

# War Risk Insurance in Global Shipping: Updates and Implications for Nigeria

1 <https://www.investopedia.com/terms/w/war-risk-insurance.asp> last accessed on May 21, 2025

2. See Carmen Vicente, War Risk Insurance, Neptunus, 1995, 1, pp.1-19; <https://gard.no/rules-statutes-and-guidances/document/limitations-etc-on-p-i-cover-rule-58-war-risk-s/> last accessed on May 4, 2025.

3. <https://www.reuters.com/world/middle-east/escalating-hormuz-tensions-drive-up-middle-east-war-risk-insurance-costs-sources-2025-06-23/> last accessed on June 24, 2025.

4. OECD Policy Responses: Ukraine Tackling Policy Challenges - Impacts of Russia's war of aggression against Ukraine on the shipping and shipbuilding markets, available at [https://www.oecd.org/content/dam/oecd/en/publications/reports/2023/11/impacts-of-russia-s-war-of-aggression-against-ukraine-on-the-shipping-and-shipbuilding-markets\\_f09f6649/4f925e43-en.pdf](https://www.oecd.org/content/dam/oecd/en/publications/reports/2023/11/impacts-of-russia-s-war-of-aggression-against-ukraine-on-the-shipping-and-shipbuilding-markets_f09f6649/4f925e43-en.pdf) last accessed on May 26, 2025.

5. See <https://www.reuters.com/world/middle-east/red-sea-insurance-costs-soar-houthi-shipping-threats-loom-sources-say-2024-09-19/>

## BACKGROUND

In today's increasingly volatile geopolitical climate, war risk insurance remains a critical concern in global shipping and international trade. As the shipping industry grapples with the realities of modern conflict, stakeholders must now reevaluate the allocation of contractual risk, liability, and navigation rights. The rising tension in hotspots such as the Red Sea, the Black Sea, and parts of the Middle East has compelled insurers, shipowners, and global maritime regulators to update and adapt the legal and operational frameworks governing war risk insurance.

## WHAT IS WAR RISK INSURANCE?

War risk insurance refers to a specialized type of marine insurance coverage that protects against loss or damage arising from war-related perils. These include events such as hostilities (whether declared or not), civil war, revolution, rebellion, piracy in war zones, terrorism, strikes, confiscation, and sabotage. It is typically divided into Hull War Risk Insurance, which covers damage to the insured vessel itself, and Cargo War Risk Insurance, which covers cargo loss or damage due to war perils.

The agreed terms and the delineation of specific war risk areas determine the scope of coverage. Importantly, war risk insurance is a specialised form of insurance written by specialist war risk insurers. Therefore, most marine insurance policies exclude war risks, insisting that such risks should be taken out as a separate policy.

## THE RENEWED AND CONTINUING ATTENTION ON WAR RISK INSURANCE

Recent geopolitical events have drastically reshaped the operational realities of international trade and shipping:

- (a) Israel-Iran Conflict: Recent attacks between Israel and Iran (leading to attacks on the United States of America ("USA") military base in Qatar) have significantly heightened tensions in the Middle East, raising concerns for the safety of commercial vessels in and around the area (including Israeli waters). The foregoing has led to the doubling of War risk insurance premiums for shipments to the Middle East and the Arabian Gulf in the last week<sup>3</sup>.
- (b) Russia-Ukraine Conflict: The full-scale invasion of Ukraine in February 2022 created significant uncertainty and risks for shipping operations, particularly in and around Ukrainian waters.

The conflict disrupted Black Sea trade and triggered the rerouting of vessels, a spike in war risk insurance premiums, and the activation of war risk clauses.<sup>4</sup>

- (c) Red Sea & Bab el-Mandeb Strait Tensions: Houthi-led attacks on commercial ships in late 2023 and early 2024 have caused widespread rerouting of vessels around the Cape of Good Hope and significant increases in war risk premiums<sup>5</sup>.

These developments necessitate a proactive legal and commercial response to the reclassification of war risk areas, reassessment of voyage planning, and reallocation of liabilities under charterparty contracts.

## THE IMPORTANCE OF WAR RISK INSURANCE IN MITIGATING TRADE DISRUPTION

Without proper war risk insurance, vessels navigating conflict-prone regions may be denied entry into ports or territorial waters, exposed to uninsured losses in the event of an incident, considered in breach of charter obligations due to deviation, and required to pay exorbitant war risk premiums on short notice. These realities threaten the integrity of the international trade supply chain, affecting timelines, freight costs, and commodity availability, particularly for countries like Nigeria, which are heavily dependent on imports, including refined petroleum, wheat, and machinery, as well as exports of crude oil and gas.

## UNDERSTANDING WAR RISK AREAS

Understanding what qualifies as a "war risk area" is central to interpreting war risk insurance policies and related charterparty clauses. The presence of active conflict does not simply define these areas, but it is determined by the perceived or actual threat to commercial shipping and crew safety, determined through evolving geopolitical, legal, and commercial considerations.

### What are War Risk Areas?

A war risk area is a geographical zone where there is a significantly heightened risk of war-related perils, including armed conflict, terrorism, piracy, civil unrest, or acts of sabotage, making transit through such zones a perilous undertaking for vessels and cargo. The classification of an area as a war risk area can trigger increased insurance premiums, activate protective clauses in charterparties (e.g., CONWARTIME, VOYWAR), permit the vessel's Master to deviate or refuse entry to such areas, and affect voyage planning, cargo scheduling, and freight costs.



6. <https://www.lmalloyds.com/lma/jointwar>
7. See the above link for JWC wordings, which allow underwriters to put piracy peril into the war policy.
8. See this link for the 12 P&I Clubs that make up the International Group, which provides marine liability cover (protection and indemnity) for approximately 90% of the world's ocean-going tonnage: <https://www.igpandi.org/article/about/>
9. <https://www.reuters.com/world/middle-east/escalating-hormuz-tensions-drive-up-middle-east-war-risk-insurance-costs-sources-2025-06-23/> last accessed on June 24, 2025.
10. <https://www.reuters.com/world/middle-east/red-sea-insurance-costs-soar-houthi-shipping-threats-lom-sources-say-2024-09-19/#:~:text=The%20industry%20sources%2C%20speaking%20on,was%20on%20fire%20for%20weeks%20last%20accessed%20on%20May%2015%202025.>
11. <https://unctad.org/publication/trade-hope-impact-black-sea-grain-initiative> last accessed on May 2, 2025.
12. <https://nimasa.gov.ng/international-maritime-bureau-u-confirms-piracy-decline-in-the-gulf-of-guinea/> last accessed on June 1, 2025.
13. <https://www.slipcase.com/view/insider-in-full-china-taiwan-insurers-limit-appetite-as-geopolitical-instability-fears-grow#:~:text=Typically%2C%20once%20an%20area%20is,to%20the%20global%20marine%20industry.%E2%80%9D> last accessed on May 23, 2025.
14. Clause B, CONWARTIME 2025.

As a result, war risk areas are dynamic and evolve based on intelligence reports, naval advisories, and global risk assessments.

### Who Determines War Risk Areas?

Multiple entities designate areas as war risk, with each carrying different implications:

#### 1. Joint War Committee (the "JWC"), Lloyd's Market Association

The JWC, under the Lloyd's Market Association ("LMA"), comprises underwriting representatives from both the Lloyd's and the International Underwriting Association (IUA) company markets, representing the interests of those who write marine hull war business in the London market. It usually meets quarterly. The JWC plays a preeminent role in determining regions where underwriters believe there is elevated risk to maritime operations due to war-related perils (the "Listed Areas"). These Listed Areas form the basis for triggering war risk insurance coverage or additional premium requirements. For example, as of 2024, the JWC included the Red Sea, Gulf of Aden, Black Sea, and parts of the Persian Gulf in its Listed Areas.<sup>5</sup>

Once an area is added to the list of Listed Areas, insurers may impose an Additional Premium for vessels transiting these areas. Insured parties must notify underwriters before entering such areas, and coverage may become subject to exclusions, cancellation, or renegotiation.

The JWC also issues wordings and clauses from time to time which are available for market use.<sup>7</sup>

#### 2. Flag States and Port States

Flag States may issue security advisories or even prohibit vessels under their registry from entering high-risk areas. Similarly, Port States (especially those affected by conflict) may impose restricted access, sanctions, or inspections on ships arriving from or destined for conflict zones/areas.

#### 3. P&I Clubs and Private Insurers

Protection and Indemnity ("P&I") Clubs<sup>8</sup> and war risk underwriters also publish internal risk assessments. These often mirror JWC's determinations but may vary depending on the insurer's underwriting appetite or intelligence data. P&I Clubs may include tailored navigational warnings, coverage restrictions, and imposed routing alternatives for insured ships.

#### 4. BIMCO's Interpretive Role

To manage and structure these risks, stakeholders across the shipping and insurance industries rely heavily on standard contractual clauses that allocate responsibilities in times of conflict. The Baltic and International Maritime Council ("BIMCO"), as the world's largest shipping organization, plays a central role in shaping standard maritime contracts used globally.

Their model war risk clauses, such as **CONWARTIME** (for time charterparties), and **VOYWAR** (for voyage charterparties) are critical tools used to apportion risks and guide vessel navigation decisions. These clauses are pivotal in helping parties pre-emptively define the scope of acceptable risks, the Master's right to deviate from perilous areas, and the financial implications of operating in or near war zones. In doing so, BIMCO's clauses ensure legal predictability and operational flexibility across global chartering relationships.

While BIMCO does not formally declare war zones, it plays an interpretive and policy-shaping role through its model clauses. The organization's standard war clauses refer to 'areas of war risk' broadly, leaving the determination largely to the Master's reasonable judgment or by reference to insurers' advisories. This allows some contractual flexibility and avoids over-reliance on rigid listings.

### Geographic Scope of Recent War Risk Areas (2022–2024)

The scope of war risk areas has expanded significantly due to the increase in hybrid conflicts and asymmetric warfare:

1. Israel and Iran Conflict: The recent escalations in the Middle East and the Arabian Gulf, which culminated in the Israeli and the USA missile strikes on Iran and Iran's retaliatory actions (including those on a USA military base in Qatar) have **doubled war risk insurance premiums** for vessels transiting the Middle East and Gulf regions within days.<sup>9</sup>
2. Red Sea and Bab el-Mandeb: Declared war risk areas due to Houthi missile and drone attacks, particularly targeting vessels linked to Western interests. Maritime security has been jeopardized, leading to skyrocketing insurance premiums.<sup>10</sup>
3. Black Sea: Since Russia invaded Ukraine, the Black Sea has been a complex war zone. Ukraine's grain corridor deals with the United Nations and Turkey have helped mitigate risk temporarily, but renewed hostilities often reactivate war clauses<sup>11</sup>.
4. Gulf of Guinea: Although piracy rates have declined slightly due to Nigerian and regional interventions, the Area remains under scrutiny, particularly for vessels anchoring off Nigeria's coast without security escorts<sup>12</sup>.
5. Taiwan Strait and South China Sea: Rising political tensions and naval manoeuvres between China, Taiwan, and the United States of America have led insurers to treat this area as a sensitive risk area, although it has not yet been formally designated a war risk area by JWC<sup>13</sup>.

### Legal Implications of Entering War Risk Areas

When a vessel is required or directed to enter a designated war risk area, several legal and contractual implications arise under charterparty arrangements, particularly when standard war clauses such as BIMCO's **CONWARTIME 2025** and **VOYWAR 2025** are incorporated into the agreement.

1. Exercise of Master's Discretion Under Protective Clauses: Under the war risk clauses in both CONWARTIME 2025 and VOYWAR 2025, the owner or master of the vessel is empowered to refuse entry into a war risk area if, in their reasonable judgment, the area poses a danger to the vessel, cargo, or crew.<sup>14</sup> This discretion is particularly significant when credible and objective indicators of risk, such as official advisories, intelligence reports, or recent hostile incidents, suggest a substantial threat to safety. In such circumstances, the master may delay or alter the vessel's course without the same amounting to a breach of the charterparty.
2. Charterers may be held liable if they direct the vessel to enter a designated war risk area without ensuring that adequate protective measures such as war risk insurance, naval escorts, or risk assessment protocols have been arranged.



15. Clause I, CONWARTIME 2025.
16. Clause D and E, CONWARTIME 2025.
17. PACIFIC BASIN IHX LTD v. BULKHANDLING HANDYMAX AS (THE TRITON LARK) [2012] EWHC 70 (Comm)
18. <https://gard.no/insights/english-law-conwartime-1993-explained/>
19. [https://www.bimco.org/contractual-affairs/bimco-clauses/earlier-clauses-list/war\\_risks\\_clause\\_for\\_time\\_e\\_charters\\_2013/](https://www.bimco.org/contractual-affairs/bimco-clauses/earlier-clauses-list/war_risks_clause_for_time_e_charters_2013/)
20. [https://www.bimco.org/contractual-affairs/bimco-clauses/current-clauses/war\\_risks\\_clause\\_for\\_time\\_e\\_charters\\_2025/](https://www.bimco.org/contractual-affairs/bimco-clauses/current-clauses/war_risks_clause_for_time_e_charters_2025/)
21. TAOKAS NAVIGATION SA v KOMROWSKI BULK SHIPPING KG (GMBH & CO) (THE PAIWAN WISDOM) [2012] EWHC 1888 (Comm)
22. The 2025 Clause retains bareboat charterers, disponent owners, managers, or other operators charged with the management of the vessel.

Where the charterers issue such instructions contrary to the contractual allocation of risk or without proper safeguards, they may be in breach of the charterparty and liable for resulting losses or damages.

3. Where a vessel deviates from its route or delays entry into a port due to the existence of a war risk, such actions may be contractually excused. The war risk clauses stipulate that deviation or delay, which avoids a war risk area does not constitute a breach of the charterparty, nor does it give rise to laytime or demurrage claims.<sup>15</sup>
4. Shipowners may be entitled to claim indemnity from charterers for any additional costs incurred due to the war risk, including increased insurance premiums, costs of rerouting, loss of hire, or danger pay for crew. These claims typically arise when the vessel enters a war risk area at the charterers' request or direction, and the war clauses or bespoke provisions in the charterparty allocate such liabilities accordingly<sup>16</sup>.

In **THE TRITON LARK**<sup>17</sup>, the English court recognized a master's reasonable refusal to transit a war risk area if there is a real likelihood that the relevant place is or will be dangerous for the vessel on account of a war risk, affirming the discretion provided under war clauses in charterparties.<sup>18</sup>

### BIMCO'S ROLE IN WAR RISK CLAUSES AND THE 2025 REVISIONS

War risk clauses are essential in modern charterparty agreements, providing shipowners and charterers with contractual clarity, risk allocation mechanisms, and navigational discretion in volatile geopolitical landscapes. BIMCO has played a central role in standardizing these clauses for various types of charterparties.

#### BIMCO's Function in Maritime Contracting

BIMCO is the largest international shipping association representing shipowners, operators, managers, brokers, and agents. One of its most significant contributions to maritime trade is the development of standard form contracts and model clauses, which serve as globally accepted contractual templates in charterparties, bills of lading, and other maritime instruments.

BIMCO's war risk clauses, namely the **CONWARTIME** and **VOYWAR** series, have long governed the allocation of risk and responsibility in situations involving war, warlike operations, terrorism, piracy, and related dangers.

#### Historical Development of BIMCO War Risk Clauses

The evolution of BIMCO's war risk clauses reflects the maritime industry's adaptive response to shifting geopolitical landscapes, including armed conflict, terrorism, and piracy. Each iteration of the CONWARTIME and VOYWAR clauses has sought to strike a balance between commercial interests and the imperative of safeguarding vessels, crews, and cargoes.

Below is a brief overview of the key stages of development:

- (a) **CONWARTIME 1993 and VOYWAR 1993**: These clauses were introduced against the backdrop of increasing regional instability and the growing threat of piracy during the early 1990s. They provided a contractual framework allowing owners and masters to refuse charterers' orders to proceed to or through areas exposed to war risks. Under the 1993 versions, a vessel owner could decline to follow voyage orders if the ship **"may be, or is likely to be, exposed to War Risks."**

However, this wording became the subject of legal scrutiny, particularly in **THE TRITON LARK**,

where the English court interpreted the clause to require a **"real likelihood"** of exposure to war risk. This judicial interpretation introduced a more stringent threshold, arguably narrowing the owner's ability to invoke the clause and raising uncertainty over its practical application.

- (b) **CONWARTIME 2004 and VOYWAR 2004**: In response to the interpretive difficulties highlighted in **THE TRITON LARK**, BIMCO revised the clauses to improve clarity and restore flexibility. The 2004 versions replaced the phrase "may be or is likely to be" with the simpler and broader phrase "may be exposed" to war risks. This change was designed to avoid the complexities introduced by the "real likelihood" test and to afford masters and owners greater autonomy in responding to perceived threats without the burden of proving a high probability of danger.
- (c) **CONWARTIME 2013 and VOYWAR 2013**: Introduced clearer thresholds for invoking protective rights and gave more discretion to the Master to refuse entry into dangerous zones.
- (d) **CONWARTIME 2025 and VOYWAR 2025 Update**: The most recent updates, issued in April 2025, introduce significant changes in response to recent developments. These updates are discussed in detail below.

### Comparative Analysis of the 2013 Clauses from the 2025 Clauses

#### Comparative Analysis of the CONWARTIME 2013<sup>19</sup> and CONWARTIME 2025 Clauses<sup>20</sup>

The CONWARTIME 2013 revisions were prompted by decisions in **THE TRITON LARK** and **THE PAIWAN WISDOM**<sup>21</sup>, which challenged prevailing interpretations of war risk thresholds and timing. In **THE TRITON LARK**, the courts clarified that the phrasing **"may be exposed to"** introduces a broader standard of risk assessment than **"likely to be exposed."** **THE PAIWAN WISDOM** further confirmed that CONWARTIME applies regardless of whether the war risk was present at the time the charter was entered into.

CONWARTIME 2025 integrates these developments, removes ambiguity, and modernises the structure to reflect current operational realities.

1. Definition of key terms:
  - (a) The CONWARTIME 2025 introduces a specific definition for "Area" as **"any port, place, area or zone, waterway or canal"**, providing clarity on the geographical scope of the clause.
  - (b) The 2025 clause defines "Insurance Costs" to include additional war risk premiums and costs of any (additional) kidnap and ransom insurances, ensuring transparency in financial responsibilities.
  - (c) Both versions define "Owners" broadly, but the 2025 clause explicitly replaces the erstwhile shipowners with registered owners.<sup>22</sup>
2. Vessel's Obligation to Proceed: Both clauses state that the vessel is not obliged to proceed to or through areas where, in the reasonable judgment of the Master or Owners, it may be exposed to war risks. The 2025 clause reinforces this by stating that the vessel shall have the liberty to leave such areas, thereby emphasizing the vessel's autonomy in ensuring its own safety.



23. [https://www.bimco.org/contractual-affairs/bimco-clauses/earlier-clauses-list/war\\_risks\\_clause\\_for\\_voyage\\_chartering\\_2013/](https://www.bimco.org/contractual-affairs/bimco-clauses/earlier-clauses-list/war_risks_clause_for_voyage_chartering_2013/)

24. [https://www.bimco.org/contractual-affairs/bimco-clauses/current-clauses/war\\_risks\\_clause\\_for\\_voyage\\_charter\\_parties\\_2025/](https://www.bimco.org/contractual-affairs/bimco-clauses/current-clauses/war_risks_clause_for_voyage_charter_parties_2025/)

25. The 2025 Clause retains bareboat charterers, disponent owners, managers, or other operators charged with the management of the vessel.

26. Emphasises "reasonable judgement" of both the Master or the Owners as a basis for evaluating danger, granting flexibility and authority to either.

27. [https://nimasa.gov.ng/wp-content/uploads/2019/08/nigerian\\_maritime\\_industry\\_forecast.pdf](https://nimasa.gov.ng/wp-content/uploads/2019/08/nigerian_maritime_industry_forecast.pdf) last accessed on May 29, 2025

28. Evaluation of the Relationship between Maritime Piracy and Port Revenue by John F. Ojutalyo et al, in European Journal of Maritime Research available at [https://www.researchgate.net/publication/370220289\\_Evaluation\\_of\\_the\\_Relationship\\_between\\_Maritime\\_Piracy\\_and\\_Port\\_Revenue#:~:text=The%20result%20indicates%20that%20for,ports%20increased%20by%2060872.47%20units](https://www.researchgate.net/publication/370220289_Evaluation_of_the_Relationship_between_Maritime_Piracy_and_Port_Revenue#:~:text=The%20result%20indicates%20that%20for,ports%20increased%20by%2060872.47%20units) last accessed on May 25, 2025.

29. <https://punchng.com/importers-pay-1-5bn-war-risk-premium-despite-reduction-in-piracy/>

3. **Contraband and Blockades:** Both clauses prohibit the vessel from loading contraband cargo or proceeding through blockades. The 2025 clause adds that the vessel shall have the liberty to leave areas where it may be subject to search or confiscation by a belligerent. **4. Reimbursement of Insurance Costs:** The 2025 clause provides a more detailed framework for the reimbursing insurance costs. It requires Owners to notify Charterers of Insurance Costs as soon as practicable and, if possible, before entering a war risk area. Charterers are only obliged to reimburse costs incurred, net of any applicable discounts or benefits.
5. **Crew Bonuses and Additional Wages:** Both the 2013 and 2025 clauses stipulate that if Owners become liable to pay crew bonuses or additional wages due to exposure to war risks, Charterers shall reimburse these amounts. The 2025 clause specifies that reimbursement should occur within fifteen (15) days of receiving the Owners' invoice, along with signed receipts or written confirmation from crew managers.

#### Comparative Analysis of the VOYWAR 2013<sup>23</sup> and VOYWAR 2025 Clauses<sup>24</sup>

The BIMCO War Risks Clause for Voyage Charter Parties (VOYWAR) has undergone a significant revision in 2025, replacing the 2013 version that had been in use for over a decade. The update is a response to evolving geopolitical tensions, emerging threats, and commercial demands for greater clarity and risk allocation in the global shipping industry. The broader comparison is highlighted below.

##### 1. Definition of key terms:

The 2025 clause provides better clarity, enhancing legal certainty and commercial predictability.

(a) The VOYWAR 2025 introduces a specific definition for "Area" as "any port, place, area or zone, waterway or canal," providing clarity on the geographical scope of the clause.

(b) The 2025 clause defines "Insurance Costs" to include additional war risk premiums and costs of any (additional) kidnap and ransom insurances, ensuring transparency in financial responsibilities.

(c) Both versions define "Owners" broadly, but the 2025 clause explicitly replaces the erstwhile shipowners with registered owners.<sup>25</sup>

2. **Right to Cancel Pre-Voyage and Substitute Safe Ports:** The VOYWAR 2025 introduces a firm deadline, reducing uncertainty and potential delay in urgent war risk scenarios. Both VOYWAR 2013 and VOYWAR 2025 permit owners to cancel the contract or refuse to perform parts of it if war risks<sup>26</sup> emerge before loading and require charterers, when loading/discharge occurs within a range of ports, to nominate a safer alternative before cancellation can occur. The VOYWAR 2025 introduces a 72-hour timeline within which charterers must nominate a safe alternative port after notice from Owners. This firm deadline will create a more structured and time-bound process.

3. **Alternative Route and Discharge Options:** The 2025 clause introduces more commercial flexibility and financial protection mechanisms for Owners while ensuring Charterers retain discharge input within a reasonable timeframe. Unlike the 2013 Clause, which lacks express provisions for adjusted freight or specific discharge obligations at alternative ports in case of risk escalation mid-voyage and does not include express lien rights for adjusted freight, the 2025 Clause contains detailed provisions for alternative routing due to War Risks discovered during the voyage, discharge at a safe port chosen by Owners if Charterers fail to nominate within 72 hours,

freight adjustment mechanisms based on estimated time and cost savings/losses, supported by documentation and express lien rights for the adjusted freight amount. The 2025 clause also provides that the additional or reduced adjusted freight shall be paid or reimbursed within 7 calendar days of either the receipt of the Owners' debit or credit invoice with supporting documents and the bills of lading being issued, whichever comes later.

4. **Liberty and Compliance Provision:** The VOYWAR 2025 expands liberty rights beyond the usual compliance with government, insurer, United Nations, and supranational body directives, discharging cargo to avoid liability for contraband, changing crew to avoid internment to include leaving an Area in which it is exposed to war risks whether such risk existed at the time of entering the Area or occurred thereafter. The VOYWAR 2025 also reiterates the indemnity and deviation protections.

## IMPLICATIONS OF WAR RISK INSURANCE ON NIGERIA'S IMPORT AND EXPORT MARKETS

### Nigeria's Position in Global Shipping and Trade

Nigeria occupies a strategic geographical position along the Gulf of Guinea, one of the most active and historically volatile maritime corridors in the world. The country depends heavily on maritime trade for both the importation of critical goods (fuel, machinery, foodstuffs) and the exportation of crude oil, agricultural products, liquefied natural gas (LNG), and solid minerals. Approximately 90% of Nigeria's trade, by volume, and over 70% by value, is transported by sea and handled in seaports.<sup>27</sup>

However, maritime insecurity, primarily driven by piracy, armed robbery, and regional conflicts, has historically influenced the cost of shipping to and from Nigerian ports. War risk insurance has become an inseparable cost variable in Nigerian-bound shipments.<sup>28</sup>

### Understanding War Risk Insurance Premiums in the Nigerian Context

War risk insurance is typically levied on top of regular hull and machinery (H&M) and protection and indemnity (P&I) insurance.

The premium is either a percentage of the insured value of the vessel or a flat-rate surcharge, where the premium is fixed and determined by the vessel's exposure to war risks and the specific geographic areas within which it operates.

War risk premiums are driven by the geographical classification of Nigerian waters as a war risk area, the assessment of threat levels by insurers and underwriters, the duration and frequency of calls to Nigerian ports, the type of cargo, and the ship design. The impact of the war risk premium on the Nigerian economy is enormous, as between 2021 and 2024, importers have paid **One Billion, Five Hundred Million United States Dollars (US\$1,500,000.00)** as war risk insurance premiums on Nigeria-bound cargo.<sup>29</sup>

Besides the premium Nigeria-bound cargoes have paid, the imposition of war risk premiums has other effects, including increasing the cost of shipping goods into Nigeria, which raises final consumer prices due to cost pass-through by shippers, increases transaction costs for import-dependent industries (e.g., pharmaceuticals, automotive, technology), and discourages regular liner services or calls from top-tier shipping lines. This has prompted the Nigerian Maritime Administration and Safety Agency ("**NIMASA**") to dedicate time, energy, and effort to maritime security through initiatives such as the Deep Blue Project.



30. <https://nimasa.gov.ng/nimasas-crusade-to-end-war-risk-insurance-premiums-to-save-nigeria-over-40-billion-annually/> last accessed on June 10, 2025.

31. BMP5 "is designed to support a structured approach to threat and risk assessment in the maritime environment" and "by following the BMP, both companies and seafarers can minimise the risk of maritime security incidents, ensuring better protection against emerging threats and improving overall safety".

NIMASA is also actively campaigning to eliminate war risk insurance surcharges on cargoes bound for Nigeria.<sup>30</sup>

Nigeria's strategic maritime position, serving as West Africa's most significant shipping hub, makes its stakeholders uniquely exposed to war risk issues in international shipping. With geopolitical tensions in the Gulf of Guinea, the Red Sea corridor, and the increasing relevance of sanctions, Nigerian shipowners, charterers, cargo owners, and legal practitioners must align with international developments such as BIMCO's 2025 war risk clauses.

Nigeria's current maritime law does not independently codify war risk standards. Instead, shipowners and operators rely on contractual clauses and international conventions to govern their operations. This makes private contractual instruments, such as BIMCO clauses, extremely influential in determining liabilities and insurance scope in war risk scenarios.

## RECOMMENDATIONS

1. Charterers and cargo interests operating in Nigeria are advised to revisit existing charterparty negotiations to update the war risk clause in their working drafts. It is recommended that parties revise all standard time and voyage charterparties to incorporate the developments in the BIMCO 2025 updates.
2. Nigerian shipowners are advised to verify that their war risk insurance policies are in line with the new charterparty clauses. Owners should also implement crew training on the latest developments and responsibilities under the BIMCO 2025 war risk clauses and navigation through high-risk zones, as well as detailed voyage documentation to justify the refusal of high-risk routes (for dispute avoidance).
3. Nigerian shipowners, charterers, and cargo interests are advised to audit their charterparty templates, insurance contracts, and bills of lading to ensure consistency in risk allocation, alignment between BIMCO war risk clauses and force majeure provisions, and the availability of arbitration pathways in the event of war-related disputes.
4. Nigerian shipowners are also encouraged to develop processes that deter piracy and enhance the security of their vessels whilst operating in Nigerian waters.

The Best Management Practices for Maritime Security (March 2025 Edition)<sup>31</sup> ("BMP5") is the minimum that insurers would expect, and we urge this to be the minimum standard for processes and practices adopted by Nigerian shipowners.

5. Maritime lawyers and industry professionals in Nigeria must become frontline interpreters of international developments in war risk regulation, from contract drafting that customises charterparties to suit Nigerian trade realities while preserving BIMCO's risk frameworks to insurance advisory that ensures that war risk cover aligns with voyage plans and regulatory obligations, to dispute resolution that advises reasonableness of refusal to proceed, especially under the "safe port" doctrine or during sanctions-triggered port detentions to training and organizing workshops for local shippers and P&I correspondents to understand implications of BIMCO war risk clause updates.
6. There is an urgent need for continental harmonisation of maritime security and war risk policy responses. This involves a shift from a reactive model (responding to insurer classifications) to a proactive, policy-led approach that addresses root causes and builds confidence among insurers and stakeholders.

## CONCLUSION

War risk insurance is no longer a niche topic confined to shipping operators and insurers as it has become a topic of national security, trade policy, and regional development issues for African states. The frequency of shipping disruptions in high-risk areas from the Gulf of Guinea to the Red Sea places the African maritime industry at a geopolitical and commercial crossroads. From the elevated insurance premiums on Nigeria and some other African routes, which add high costs to doing business in and out of the continent, disproportionately affecting African shippers and increasing consumer prices, to disincentivising investment in African ports and maritime infrastructure, these issues contribute to the factors causing the slowed progress of intra-African maritime trade and stalling the spirit of the African Continental Free Trade Area which hinders fluid shipping and increases reliance on foreign underwriters.

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