SPECIAL REPORT · MARINE INSURANCE · WAR RISK

The Hormuz War Risk Crisis: A $3 Billion Reckoning for Specialty Insurance

Iran's renewed strikes on US Gulf bases expose a market stretched beyond its annual premium base — and a $40 billion government rescue programme that shipped nothing.

Compiled and analysed by **Prudence Business School** | Primary sources: *Insurance Business Magazine* | 10 June 2026

$3B+	10%	62%	$0	$400M
Projected war/terror claims	Peak war risk premium (hull value)	Drop in oil flows through Hormuz	Coverage placed under $40B DFC facility	Swiss Re reserves set aside

SECTION 1

Escalation Resumes — and the Numbers Get Worse

On 10 June 2026, Iran's Revolutionary Guards launched co-ordinated missile and drone attacks on US military bases in Jordan, Kuwait, and Bahrain — the most significant escalation since both sides reached a ceasefire in April. The strikes targeted F-35 hangars, command-and-control centres, and the US Fifth Fleet at Bahrain, following American retaliatory action against nearly 20 Iranian targets around the Strait of Hormuz.

The timing is devastating for an insurance market that had only just absorbed the first shock. War risk premiums for Hormuz transits had already climbed from a pre-conflict range of approximately 0.15%–0.25% of hull value to as high as 10% following Iran's downing of a US Army Apache helicopter on the preceding Tuesday. Wednesday's multi-base attacks make a rapid normalisation of those rates essentially impossible.

> ***"Washington misread the problem as one of insurance availability. The market says the problem is a war." — Insurance Business Magazine, June 2026***

A May 2026 Howden Re report projected that the conflict could generate USD 2–3 billion in market-wide claims across the war, terror, and political violence (WTPV) segment. That single figure carries a striking implication: it exceeds the segment's entire estimated annual global premium volume of USD 1.5–2 billion. Global oil trade flows through the strait were already down 62% at the time of writing.

SECTION 2

How Specialty Insurers Absorbed the First Wave

A Morningstar DBRS report published on 27 May 2026 assessed first-quarter insurance losses across the global industry. Its key finding: direct financial impacts were manageable in Q1, but that window may be closing. Standard property and casualty (P&C) policies generally exclude war-related cover, meaning the burden fell almost entirely on specialty underwriters explicitly writing war, marine, aviation, and energy risks.

Q1 2026 Disclosed Iran War Losses

Company	Q1 2026 Loss	Notes
Munich Re	**$106M**	*Direct Iran war claims (€90M)*
Everest Group	**$90M**	*Pre-tax cat losses, primarily Iran war*
Swiss Re	**$400M***	**Reserves for conflict-related inflation*
Markel Group	**$35M**	*+2 pts on combined ratio*
Convex Group	**$23M**	*Direct Iran war add-on*
IGI	**$15M**	*Incl. $10.5M vessel/platform collision*

*Sources: Company earnings statements Q1 2026; Morningstar DBRS report, May 2026. *Swiss Re figure represents reserves, not direct claims.*

Munich Re disclosed the largest confirmed loss: approximately USD 106 million (€90 million) in Iran war claims, of which roughly €60 million was attributable to Global Specialty Insurance and €30 million to property-casualty reinsurance. Everest Group reported USD 90 million in pre-tax catastrophe losses driven primarily by the Iran war. Markel Group recorded USD 35 million, adding two percentage points to its combined ratio.

Smaller specialty firms also felt the weight. Convex Group cited approximately USD 23 million in Iran-war losses. International General Insurance (IGI) reported USD 15 million — including a USD 10.5 million energy loss linked to a vessel colliding with an offshore platform after GPS systems and navigation lights were switched off amid active fighting.

Swiss Re reported no material direct claims but established a USD 400 million reserve for potential inflationary impacts. Hannover Re stated it had received limited claim notifications and that reliable estimates were not yet possible.

The Lloyd's Signal

On 14 May 2026, Lloyd's of London issued a market message stating it did not expect the conflict to become a capital event. That statement predated Iran's 10 June multi-base strike campaign by nearly four weeks. Underwriters now face a materially altered risk landscape.

The Morningstar DBRS report identified a structural threat: vessels trapped in the Strait of Hormuz for 12 months or more could trigger constructive total loss (CTL) claims even if physically undamaged. Under standard marine war-risk wording, detention beyond 12 months constitutes a deemed total loss. With hundreds of vessels unable to transit, this clock is ticking.

Sources: Insurance Business Magazine (insurancebusinessmag.com) — June/May 2026

SECTION 3

Washington's $40 Billion Fix — and Why No Ship Used It

In early March 2026, the Trump administration announced a USD 40 billion maritime reinsurance facility administered by the US Development Finance Corporation (DFC), backed by six of America's largest insurers — Chubb, AIG, Berkshire Hathaway, Travelers, Liberty Mutual, and Starr.

By mid-May, as reported by *Insurance Business Magazine*, the programme had written **zero** business. Not one dollar of coverage placed. Not one vessel transited under its protection. As the June escalation unfolds, that record remains unchanged.

> ***"The main takeaway here is that the reduced traffic going through the Strait has nothing to do with what insurance is available or not available. It's purely just a captain or a shipowner not wanting to put their crew at risk." — Steve Ogullukian, American P&I Club***

The programme's failure is diagnostic, not incidental. It reveals a fundamental misread of the crisis by policymakers. The narrative that took hold in Washington was that marine war-risk coverage had ceased to exist, and that the insurance market had abandoned shipowners.

The market's own data contradicted this. Howden Re analysis showed war-risk pricing on Hormuz transits climbing from roughly 0.10–0.125% of vessel value pre-conflict to around 2–3% by March 2026 — elevated, but available. Insuring a USD 100 million tanker for a single transit was running approximately USD 3 million in war-risk premium. For a Very Large Crude Carrier (VLCC) with US nexus, Lloyd's List was quoting USD 10–14 million per voyage.

Three weeks into the conflict, the Lloyd's Market Association issued an explicit statement: *'We are still seeing reports that suggest insurance coverage is cancelled or unaffordable and that this is the reason that vessels are not transiting the Strait of Hormuz. This is not accurate.'* A survey of Lloyd's marine war market participants found that 88% retained appetite to write hull war risks, and over 90% continued to offer cargo coverage.

The Convoy Dependency

The DFC facility contains a structural requirement that explains its zero ledger: coverage is available only to vessels transiting under US naval escort. That convoy programme — Project Freedom — guided two ships through the strait in early May. No operation followed at scale.

Chubb CEO Evan Greenberg confirmed the dependency on the company's April 2026 earnings call: *'The government wanted to support shipping through the Gulf with military convoys. That has yet to occur.'* Neil Roberts, Head of Marine and Aviation at the Lloyd's Market Association, stated: *'The reason ships are not moving is not through a lack of insurance; it is a question of the risk to crew and vessel safety being assessed by the ship masters and owners as too high.'*

Sources: Insurance Business Magazine (insurancebusinessmag.com) — June/May 2026

SECTION 4

The Unanswered Legal Questions

Beyond the claims already in the pipeline lies a complex legal minefield. The US has not formally declared war against Iran. Official statements have been carefully calibrated to avoid triggering certain legal thresholds — and that distinction carries enormous financial consequence for thousands of pending insurance claims.

Mahmoud Abuwasel, international disputes partner at Wasel & Wasel, stated: *'We colloquially talk about it as a war, but from the United States' official position, it's not a war. That distinction matters because it directly affects whether war-risk provisions in insurance policies are triggered.'*

The precedent is uncomfortable. During the Yugoslav conflict of the 1990s, insurers successfully argued before arbitration panels that the absence of a formal declaration of war was legally material — regardless of the scale of fighting. Policyholders lost. Marine war-risk underwriters are acutely aware that this precedent could be revisited in Gulf-related claims.

SECTION 5

The Long Tail: Actuarial Damage Beyond the Ceasefire

Even when hostilities end, the insurance market will not snap back. The Hormuz crisis has demonstrated — in ways that decades of theoretical risk modelling had not — that the world's most critical oil transit corridor can be physically and commercially closed. That knowledge is now permanently embedded in every future actuarial model for the Arabian Gulf.

The Red Sea Houthi crisis provides a sobering precedent: war-risk premiums surged 20-fold in early 2024 and remained substantially elevated well into 2026, despite a significant reduction in attacks. The Hormuz disruption is structurally larger, involves a state actor with missile and drone capability, and will leave a deeper mark on underwriting models.

Coverage for individual vessels must be renegotiated on a voyage-by-voyage basis, with fresh actuarial assessments at every layer of the reinsurance chain. Capacity withdrawn at treaty reinsurance level cannot be reinstated by political announcement — it requires commercial negotiation. The Lloyd's Joint War Committee's high-risk designation for the Arabian Gulf will not be removed until the committee judges the threat to have materially diminished.

The Morningstar DBRS report identifies an asymmetric opportunity within this landscape: for specialty writers who can absorb the current losses, the conflict represents both a loss event and a pricing opportunity. Elevated war-risk premiums and growing demand for political risk, trade credit, and energy cover represent a significant financial tailwind — provided aggregate losses remain within expectations. After 10 June, that last proviso is substantially less certain.

KEY INSIGHTS FOR RISK PROFESSIONALS

1. Misdiagnosing risk is catastrophically expensive.

A $40 billion government facility built on a misreading of market dynamics delivered zero coverage. Precise problem definition is the prerequisite for effective risk intervention.

2. Specialty lines are the shock absorbers of geopolitical risk.

When standard P&C excludes war-related losses, the concentration of exposure in a narrow specialist market creates systemic vulnerability. Munich Re, Everest, Markel and others absorbed what the broader market could not.

3. Legal ambiguity is a claims risk in its own right.

The absence of a formal US war declaration creates a contested legal environment for thousands of pending claims. Practitioners must stress-test policy wording against 'armed conflict' and 'war' trigger thresholds.

4. The actuarial damage outlasts the ceasefire.

Every future Gulf war-risk model is now recalibrated. Capacity, pricing, and appetite will remain constrained long after any peace agreement — as the Red Sea precedent demonstrated.

5. Constructive total loss is a ticking clock.

Vessels detained for 12+ months trigger deemed total loss under standard war-risk wording. With hundreds of ships still immobilised, this exposure is accumulating daily.

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