

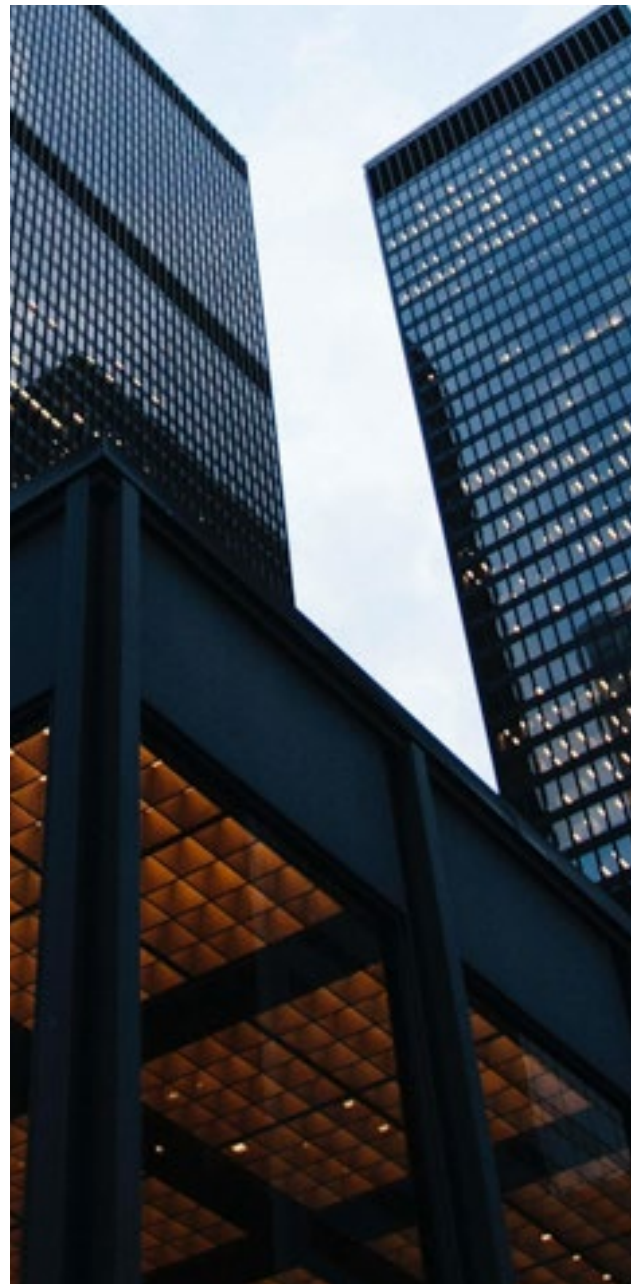


Conflict without borders and the illusion of distance

Why conflict in the Middle East is a global risk

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Introduction

Who better to keep you up to date on the conflict than DWF's Global Risk team from both inside the Middle East and wider Global Markets.

Much of the Middle East remains open for business—but that doesn't mean business is operating in a normal risk environment.

The real issue isn't whether conflict exists. It's whether your contracts, insurance and operations are built for what happens if it spreads, and / or happens again.

Even when an agreement between opposing sides is reached, the return to 'normality' will take time, and there is a strong chance that the risk landscape will have permanently changed.

Our experts from across the globe have provided their analysis on the immediate and long-term impacts of the current conflict, and what it means to insurers and insureds.



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The meaning of War

Despite the ongoing media coverage referring to recent events as a “war” against Iran, President Donald Trump and his administration very carefully referred to their actions as “military operations”. Indeed, House Speaker Mike Johnson rejected the idea that the US is at war with Iran and denied that the House needed to have a vote on the War Powers Act. These conflicting stances around the classification of state actions have once again brought into sharp focus the importance of defining “war” for the purposes of insurance cover.

This question is not merely academic. The classification of events as war, civil war, or lesser forms of hostility has profound consequences for coverage across multiple lines of business, particularly where policies contain war exclusions, war risk buy-backs, or endorsements addressing strikes, riots and civil commotion. While the language of “war” is often used colloquially by governments, media, and commentators, insurance policies typically rely on more technical, tightly defined definitions, developed through decades of underwriting practice and judicial interpretation.

As case law demonstrates, English courts will approach the meaning of “war” through the lens of ordinary commercial understanding, informed by the scale, organisation and objectives of the violence in question, rather than by how the parties to a conflict choose to characterise it. In an era of asymmetric warfare, proxy actors and rapid escalation across borders, that analysis is likely to become increasingly fact sensitive and contested.

Given the circumstances of the ongoing conflict in the Middle East, including the involvement of state-backed proxies, there are also likely to be questions

arising around War vs Terrorism, how the two covers interact and what is the proximate cause of any given loss. Most standard property and liability policies, for example, cover terrorism (or permit it to be bought back) but contain broad war exclusions. We anticipate seeing disputes arising where insureds seek to argue that the operative cause of their loss is terrorism, rather than war in order for cover to be engaged.

Whilst we might expect English Courts to take an analytical approach to the assessment of this question, the outcome of any disputes in local courts is more difficult to analyse. Where insurers have policies in place with local law and jurisdiction clauses, they cannot assume that the above analysis of the meaning of “War” will necessarily apply.

For policyholders and insurers alike, the lesson is clear. The classification of losses arising from the current Middle East hostilities will depend heavily on precise policy wording and careful assessment of how exclusions, buy backs and aggregation provisions interact. Early engagement, rigorous review of coverage terms and a clear-eyed assessment of the factual matrix will be essential in navigating claims and preserving rights as the situation continues to evolve.



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Related article: [Defining war: Insurance implications of the Iran drone and missile strikes in the Middle East | DWF Group](#)



Middle East: local issues

The US-Israel conflict with Iran has exposed some significant gaps in policy coverage across the Gulf. Many entities do not hold standalone Political Risks/Political Violence cover in the region, and as a result we have seen claims actively maintained under 'Property All Risks' policies, despite those policies typically incorporating very broad 'War and Terrorism' (often mirroring NMA2919 wording) and/or 'Political Violence' exclusions.

As these policies do not respond to war risks, notifications have been framed in extremely loose terms, avoiding reference to the underlying causal mechanism of damage. Challenges arise where local Civil Defence reports may omit reference to the cause of damage, and is compounded by:

- (i) Physical access to sites having been restricted and/or delayed because they are sensitive or actively dangerous, with key sites facing repeated attacks over multiple weeks, and
- (ii) High general caution around confidentiality and sharing of documents, and strong local laws concerning the sharing of images/videos.

We are already seeing that these factors complicate causal, and thus coverage, analysis.

Where Political Violence covers are notified, the same evidential concerns apply. These are making it challenging for adjusters and (re)insurers to assess the extent of damage, and the reasonable repair costs.

We also anticipate challenging conversations where pre-conflict repair cost assumptions are no longer realistic. Supply chain disruptions, coupled with labour constraints and other factors, are significantly increasing repair costs. This brings into play basis of settlement issues, and creates scope for disagreement.

Business interruption (BI) claims are also complex. Disentangling the BI loss truly attributable to an insured peril is challenging, in the context of wider geopolitical and economic disruption, including airspace closures, logistical disruptions, and a general reduction in demand. We foresee challenging negotiations over the true sums.

Set against that backdrop, (re)insurers ought to be alive to the possibility of pressure from regulators and/or governments to ensure that insurance cover is seen to respond to sensitive losses. (Re)Insurers should remain mindful of the broader regulatory and reputational landscape in which they are operating, along with the complex patchwork of jurisdictions, including local courts, local commercial dispute resolution centres, freezone courts, and arbitration.



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Sanctions creep and enforcement risk

The outbreak of the conflict in the Middle East in March 2026 created significant uncertainty for organisations operating across international markets, not least arising out of rapidly evolving and sometimes contradicting sanctions regimes.

Since Russia's full-scale invasion of Ukraine in February 2022, sanctions imposed by the UK, EU and US have targeted thousands of Russian individuals and companies, and hundreds of tankers in the "shadow fleet" it relies on to move crude around the world. Despite shared strategic objectives, the UK, EU, and US sanctions regimes sometimes diverge in several key areas. The current oil supply crisis has highlighted a clear divergence of approach.

The US and Israel's war with Iran has driven up the price of oil. Oil tankers stranded in the gulf, unable to traverse the narrow channel between Iran and Oman, has led to a growing supply crisis. Russia has moved quickly to fill the gap. Deputy Prime Minister

Alexander Novak has publicly declared that Russia is ready to boost oil supplies to China and India amid Hormuz disruptions. OFAC introduced a temporary 30-day licence to allow Indian refiners to purchase Russian oil without any tariff repercussions.

It is not yet clear what the longer-term impact will be on the approach taken by the UK, EU or US to Russian sanctions and crude oil.

However, it is clear that when jurisdictions take different approaches, as we are currently seeing, organisations face complex decisions around screening policy, risk tolerance, and legal exposure.

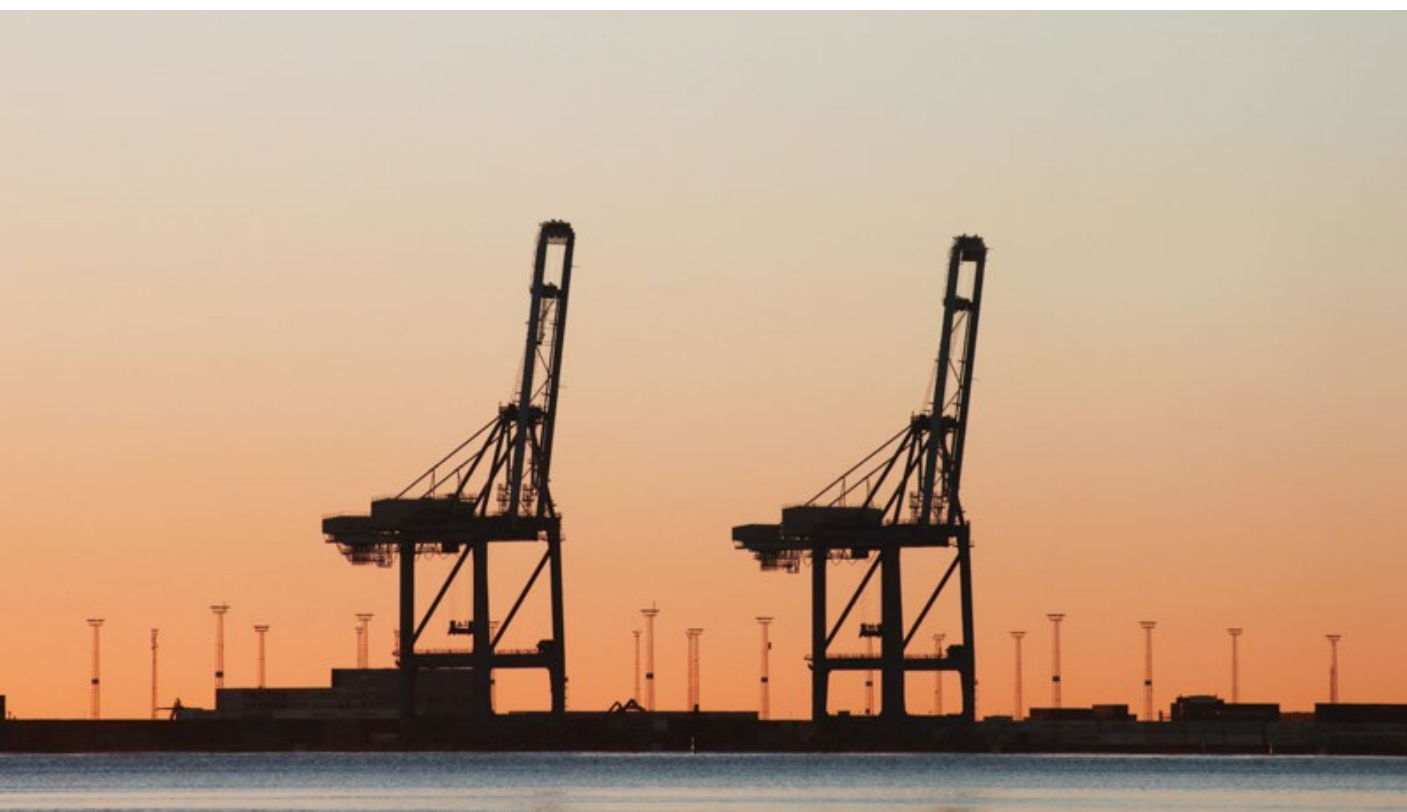


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Related article: [Iran war: The impact on global sanctions | DWF Group](#)



Marine



The conflict in the Persian Gulf has triggered a “two can play that game” dynamic between the US and Iran, with tit-for-tat measures escalating from vessel seizures to threatened blockades driving heightened maritime risk.

Commercial shipping and marine insurers face continued exposure and operational ambiguity, particularly around safe and lawful passage. Ports have closed or have had activities suspended, and the escalation of attacks has had a detrimental effect on supply chains and the price of oil and LNG.

‘Normal’ shipping in the Strait of Hormuz is unlikely to return until at least three factors are in place: 1) a sustained period of peace without incident; 2) commercial permissions from P&I Cubs and insurers; and 3) operational and human confidence – which could likely include the conclusion of any minesweeping operations. Even then, depending on the nature of the vessel and cargo, full operations could take several months to resume.

This means that for the foreseeable future, marine insurers will continue to face challenges around notices of cancellation, war risk cover, delays, disruption and retention of title clauses.

This also means that for all classes of business, supply chain disruption is likely to continue throughout 2026.



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Related articles: [*Blockading in the Persian Gulf: Navigating uncertainty in shipping law and marine insurance*](#) | [*DWF Group*](#)

Force majeure: a UK perspective

As global conflict intensifies, force majeure clauses are back in focus.

Commercial contracts typically define a force majeure event as an act, event or circumstance beyond the reasonable control of the parties that prevents, delays or hinders performance of contractual obligations. The conflict in the Middle East is a clear example which may interrupt supply chains operating from the region.

Force majeure only applies if the contract expressly includes a force majeure clause. English law does not imply protection into a contract, except in very limited circumstances for the narrow doctrine of frustration. Failure to include a force majeure provision in a contract means that a force majeure event would not excuse a failure or delay in performance, even if its outside of a party's control.

If your contract is silent on a force majeure provision, or if conflict or hostilities are excluded from the qualifying events, suppliers may find themselves in breach of contract if contractual obligations are not performed even where performance is beyond your control. Suppliers may also be faced with having to incur significant additional costs to mitigate the impact, such as taking different, more costly transportation routes.



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Related articles: [Force majeure, hardship and contractual relief in the GCC during times of crisis | DWF Group](#)
[Beyond boilerplate: Global tensions, risk allocation and force majeure | DWF Group](#)



Opportunities beyond short-term volatility: Energy in the Middle East

With geopolitical conditions in the Middle East rapidly evolving, balancing immediate exposures against longer-term opportunity has become an increasingly complex exercise. The focus is no longer simply whether an oilfield, refinery, pipeline or power plant can be restored, or how quickly. Increasingly, the key question is whether those assets sit within systems resilient enough to absorb and mitigate disruption.

Energy infrastructure is also becoming inseparable from water security. Desalination plants reliant on uninterrupted power are now strategic pillars of national security. Exposure to these assets is therefore becoming more than an engineering issue, now requiring bespoke consideration of overlapping exposures – a major concern for governments and investors.

While Middle East infrastructure repair costs could reportedly reach up to USD 58 billion, liquidity is unlikely to be an issue. The greater difficulty lies in how losses are characterised, allocated and managed across interconnected jurisdictions and infrastructure networks that remain heavily reliant on one another.

Against that backdrop, the UAE's decision to step outside OPEC is a major development, and greater flexibility in how assets are developed and routed through cross-border infrastructure and storage facilities may accelerate demand for cover whilst diversifying (re)insurers' exposures.

To deploy capacity into those risks, however, granular underwriting and clearer legal frameworks will be required. Issues of apportionment, contractor access to cover, and scope of recovery will test both legal frameworks and underwriting resilience.



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Construction and infrastructure projects

Recent developments affecting regional security and international transit routes have had both immediate and ongoing consequences for construction and infrastructure projects across the Gulf, with shipping routes severely restricted and/or commercially impractical. These conditions are now driving a sustained supply chain shock, which is starting to be replicated across wider jurisdictions as the geopolitical uncertainty continues.

Large infrastructure and energy projects depend on imported equipment. These items are usually procured against tight planned delivery windows that align with the project timeline and commissioning schedule.

With shipping through the Strait of Hormuz now severely restricted, delivery dates are in many cases moving beyond those planned windows. As a result, procurement delays are impacting construction activities and project completion, resulting in heightened commercial uncertainty for contractors operating across the GCC, including delay exposure and cost escalation.

These impacts are not short term in nature; extended transit restrictions, rerouting via longer corridors and constrained shipping capacity are embedding delay and cost pressures for the longer term.

For many contractors, the immediate challenge is how to manage risk, minimise business disruption, protect cashflow and preserve legal positions, while equally trying to avoid the unnecessary escalation of issues into formal disputes.

Insurance is an area requiring careful attention in response to current events. Many contractors

assume that disruption linked to geopolitical events will be insured. In practice, this is often not the case.

CAR policies commonly contain war, hostilities and sanctions exclusions, which may apply even where the project itself is far from any active conflict. Recent developments are undoubtedly driving increased premiums, higher deductibles and more cautious underwriting, particularly for projects with international supply chains. In practice, sharply increased 'war risk' premiums, renegotiated cover terms and reduced capacity are materially affecting the availability and affordability of insurance.

Delay in start-up cover typically requires physical damage, meaning that purely logistical or transit-related disruption may fall outside policy protection altogether, thus creating a gap between actual exposure and available insurance response

Contractors should review policy terms carefully, engage early with their brokers and insurers, and ensure that notification obligations are met. A clear understanding of what is, and is not, insured is essential when deciding strategy.



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Cyber

The Middle East conflict highlights how cyber attacks, including state sponsored activity, are a defining component of modern warfare. No longer confined to local or state targets, these attacks reverberate across global networks, affecting businesses, governments, and critical infrastructure worldwide.

The surge in hacktivism underscores how political and religious narratives are being weaponized to drive disruptive cyber campaigns, including website defacements, denial of service attacks, and data leaks. While these incidents can generate significant financial losses, the greater risk is reputational - undermining trust among customers, partners, and other critical stakeholders when organizational credibility matters most.

Critical infrastructure and essential services have emerged as high value cyber targets. Increased attacks on energy, telecommunications, transportation, and healthcare sectors during regional escalation demonstrate how localized incidents can rapidly cascade across interconnected global supply chains.

The conflict has also highlighted the growing importance of third party and supply chain risk, including indirect exposure through software vendors, managed service providers, or cloud platforms that operate in or near affected regions.

This inherited risk is often difficult to detect or manage using traditional cybersecurity frameworks, yet it can be a decisive factor in the scale and severity of an incident.

Compounding these challenges is the blurred line between state sponsored actors, cybercriminals, and hacktivists, complicating the incident response, legal decision making, and communications strategies, particularly at the executive and board levels and as sanctions risks escalate. This ambiguity has also introduced uncertainty around cyber insurance coverage, the war exclusion and the potential gap in cover.

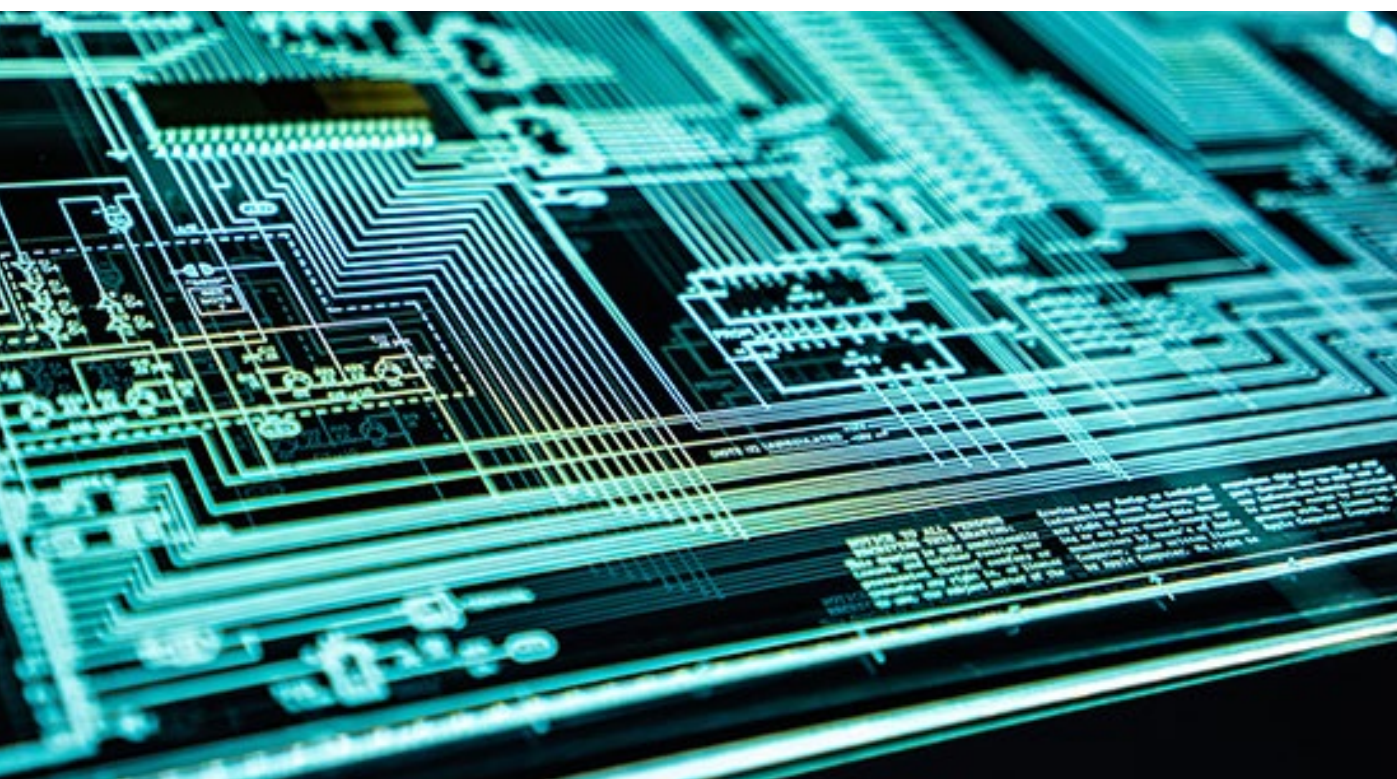
Taken together, these dynamics illustrate that cybersecurity can no longer be viewed as a purely technical concern or an isolated risk function. The Middle East conflict demonstrates how geopolitical instability translates directly into digital and financial exposure. In this environment, resilience depends not only on strong cyber controls, but also on proactive governance, risk management and ensuring there is adequate cover to respond.



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Fraud

The unfortunate truth is that in times of geopolitical conflict, fraud risk increases. This can be seen on both sides of the coin: threat actors seeking to exploit the state of fear, confusion and a lack of knowledge by presenting fraudulent information in the hope of obtaining personal details or financial gain; and businesses and individuals seeking to recover uninsured (or non-existent) losses by presenting false or inflated claims.

Businesses need to be ultra cautious when responding to unsolicited approaches offering help or guidance, often seemingly from an official or government body. Offers of financial support or helplines are well known tactics to fraudulently obtain sensitive data.

Insurers also need to exercise caution when responding to claims. The instinct to provide prompt, critical restoration to insureds in such volatile circumstances must be balanced with a thorough system of due diligence, ensuring that claims have not been fraudulently presented. Through desperation or pure opportunist motives, claims can be exaggerated or entirely fabricated. These are supported by convincing invoices and images supposedly evidencing loss or damage when, in fact, they are the product of an AI enabled programme.



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Risks for employers: evacuation, workforce & duty of care

Recent international events have led to disruption affecting travel, remote working arrangements and globally connected workforces. While circumstances will differ between organisations, employers may wish to consider the potential employment and HR implications for their workforce and ensure appropriate arrangements are in place to manage risk and support employees.

First and foremost: Duty of care - Employers have a duty to take reasonable care of the health and safety of its employees, including where external events increase risk or uncertainty.

Travel and remote working - Restrictions on flight routes and airspace will impact employees who are returning to the UK, travelling overseas for work, or transiting through affected regions. It is also possible that employees may become stranded whilst on holiday or may want to cancel holiday last minute due to travel restrictions. Employers will need to consider contingency plans for such employees and the potential HR implications.

Business continuity - Periods of international disruption can create operational challenges for employers, particularly where absence levels increase, travel is restricted or working arrangements change at short notice. Employers may wish to consider whether existing business continuity and workforce plans remain appropriate and sufficiently flexible to respond to evolving circumstances.

Workplace conduct and employee relations - International events can give rise to strong personal views and heightened emotions, which may surface in the workplace or on internal and external communication platforms, such as LinkedIn. Employers should be alert to the potential impact on employee relations and take steps to ensure that workplace standards are maintained.



Wellbeing and support - Ongoing global uncertainty can be unsettling for employees, particularly where individuals may be personally affected through family, friends or wider connections. Employers may wish to remain mindful of the potential impact on employee wellbeing and consider whether appropriate support and flexibility are in place.

Human rights and responsible business conduct - Global disruption should also be considered through the lens of human rights and responsible business conduct, recognising that employment guidance and workforce decisions should sit within a broader Human Rights Action Plan or human rights due diligence framework, with people remaining a central consideration throughout.



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Related article: [A UK employer's perspective on global developments: Key employment and workforce considerations](#) | DWF Group

Travel: Supporting stranded travellers from the UK

It is essential for organisers to understand the scope and limits of their obligations under the UK Package Travel and Linked Travel Arrangements Regulations 2018.

Three nights' accommodation support under Regulation 15 - Where travellers are unable to return home as scheduled due to unavoidable and extraordinary circumstances, organisers must provide necessary accommodation for up to three nights per traveller.

After the three nights: your duty to assist under Regulation 18 - Once the obligation to fund accommodation has been met, the organiser's responsibilities become more limited.

Travel insurance should take over after day three - Your contractual terms should clearly state that travellers must have adequate travel insurance.

Where travellers ask to amend their plans during a major incident, it is good practice to record their reasons for doing so. This information can become highly relevant if insurers later pursue subrogated recovery actions. Clear records now can prevent unnecessary complications later.



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Related article: [Supporting stranded travellers: understanding tour operator obligations under the package travel regulations | DWF Group](#)





What's next?

As the situation continues to evolve and develop there will, no doubt, be additional issues to address from a legal perspective.

Our experts across the jurisdictions are closely monitoring developments and will continue to provide further updates as matters unfold.

If you would like to discuss any of the topics raised, please contact:



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