simon Isgar
Partner
simon.isgar@blkpartners.com



Tarek Saad
Partner
tarek.saad@blkpartners.com



Abdalla Eisa
Partner
abdalla.eisa@blkpartners.com



Amany Ahmed
Senior Associate
amany.ahmed@blkpartners.com



Bader Khoury
Senior Associate
bader.khoury@blkpartners.com

This article can also be accessed at: www.blkpartners.com