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**FROM THE RED SEA TO THE BLACK SEA: WAR RISK INSURANCE
IN TODAY'S GEOPOLITICAL FLASHPOINTS**

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ABSTRACT

The maritime corridors connecting the Red Sea and the Black Sea have emerged as critical geopolitical flashpoints, driven by escalating conflicts, piracy, and regional power rivalries. These developments have significantly altered the risk landscape for international shipping and trade. This paper examines the current state of war risk insurance in these volatile regions, highlighting how underwriters assess and price geopolitical threats such as armed conflict, terrorism, and state-sponsored disruptions. It also explores the legal, economic, and operational implications for shipping companies and insurers operating in or near these high-risk zones. Special attention is given to the impacts of conflicts such as the Russia-Ukraine war and instability around the Bab el-Mandeb strait, as well as the evolving role of regulatory frameworks and international cooperation. The study aims to provide a comprehensive understanding of how war risk insurance is adapting to a rapidly changing security environment from the Red Sea to the Black Sea.

Keywords: War risk insurance, Red Sea, Black Sea, geopolitical risk, maritime security, piracy, shipping insurance .

INTRODUCTION: THE STRATEGIC MARITIME CORRIDORS AT RISK

In an era marked by increasing geopolitical tensions, two maritime regions—the Red Sea and the Black Sea have emerged as critical flashpoints with profound implications for global trade, maritime security, and insurance markets. These waterways are not only vital arteries for the movement of goods, particularly energy commodities, but they also sit at the intersection of rival military powers and unstable political regimes.

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The Red Sea, bordered by countries such as Egypt, Sudan, Eritrea, and Yemen, serves as the southern gateway to the Suez Canal, one of the world's most important maritime chokepoints. Disruption in this corridor can have immediate and widespread effects on global shipping routes, as evidenced by the Ever Given incident in 2021, which blocked the Suez Canal and halted nearly 12% of global trade for six days.² At the southern tip of the Red Sea, the Bab el-Mandeb Strait narrows to just 18 miles, making it a strategic bottleneck that is vulnerable to piracy, terrorism, and state-sponsored aggression.³

Meanwhile, the Black Sea bordered by Russia, Ukraine, Turkey, and several NATO-adjacent states has been thrust into the geopolitical spotlight following Russia's annexation of Crimea in 2014 and its full-scale invasion of Ukraine in 2022.⁴ The war has not only caused direct attacks on merchant vessels but also triggered an overhaul of war risk insurance premiums, rerouting of cargo, and increased reliance on force majeure clauses. The region has become a contested maritime domain, where freedom of navigation is increasingly undermined by military escalation and economic sanctions.

Together, these maritime corridors are increasingly perceived as "choke points of risk", requiring constant risk evaluation by shippers, insurers, and governments alike. War risk insurance markets have responded by redefining risk zones, increasing premiums, and reevaluating coverage terms to account for the fluid nature of modern hybrid conflicts in these areas.

GEOPOLITICAL FLASHPOINTS: CONFLICT ZONES AND MARITIME INSTABILITY

Maritime safety in the 21st century is increasingly shaped not only by piracy or natural hazards, but by the interplay of armed conflicts, state collapse, and hybrid warfare near strategic waterways. The Red Sea and Black Sea regions are at the center of such instability, with ongoing wars and political rivalries transforming these maritime corridors into high-risk zones for commercial vessels, insurers, and regional security stakeholders.

1. The Russia-Ukraine Conflict and the Militarization of the Black Sea

²Int'l Chamber of Shipping, Suez Canal Blockage: Global Shipping Holds Its Breath, ICS (Mar. 2021), <https://www.ics-shipping.org>.

³ U.N. Sec. Council, Letter Dated 13 November 2020 from the Panel of Experts on Yemen Addressed to the President of the Security Council, U.N. Doc. S/2020/1176 (Nov. 13, 2020).

⁴U.N. General Assembly, Resolution on the Territorial Integrity of Ukraine, G.A. Res. 68/262, U.N. Doc. A/RES/68/262 (Apr. 1, 2014).

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The full-scale invasion of Ukraine by Russia in 2022 has dramatically altered the security environment of the Black Sea. In addition to territorial aggression, the conflict has spilled into maritime domains, with both sides targeting or threatening commercial shipping. The mining of sea lanes, naval blockades, and missile strikes near Ukrainian ports such as Odesa have created persistent threats to merchant vessels.⁵

The Montreux Convention of 1936, which regulates naval passage through the Turkish Straits, has gained renewed attention as Turkey seeks to balance its obligations under international law with geopolitical realities. The presence of Russian naval assets and NATO aligned interests makes the Black Sea not only a military zone but a contested commercial artery, driving up war risk premiums and complicating shipping operations for insurers and freight carriers alike.

2. Yemen and the Weaponization of the Red Sea

The Red Sea's security is severely compromised by the ongoing civil war in Yemen, where the Iran-aligned Houthi movement has periodically targeted vessels in or near the Bab el-Mandeb Strait. The strait is one of the world's most crucial chokepoints, linking the Indian Ocean to the Mediterranean via the Suez Canal.

Since 2023, the Houthis have escalated attacks using drones, missiles, and naval mines against both military and commercial vessels, under the justification of targeting ships linked to Israel or Western allies. These incidents have led major shipping companies to reroute vessels around the Cape of Good Hope, dramatically increasing transit times and fuel costs. War risk underwriters have responded by expanding high-risk zone classifications and implementing conditional coverage exclusions.

3. Sudan: Civil War and Spillover Risks

The outbreak of civil war in Sudan in 2023 has further complicated the security landscape of the western Red Sea. While the conflict itself is largely inland, the destabilization of the country raises risks of militia expansion, smuggling, and piracy in the surrounding maritime zones. The collapse of port governance in areas like Port Sudan has heightened concerns over the security of docking operations and the safety of foreign crews.

⁵ U.N. Conf. on Trade & Dev., Maritime Trade Disrupted: The War in Ukraine and Its Effects on Maritime Logistics, UNCTAD/DTL/INF/2022/1 (July 2022), <https://unctad.org>.

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Moreover, the overlapping influence of regional powers including Egypt, the UAE, Saudi Arabia, and Iran creates a proxy conflict dynamic that may spill into maritime confrontations, particularly in relation to port development, military bases, and shipping routes.

THE IMPACT OF REGIONAL CONFLICTS ON INSURANCE PREMIUMS AND COVERAGE

Regional conflicts, particularly those surrounding the Red Sea and Black Sea, have had a profound impact on war risk insurance premiums, coverage terms, and underwriting practices. As geopolitical tensions escalate, underwriters reassess the probability and severity of loss, leading to the designation of high-risk areas by entities such as the Lloyd's Market Association's Joint War Committee (JWC). These designations directly influence the cost of coverage, often resulting in sharp increases in premiums for vessels operating in or transiting through conflict zones. For instance, following the intensification of the Russia-Ukraine conflict in 2022, war risk premiums for ships entering the Black Sea surged by over 500% in some cases, with additional surcharges imposed for port calls in Ukraine.⁶ Similarly, attacks in the Red Sea linked to the Houthi movement prompted insurers to revise policies to exclude coverage for damage caused by state or quasi-state actors, unless explicitly negotiated and priced. Insurers now often require voyage-specific policies, real-time threat assessments, and armed security protocols as preconditions for full coverage. The result is a highly dynamic insurance environment in which pricing, terms, and exclusions are continuously updated to reflect evolving risk levels. This volatility not only increases operational costs for shipowners but also raises legal complexities in claim disputes, particularly when attributing losses to acts of war versus terrorism or piracy. Ultimately, the intersection of armed conflict and maritime commerce has made war risk insurance a strategic tool, rather than a mere contractual formality, in ensuring the continuity of global trade.

PIRACY, TERRORISM, AND HYBRID THREATS IN THE RED AND BLACK SEAS

In addition to state-based conflicts, maritime security in the Red Sea and Black Sea is increasingly threatened by non-state actors employing irregular warfare tactics including piracy, terrorism, and so-called hybrid threats. In the Red Sea, the resurgence of piracy along the Horn of Africa has been amplified by the deterioration of governance in Somalia and Sudan, enabling armed groups to target vulnerable vessels near the Bab el-Mandeb Strait.

⁶Lloyd's Market Ass'n, *Joint War Committee – Listed Areas Update*, LMA Bulletin No. JWC025 (Apr. 2023), <https://www.lmalloyds.com/LMA>.

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Compounding this are Houthi rebel attacks, which blend conventional and unconventional methods including the use of drones, anti-ship missiles, and explosive-laden boats to strike commercial ships and naval assets. These actions blur the legal lines between piracy and acts of war, creating coverage ambiguity in insurance policies. In the Black Sea, hybrid tactics have emerged in the form of GPS jamming, cyber interference, naval mines, and covert sabotage operations, some of which have been attributed to Russian-aligned proxies.⁷ These threats are difficult to attribute conclusively, making them a nightmare scenario for underwriters, as conventional war exclusions may not clearly apply. Moreover, many of these attacks occur in Gray zones where attribution is contested and international law provides limited recourse thereby increasing insurers' reliance on intelligence assessments and real-time data to evaluate evolving risk. The growing prevalence of hybrid threats thus challenges traditional maritime insurance models and demands a more adaptive, intelligence-driven approach to underwriting and claims management in high-risk maritime corridors.

LEGAL AND REGULATORY CHALLENGES IN WAR RISK INSURANCE

War risk insurance operates in one of the most legally complex areas of marine and commercial insurance, particularly when claims arise from ambiguous, high-conflict situations like those in the Red Sea and Black Sea. A central challenge is the difficulty of attribution determining whether a loss is the result of a formally declared war, terrorism, piracy, or state-sponsored hybrid warfare. Most standard policies, such as the Lloyd's War and Strikes Clauses (Hull) or Institute War Clauses (Cargo), provide coverage for losses due to warlike acts but often exclude terrorism or actions by "belligerent powers not recognized as war."⁸ This distinction becomes problematic in modern conflicts, where non-state actors (e.g., the Houthis in Yemen or separatist militias in eastern Ukraine) may act on behalf of or in coordination with state entities, blurring the line between insurable and excluded events. As a result, claims disputes frequently arise over the classification of incidents, particularly when policyholders argue that a loss was due to war, while insurers invoke exclusion clauses or cite insufficient evidence for attribution.

In addition, international legal frameworks governing maritime conflict such as the San Remo Manual on International Law Applicable to Armed Conflicts at Sea offer guidance, but

⁷ NATO StratCom Centre of Excellence, *Hybrid Maritime Threats: The Case of the Black Sea*, Rep. No. 04/22 (Oct. 2022), <https://stratcomcoe.org>.

⁸ Lloyd's Market Ass'n, *War and Strikes Clauses (Hull Time) 1/10/83*, LMA Clause Reference CL. 281 (1983), <https://www.lmalloyds.com>

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are not binding and rarely resolve commercial disputes.⁹Domestic courts may interpret similar incidents differently, further complicating global claim settlements. For example, an attack on a commercial ship by an unmanned aerial vehicle (UAV) may be viewed by one court as an act of piracy, and by another as an act of war, depending on the vessel's flag state, registry, and jurisdiction. These inconsistencies can create forum shopping among claimants and legal uncertainty for underwriters. Another key challenge lies in the sanctions regimes imposed by entities such as the U.S. Treasury's Office of Foreign Assets Control (OFAC) and the EU Council, which may bar insurers from paying claims linked to sanctioned individuals or regions even when a policy might otherwise require payment.

Moreover, the rise in cyber warfare and hybrid attacks has revealed gaps in traditional policy language, particularly where acts of sabotage, GPS jamming, or misinformation campaigns disrupt navigation without physically damaging the vessel. In response, insurers are revising terms to clarify what constitutes a covered "hostile act" and how intangible threats fit into war risk frameworks. However, regulatory fragmentation across jurisdictions combined with inconsistent judicial interpretations and evolving conflict tactics continues to pose major legal obstacles for all stakeholders in the war risk insurance chain.

RISK MITIGATION STRATEGIES FOR SHIPPING COMPANIES

In the face of escalating geopolitical tensions and heightened war risk insurance premiums, shipping companies operating through volatile regions such as the Red Sea and Black Sea have adopted a range of practical risk mitigation strategies to safeguard vessels, crew, and cargo while maintaining commercial viability. One of the most common approaches is rerouting vessels to avoid the highest-risk maritime corridors altogether. For example, ships may bypass the Bab el-Mandeb Strait by navigating around the Cape of Good Hope, despite the significantly increased transit time and fuel costs this entails. While costly, this strategy reduces exposure to missile strikes, drone attacks, or piracy incidents. In scenarios where rerouting is impractical, companies frequently employ armed security teams onboard, either through private maritime security contractors or collaboration with naval forces. These guards serve as a deterrent against pirate boarding attempts and can provide active defence against small-scale attacks, though their presence raises legal and insurance considerations depending on flag state regulations. Another widely used tactic is participation in convoy

⁹Int'l Inst. of Humanitarian Law, San Remo Manual on International Law Applicable to Armed Conflicts at Sea, 12 June 1994, <https://www.iihl.org>

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systems coordinated group transits escorted by naval vessels or security teams especially in highly contested zones like the northern Black Sea. Convoys leverage collective protection and naval firepower to deter attacks and enable rapid response to threats. Additionally, many shipping companies invest in enhanced ship hardening measures, such as reinforced bridge windows, anti-drone countermeasures, and electronic warfare capabilities to thwart GPS spoofing and cyber intrusions. Crew training on security protocols, emergency drills, and real-time communication with maritime intelligence providers further complement these physical measures. Collectively, these layered risk mitigation tactics help shipping companies manage operational risks, maintain insurance eligibility, and uphold global supply chain resilience in increasingly contested maritime environments.

THE FUTURE OF WAR RISK INSURANCE IN A MULTIPOLAR WORLD

As geopolitical power shifts toward a more multipolar global order, the landscape of war risk insurance is poised for significant transformation. The growing complexity of conflicts ranging from state-to-state confrontations to asymmetric hybrid warfare involving proxy groups and cyber threats means that insurers will increasingly rely on dynamic risk assessment tools and intelligence-led underwriting to keep pace with rapidly evolving threats. Emerging technologies such as artificial intelligence, blockchain, and satellite surveillance will enable more granular, real-time pricing models, moving away from traditional static annual policies to voyage-specific or even segment-specific coverage. Moreover, the proliferation of regional security blocs and multiparty alliances will complicate the legal frameworks governing maritime conflict, forcing insurers to navigate a patchwork of national regulations, sanctions regimes, and differing definitions of war and terrorism. This environment is likely to fuel further fragmentation in the insurance market, with specialized war risk pools and public-private partnerships emerging to cover exposures that traditional insurers may deem too volatile. Additionally, environmental and economic pressures such as the push for greener shipping routes and fluctuating global trade patterns will influence risk corridors and insurance demand. In this uncertain future, war risk insurance will evolve beyond mere financial protection to become an integral component of comprehensive maritime security strategies, closely linked with geopolitical risk advisory services, naval coordination, and international regulatory compliance. Shipping companies, insurers, and policymakers alike will need to foster greater collaboration and innovation to sustain the resilience of global trade in an era defined by complex and diffuse conflict risks.

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CONCLUSION: NAVIGATING THE NEW NORMAL IN MARITIME RISK

The evolving geopolitical tensions from the Red Sea to the Black Sea have irrevocably transformed the maritime risk environment and the way war risk insurance is conceptualized, priced, and managed. In this new normal, stakeholders including shipping companies, insurers, reinsurers, and regulators must embrace a more proactive, intelligence-driven, and flexible approach to risk mitigation and insurance underwriting. The traditional models of static policies and broad war risk exclusions no longer suffice in an era marked by hybrid threats, rapid geopolitical shifts, and emerging technologies. Instead, stakeholders need to prioritize real-time information sharing, adaptive security protocols, and innovative insurance solutions such as voyage-specific coverage and parametric triggers. Close cooperation between public and private sectors is critical to harmonize legal frameworks, clarify claims processes, and ensure the resilience of critical maritime corridors. As global trade continues to depend heavily on these contested waterways, the ability to anticipate, adapt, and respond swiftly to changing risk landscapes will define the sustainability of both commercial shipping and the insurance markets that support it. Ultimately, navigating this complex and dynamic maritime risk environment requires a holistic strategy one that integrates geopolitical foresight, legal clarity, technological innovation, and operational vigilance to safeguard global commerce in an uncertain world.

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