Executive Briefing

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War-Risk Insurance Withdrawal: *Across the Red Sea – Gulf of Aden – Indian Ocean Corridor*

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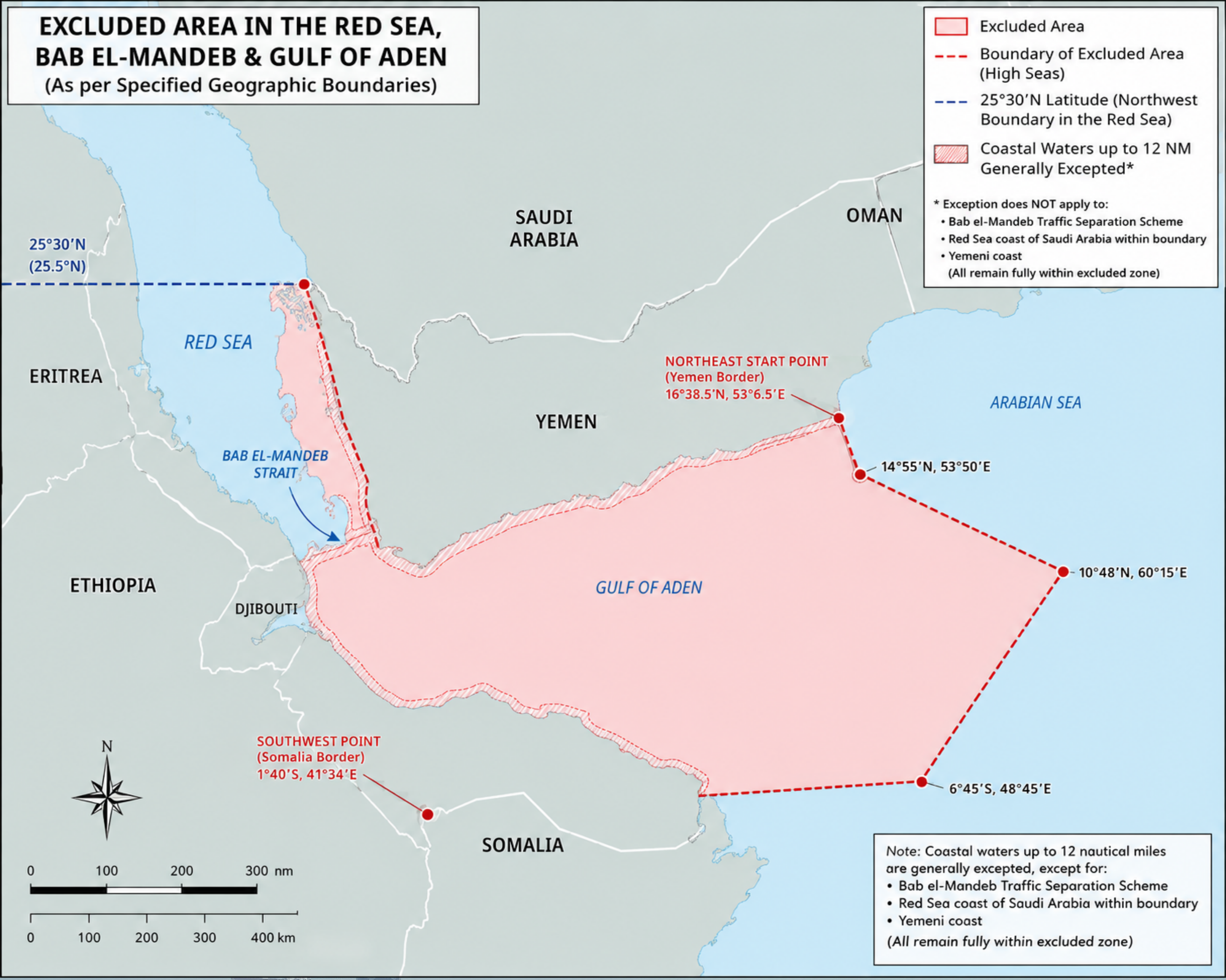

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EXECUTIVE BRIEFING

War-Risk Insurance Withdrawal: Across the Red Sea – Gulf of Aden – Indian Ocean Corridor

Coverage period: 31 July – 15 August 2026 (two-week look-back)
Date prepared: 15 August 2026

1. Executive Summary

Between 31 July and 13 August 2026, the marine war-risk insurance market moved in a coordinated, rapid retrenchment from a widened stretch of the Red Sea, Gulf of Aden and western Indian Ocean. The Swedish Club opened the period by redrawing its "Listed Area" boundaries on 31 July. The Lloyd's Market Association Joint War Committee (JWC) followed with Circular JWLA-034 (issued 29 July, effective 12 August), pushing the listed area roughly 800 km further north to capture Jeddah and Yanbu. The most consequential moves came in the final 48 hours of the period: on 12–13 August, Skuld, Gard, UK P&I Club, NorthStandard, London P&I and other International Group (IG) member clubs issued near-simultaneous 72-hour Notices of Cancellation for certain commercially reinsured war-risk covers, effective 00:01 GMT on 16 August 2026.

The trigger was a sharp deterioration in the security environment: a Houthi naval blockade declared against Saudi Arabia on 13 July, missile and drone strikes on the Saudi tankers Encelia and Layla on 23 July, and a lethal "double-tap" missile strike on the multipurpose vessel Tihamah in the Bab el-Mandeb on 12 August that killed six people, including two Yemeni rescuers. War-risk premiums for southern Red Sea transits roughly tripled over the period (from about 0.3% to over 1% of hull value, and as high as 3% for Saudi-linked vessels near Yemen).

Importantly, none of the notices withdraw mutual P&I cover, FD&D cover, or the Group Excess War Risks/PLR War covers attached to mutual entries — these remain in force and continue to be pooled among IG clubs in the ordinary way. The cancellations are confined to commercially reinsured war-risk extensions: fixed-premium P&I, charterers' liability, non-poolable extensions and ancillary products, where clubs' own reinsurers exercised 72-hour cancellation rights after Red Sea risk repriced sharply. Clubs are offering, or finalising, "buy-back" terms to reinstate cover at repriced rates. This is the second such coordinated withdrawal in 2026, following a similar pullback in March tied to the Persian Gulf/Gulf of Oman during the US/Israel–Iran conflict.

2. Timeline of Key Actions (Last Two Weeks)

Date	Issuer	Action
31 Jul 2026	**The Swedish Club**	Notice of Cancellation re-issued for the Persian/Arabian Gulf, Gulf of Oman, Indian Ocean, Gulf of Aden & Southern Red Sea "Listed Area"; boundary redrawn north to Red Sea Lat. 25.5°N; Blocking & Trapping total-loss trigger extended to 12 months. Effective 00:01 GMT 13 Aug 2026.

Date	Issuer	Action
29 Jul 2026 (eff. 12 Aug)	**LMA Joint War Committee**	Circular JWLA-034 expands the Red Sea listed area roughly 800 km further north, bringing Jeddah and Yanbu within the zone and triggering additional-premium requirements for calls there.
12 Aug 2026	**Skuld**	General Notice of Cancellation and Reinstatement issued to all fixed-premium assureds (Owners' Fixed P&I, Charterers, Offshore, Yachts, Yacht Crew Liability, Optional Covers) following a matching cancellation from its reinsurers. Effective 00:01 GMT 16 Aug 2026.
12–13 Aug 2026	**Gard (incl. Gard P&I (Bermuda) Ltd)**	Notice expands Gard's existing 2023 Red Sea exclusion to the wider area; automatic reinstatement of fixed-premium war cover with the new exclusion from 16 Aug. Buy-back terms to be reissued.
13 Aug 2026	**UK P&I Club**	Circular 14/26 – War Notice of Cancellation: Red Sea and Adjacent Waters, covering all non-mutual business (Charterers' Liability, non-poolable extensions, Fixed Premium P&I). Effective 00:01 GMT 16 Aug 2026; write-back available.
13 Aug 2026	**NorthStandard, London P&I, other IG members**	Matching Notices of Cancellation issued within the same 24-hour window following corresponding reinsurer notices, effective 16 Aug 2026.

Underlying security events shaping the market during the same window include: the Houthi declaration of a naval blockade against Saudi Arabia (13 July); missile/drone strikes on the Saudi tankers Encelia and Layla off Jizan (23 July); a dhow sunk off Yemen and a reported explosion near a tanker in the Gulf of Aden (4–5 August); and the double-tap missile strike on the Tihamah in the Bab el-Mandeb that killed six (12 August), which directly preceded the coordinated club and reinsurer notices.

3. Geographic Scope of the Exclusion

The notices define a broadly consistent boundary, most precisely set out in the Skuld and UK P&I circulars:

- Northwest boundary: the Red Sea south of Latitude 25°30'N (Swedish Club uses 25.5°N and excludes Egyptian territorial waters).
- Northeast: from the Yemen border (16°38.5'N, 53°6.5'E) to a high-seas point at 14°55'N, 53°50'E.
- East: through high-seas points to 10°48'N, 60°15'E, then to 6°45'S, 48°45'E.
- Southwest: to the Somalia border at 1°40'S, 41°34'E.
- Coastal waters up to 12 nautical miles offshore are generally excepted — but this exception does NOT apply to the Bab el-Mandeb Traffic Separation Scheme, the Red Sea coast of Saudi Arabia within the boundary, or the Yemeni coast, all of which remain fully within the excluded zone.

Compared with prior Red Sea exclusion zones (including Gard's 2023 baseline), the new boundary extends materially further north, bringing a much larger share of Saudi Arabia's Red Sea coastline — including the approaches to Jeddah and Yanbu — within the war-risk exclusion for the first time.

4. What Is — and Is Not — Affected

4.1 Affected

- Commercially reinsured war-risk extensions to fixed-premium P&I policies.
- Charterers' liability war-risk cover.

- Non-poolable extensions and ancillary covers attached to mutual entries (e.g., offshore, yachts, yacht crew liability, optional covers, depending on club).
- Owned hull war risks placed through the commercial market, per parallel hull-war notices circulating alongside the P&I notices.

4.2 Unaffected

- Mutual P&I and FD&D cover — no change to primary liability protection for IG club members.
- Group Excess War Risks and Group PLR (Pollution Liability Reinsurance) War cover attached to mutual entries.
- Cover outside the redefined boundary, and all non-war terms of existing policies.

Lloyd's List and the International Union of Marine Insurance (IUMI) have previously cautioned — during the March 2026 Persian Gulf episode — that a Notice of Cancellation is a contractual mechanism triggered by reinsurers' 72-hour cancellation rights, not a wholesale withdrawal of insurability. War cover generally remains purchasable on a single-voyage or buy-back basis; it simply becomes materially more expensive and requires active, voyage-specific placement rather than automatic inclusion.

5. Market and Premium Impact

Route / Zone	Prior Rate	Rate (Aug 2026)	As of
Southern Red Sea (general transit)	~0.3%	**>1%**	13 Jul – 23 Jul 2026
Saudi Red Sea ports near Yemen (Jizan, Al Shuqaiq) / Bab el-Mandeb transits	n/a	**up to 3%**	23 Jul 2026
Northern Saudi Red Sea ports (Jeddah, Yanbu)	n/a	**~0.1% (rising after JWLA-034)**	23 Jul – 12 Aug 2026
Strait of Hormuz (context – separate chokepoint)	n/a	**7.5% – 10%**	as of Jul 2026

Even small percentage-point movements translate into large absolute costs: market sources cited hundreds of thousands of dollars in additional war-risk premium for a single seven-day Red Sea voyage at the elevated rates. Two Chinese-owned VLCCs that loaded Saudi crude at Yanbu transited the Bab el-Mandeb during the period without disclosed insurance terms, suggesting differentiated risk pricing by flag/ownership rather than a uniform market shutdown.

Vessel-traffic data corroborate the repricing: Bab el-Mandeb transits fell roughly 24% following the mid-July blockade declaration, with mainstream (non-shadow-fleet) tanker transits down about 42% in the week following the blockade announcement. Suez Canal traffic has stayed broadly stable, but VLCC movements through Suez have roughly quadrupled as very large crude carriers lighten cargo at Yanbu or partially discharge at Ain Sukhna to meet draught limits, later topping up via the Sumed pipeline — a workaround adding cost and transit time rather than a return to normal Red Sea routing.

Updated data through 9 August (Lloyd's List Intelligence) show the squeeze deepening rather than easing: traceable Bab el-Mandeb transits (AIS enabled) fell to 200 for the week of 3–9 August, down from 226 the week prior and the lowest weekly figure in a year, while non-shadow-fleet tanker transits remained roughly 38–40% below normal. The number of tankers transiting with AIS disabled — a proxy for owners masking activity to manage risk and insurance exposure — rose to an average of 86 per month in July, up from about 70 per month in the second quarter. Despite this, major container lines including Maersk and MSC are continuing a gradual, cautious restoration of Asia–Europe Suez services, a divergence that underscores the tanker sector bearing the brunt of the war-risk repricing.

6. Industry Reaction and Context

IUMI has pushed back on framing the notices as an insurance failure, stating that "marine insurance is part of the solution, not part of the problem, as it has provided cover throughout the crisis, despite the continuing volatility," and that it is "disappointing that insurance has been singled out when the problems are kinetic, navigational and very definitely legal." During the earlier March 2026 Persian Gulf episode, IUMI and the Lloyd's Market Association made the same point — that notices of cancellation do not necessarily end cover, and that war cover remains available under specific agreement, generally on a single-voyage basis, as long as navigation is authorised by governments and flag states.

Saudi Arabia's proposed Red Sea security coalition, unveiled in late July, has been characterised by analysts as a diplomatic gesture rather than a material security enhancement, and is not expected to shift insurers' or charterers' risk calculus in the near term. Meanwhile, container lines including Maersk and Hapag-Lloyd have signalled a partial, cautious return of services to the Red Sea/Suez corridor even as the war-risk market tightens — underscoring a bifurcation between a stabilising liner sector and a deteriorating tanker-sector risk environment.

7. Outlook and Considerations

- Expect club-specific buy-back terms (Gard has said it will extend its existing facility to the new area; Skuld, UK Club and London P&I were finalising terms as of 13 August) to be published within days of the 16 August effective date — worth tracking for repricing benchmarks.
- The northward extension of the exclusion zone to include Jeddah and Yanbu approaches is a material escalation versus prior 2023–2025 Red Sea exclusions and increases the number of vessels and voyages requiring active war-risk placement.
- Given this is the second coordinated IG/reinsurer pullback in 2026 (after March, Persian Gulf/Gulf of Oman), a pattern of rapid reinsurer-driven repricing in response to discrete kinetic events appears to be establishing itself as the market's standard response mechanism in 2026.
- Continued Houthi attack capability and intent (confirmed strikes plus multiple attempted strikes since the blockade declaration) suggests the risk environment remains fluid; further boundary expansions or additional cancellation notices are plausible if attacks broaden beyond Saudi-linked shipping.
- Shipowners, charterers and cargo interests trading through the redefined zone should confirm current cover status directly with their P&I club and hull/cargo war-risk underwriters rather than relying on prior-period terms, given the pace of change over this two-week period.

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Note: This briefing synthesises publicly available club circulars, market-association notices and press reporting as of 15 August 2026. Coverage positions are changing rapidly — the 16 August 2026 effective date for the cancellation notices falls within hours of this briefing — and readers with an active interest (owners, charterers, cargo interests) should confirm current terms directly with their P&I club, broker or war-risk underwriter.

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