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Insurers want marine insurance pool to continue even after ceasefire

Mumbai: With the cessation of hostilities between the US and Iran hopes have risen of normalization of trade, but Indian insurers plan to retain the marine insurance pool to ensure that there is enough domestic capacity to ensure that trade is protected when similar geopolitical events arise in future.

Insurers and brokers said that while the easing of tensions in the Persian Gulf is a positive development, the return to normalcy in marine war risk insurance will be gradual, with capacity, pricing and underwriting discipline taking time to stabilise.

Deepak Sankar, Head, Commercial Business Distribution at TATA AIG General Insurance Company, said insurers do not expect an immediate normalization of war risk cover. “We do not see the normalisation of war risk insurance overnight, following a peace announcement. Even if the Strait is formally reopened, that does not immediately translate into normal shipping activity,” he said, adding that vessel movement typically takes months to stabilise as confidence rebuilds among shipowners, charterers and insurers.

Sankar said the re-entry of insurers into the Persian Gulf war risk market will be measured and phased, with capacity returning cautiously and pricing remaining firm until there is clear evidence of sustained stability.

He stressed that the Bharat Maritime Insurance Pool (BMIP) should not be viewed as a temporary measure. “Its objectives include ensuring continuity of maritime trade, building resilience against geopolitical shocks and strengthening sovereign control over critical risk pools,” he said. He added that the pool must evolve into a credible, well-capitalised and technically sound participant, noting that capacity available only in good times cannot be relied upon during disruptions.

Kunal Khanna, Managing Director - Reinsurance & Global Head of Natural Resources at EDME Insurance Brokers, said the recent crisis exposed structural vulnerabilities in global trade. “The insurance market has a long memory, and a peace deal is not the same as a stable risk environment,” he said. Khanna pointed out that insurance withdrawal had an immediate impact during the crisis. “What this crisis demonstrated, starkly, is that insurance can close a strait before a single mine is laid. All twelve P&I Clubs cancelled simultaneously, private war risk cover evaporated within days, and over 150 tankers sat idle waiting for coverage that no longer existed,” he said.

He said normalization in the war risk market will be gradual and conditional, with government-backed reinsurance facilities needing to be wound down in an orderly manner as private capacity returns. Khanna noted that some private players have already shown interest in re-entering the war risk segment, but decisions have been deferred until market stability improves over the coming months. He emphasised that the marine war insurance pool remains critical during this transition phase. “It exists for exactly this moment, when conflict recedes but the private market has not yet fully reconstituted itself,” he said, adding that shipowners and cargo interests should continue working closely with specialist brokers as risks remain fluid.

Amarnath Saxena, Chief Technical Officer at Bajaj Allianz General Insurance, said the peace agreement is an encouraging step but cautioned against overestimating its immediate impact. He said that while reduced geopolitical tensions could support gradual normalization of war risk assessments and insurance pricing, underwriting decisions are based on long-term risk evaluation rather than single events. Saxena added that insurers and reinsurers will continue to closely monitor developments in the strategically critical Gulf region before making any significant recalibration of exposure. He said the marine insurance pool continues to play an important role in maintaining capacity and continuity of coverage during uncertain periods, strengthening long-term resilience irrespective of short-term developments.

Marcus Baker, Global Head of Marine, Cargo & Logistics at Marsh, said key operational details remain unclear despite the agreement. “For the marine community, crucially absent from the agreement are the practical details surrounding the Strait of Hormuz reopening, particularly Iran’s guarantee to respect freedom of movement,” he said.

Baker noted that while some insurers acknowledge improved conditions in the Gulf region, the immediate market response will depend on further de-escalation and adherence to the agreement. “In the longer term, there will need to be a sustained period without attacks on commercial shipping before there is an adequate environment for meaningful reductions in insurance costs,” he said.

Industry participants said the experience reinforces the need for domestic risk-bearing capacity, with the BMIP expected to remain a key mechanism to ensure continuity of trade flows even as global insurers cautiously return to the market.

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