

West Asia Conflict Pushes War-Risk Premiums Higher, Raising Global Oil Shipping Costs

The ongoing conflict in West Asia is pushing up war-risk insurance premiums for ships travelling through major maritime routes such as the Strait of Hormuz and the Red Sea. Experts say the spike in premiums is increasing shipping costs for oil tankers and container vessels, potentially feeding into higher global energy prices and logistics expenses across supply chains.

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Geopolitical tensions in West Asia are driving a rise in maritime war-risk insurance premiums. This has significantly increased the cost of shipping oil and goods through some of the world's most critical trade routes.

The escalation around strategic corridors such as the Strait of Hormuz and the Red Sea has forced insurers to reassess risk levels for vessels operating in the region. This pushes up insurance costs for shipowners and potentially affects global oil prices and supply chains.

Marine war-risk insurance, which is a specialised cover designed to protect vessels operating in conflict zones, has seen a steep jump in premiums as security concerns intensify.

Shipping Costs May Push Up Oil Prices

Rising insurance costs are also expected to affect crude oil prices globally, as higher logistics expenses feed into the final cost of imports.

Dr. Ashish Andhale from the School of Economics and Commerce at MIT-WPU said that the conflict is forcing insurers to raise premiums for ships passing through the Gulf.

“The ongoing conflict in West Asia has increased geopolitical risk in major maritime routes such as the Red Sea and the Strait of Hormuz. As a result, insurance companies have started raising war-risk premiums for vessels transporting oil. For instance, war-risk insurance for ships passing through the Gulf was earlier around 0.25% of the vessel's value, but it is now expected to increase by around 50% or more due to security concerns.”

He explained the potential cost impact using a typical tanker example. “For a \$100 million oil tanker, this could raise insurance costs from about \$250,000 to nearly \$375,000 per voyage.”

According to him, higher shipping costs could eventually push up crude prices. “In my view, such increases raise the overall cost of maritime transportation of crude oil. When shipping costs rise, oil-importing countries and firms face higher import expenses, which may exert upward pressure on global oil prices. However, the magnitude of this impact will largely depend on the duration of the conflict and the extent to which key supply routes remain affected.”