War Risk Clauses

Sara Landini, full professor Economic Law

sara.landini@unifi.it

War is not only a direct threat; it also fundamentally alters the nature of risk. For example, the likelihood and consequences of a property fire can change significantly when that property is located in a conflict zone. In such contexts, risks become more unpredictable and potentially more severe.

Modern warfare—particularly in its hybrid form—represents a major catastrophic risk. Hybrid conflicts combine traditional military operations (land and naval) with cyberattacks and other non-conventional tactics. This blending of methods can produce widespread and long-lasting impacts on infrastructure, economies, and civilian life.

From an insurance perspective, war is generally treated similarly to terrorism: it is typically excluded from standard coverage due to its scale, unpredictability, and systemic impact. This exclusion is formalized through "war clauses," which are particularly relevant in transportation insurance, where goods and vessels may be exposed to conflict-related risks.

War risk clauses constitute a fundamental component of modern marine insurance law, reflecting the historical and conceptual separation between "marine perils" and "war perils." Since the late nineteenth century, underwriting practice—particularly within the London market—has treated war-related risks as qualitatively distinct, requiring separate contractual treatment and pricing mechanisms.

In contemporary cargo insurance, this separation manifests itself through the systematic exclusion of war risks from standard policies governed by the Institute Cargo Clauses (ICC). Even the broadest "all risks" coverage under ICC (A) does not encompass losses arising from war, civil war, or similar hostilities, unless expressly reinstated through dedicated clauses or endorsements. This exclusion is not merely technical but reflects the systemic volatility, aggregation potential, and geopolitical unpredictability inherent in war-related losses.

The principal instrument for reintroducing such coverage is represented by the **Institute War Clauses (Cargo)** (IWC), which operate either as endorsements to existing cargo policies or as standalone covers. These clauses provide indemnity for loss or damage caused by a defined set of "named perils," including war, civil war, revolution, rebellion, capture, seizure, arrest, restraint, and derelict weapons such as mines or torpedoes. The named-perils structure is critical: unlike ICC (A), which adopts a presumptive coverage subject to exclusions, war clauses operate on a closed-list basis, requiring precise identification of insured risks.

A distinctive feature of war risk clauses is their **temporal and spatial limitation**. Coverage is typically "waterborne," attaching only when goods are loaded onto an ocean-going vessel and terminating upon discharge, often subject to strict time limits (e.g., 15 days after arrival). This contrasts with the broader "warehouse-to-warehouse" principle applicable to standard cargo insurance, and reflects insurers' intent to confine exposure to clearly identifiable maritime phases.

Equally significant is the **cancellation regime**. War risk cover is inherently unstable and may be terminated by insurers upon short notice—commonly seven days—allowing underwriters to react rapidly to deteriorating geopolitical conditions. This contractual flexibility introduces a layer of

legal uncertainty for assureds, particularly in long-duration or multimodal transport chains, where continuity of cover cannot be presumed.

From a commercial perspective, war risk clauses are highly sensitive to external risk indicators, including geographic routing, port calls, and sanctions exposure. Premiums are not static but fluctuate dynamically in response to real-time developments, such as armed conflicts or regional instability. Recent market evidence confirms that insurers may impose additional premiums, restrict navigation routes, or even withdraw coverage entirely in designated high-risk areas, thereby reinforcing the contingent nature of protection.

The legal complexity of war clauses is further compounded by **interaction with other contractual frameworks**, including charterparties (e.g., CONWARTIME clauses), letters of credit, and sanctions regimes. In particular, sanctions clauses may operate to exclude coverage where performance would violate international regulations, effectively overriding war risk protection and creating potential coverage gaps.

Doctrinally, war risk clauses illustrate the broader principle that marine insurance is a **clause-driven system**, in which the allocation of risk depends less on general policy labels than on the precise wording of contractual provisions. Judicial interpretation has consistently emphasized the need for strict construction of such clauses, especially in distinguishing between marine and war perils—an issue that frequently gives rise to complex causation disputes.

In conclusion, war risk clauses in cargo insurance represent a paradigmatic example of contractual adaptation to extreme and systemic risks. Their structure—characterized by exclusion, selective reinstatement, named perils, temporal limits, and cancellation rights—reflects both actuarial necessity and legal sophistication. In an era marked by increasing geopolitical volatility, their practical significance is expanding, while their interpretation continues to pose intricate challenges for insurers, assureds, and legal practitioners alike.

Short Bibliography

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