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## Sanctions, Conflict Zones and the Repricing of Maritime Risk: Structural Implications for Specialty Insurance Markets

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### Abstract

*Marine insurance is a very vital aspect in topping the maritime trade in the world as it offers financial safeguard against both operational and legal risk related to shipping. The marine insurance structures that were used in the past are mainly structured to cover physical and operational risks that include Cargo loss, shipwreck and accidents on the sea. The growing geopolitical threats and sanctions governments are also bringing about new legal and regulatory perspectives that have great impact on maritime risk evaluation. Government and international institutions sanction laws limit the activities of a trade, transaction of finances and insurance services relating to jurisdictions, organizations or a single individual. The marine insurers are required to therefore incorporate sanctions compliance in underwriting and in the writing of policies to be made sure that insurance coverage does not impact relevant legal frameworks. The paper will discuss the readjustment of the maritime risk through sanctions regimes and geopolitical conflict in the specialty insurance markets. The study utilizes doctrine legal study of sanctions laws in the maritime trade, stress simulation of portfolio by simulating the impact of geopolitical exposure on underwriting portfolios, and qualitative information of marine insurance experts. The results suggest that Sanctions laws and warring states have changed the maritime risk as an operational issue to a multifaceted legal and regulatory matter. To ensure that insurance contracts are legally enforceable and in compliance with the existing regulations, marine insurers are growing to include sanctions clauses and updated war risk exclusions in insurance agreements. It is also demonstrated that geopolitical instability affects premium pricing policies and capital deployment aspects in marine insurances markets. The study sheds light on the enforcement of tighter compliance regimes, explicit wording of the contract and the incorporation of geopolitical assessment of risk in the underwriting programs. These are developments that need to be done so that marine insurance markets remain stable and support international maritime trade within a new set of sanctions and geopolitical realities.*

**Keywords:** Marine Insurance; Economic Sanctions; Geopolitical Risks; Maritime Trade; Insurance Regulation

### Introduction

Maritime business is at the center of international trade and economic interconnectedness (Beebe & Surprenant, 2022). Sea transport of a very high part of world trade implies, and marine insurance offers that legal and financial framework which enables shipping activity to operate under uncertain conditions. Marine insurance has traditional origins to cover traditional sea risks like storms, navigation error, piracy, and accidental vessel or cargo damage (Klapkiv & Ülgen, 2025). These risks are insured by means of established models of underwriting based on past loss records, actuarial calculations, and well-articulated contract terms. These models have been tailored to handle operational hazards that are quantifiable with reasonable certainty. The regimes of sanctions have grown to be the prominent feature of international economic governance

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(Klapkiv & Ülgen, 2025). Economic sanctions are also becoming a more frequent way for governmental and international bodies to control the actions of states, companies, or individuals that engage in political disputes or the breach of international standards. Sanctions can be imposed, limiting trade and financial operations, shipping, and insurance cover connected to targeted jurisdictions or organizations (Beebe & Surprenant, 2022).

These restrictions tend to affect maritime transport specifically because shipping networks include several legal jurisdictions and regulatory domains (Georgiou, 2023). The marine underwriters should therefore be cautious in applying their policies in accordance with the law of sanctions and remain in a position to support international shipping operations. The interrelationship between maritime risk and sanctions compliance has brought an element of legal and operational complexity to the marine insurance market. Sanctions have several impacts on marine insurance. The insurance contracts should be in accordance with the national and international sanctions laws that do not allow financial or commercial relations with sanctioned organizations (Meng, 2025). In case an insurer offers coverage that is not based on the sanction's regulations, an insurer can be punished with heavy legal fines, financial fines, and a tarnished image. The insurers should thus carry out rigorous compliance audits before writing off policies to ships, cargo or trade routes that can be tied to sanctioned areas. It will be done by checking ownership structures, trade routes, cargo source, and counterparties of shipping dealings (Georgiou, 2023).

The conflict zones can also affect the form of maritime insurance risk. The military conflicts, the territorial disputes and the naval conflicts enhance the chances of damage of vessels, loss of cargo, or disruption of the maritime trade routes (Meng, 2025). War risk insurance covers have been used in the past to cover any loss associated with military action or seaside hostility. In these policies, there are usually such clauses that are used to specify the extent of a war risk to be covered and instances where there may be a failure to cover (Soman & Balasubramanian, 2025). Geopolitical disputes of the modern day tend to incorporate hybrids of economic and political coercions that are characterized by sanctions regimes, trading blocks and proxy warfare. This brings indecision as to the application in modern maritime operations of the traditional war risk clauses. Sanction laws and maritime insurance have become more complicated (Meng, 2025).

Sanctions can be imposed by various bodies, such as governments at the national level, regional ones, and international organizations. The authorities can impose sanctions responsibility differently, causing regulatory fragmentation (Soman & Balasubramanian, 2025). Marine insurance companies that operate in international markets would have to comply with several sanctions systems at the same time. Such regulatory overlap adds to the burden of keeping up with compliance requirements and brings ambiguity to the regulations and enforcement of insurance contracts (Coralluzzo & De Ninno, 2025). The art of underwriting insurance relies on the possibility to evaluate the risk reasonably predictably. Conventional models of underwriting are based on past experiences and statistical analysis, which approximate the likelihood of loss occurrences (Soman & Balasubramanian, 2025). The threat posed by geopolitical instability is dynamic and hard to measure by traditional actuarial methods.

The continued volatility in the geopolitical landscape thus questions the stability of the current insurance models (Coralluzzo & De Ninno, 2025). The issue that is an issue of this study is the increased distance between the old marine insurance systems and the changing geopolitical context under which the maritime trade is organized nowadays (Taheri Hosseinkhani, 2025). Marine insurers have to strike a balance between a number of competing legal and operational requirements. They should be able to offer sound coverage of the maritime activities and at the

same time, make sure that there is strict observance of the sanctions laws and international laws that govern the operation of these activities. They should also have ways of responding to the premium pricing and capital allocation strategy to capture the premium of uncertainty that the conflict zones and geopolitical tensions have created. The research question is to examine the way geopolitical changes redefine underwriting practices, policy terms, and volume of capital on specialty marine insurance markets. Some of the objectives of the study are to investigate the impact of the sanction's regimes on the accessibility to marine insurance covers to vessels in politically sensitive areas. The paper also aims to examine how insurance companies modify the price of premiums and their risk assessment norm in the event of geopolitical instability, which turned out to be a lasting issue and not a short-run disturbance. The other aim is to examine the manner in which war risk exclusion clauses and sanctions clauses are written in the marine insurance contracts so as to be legally binding and in accordance with the international regulatory schemes.

This study can be explained by the fact that geopolitical risk is gaining more significance in the economic systems around the world. Maritime trade is growing regardless of the existence of political tensions and sanctions in different parts of the world. The insurers have a vital part to play in the process of maritime trading by ensuring that shipping companies can carry out their operations in uncertain conditions. In the absence of proper insurance coverage, international trade related in a variety of ways would encounter a considerable amount of financial and legal challenges. The issue of determining the impact of sanctions and geopolitical conflicts on marine insurance markets is thus quite necessary in ensuring the stability of international trade networks. The goal of the study is eventually to develop the knowledge of the impact of the sanctions regimes and conflict areas in shaping the framework of marine insurance systems. The concept of implementing geopolitical analysis into the underwriting practice will possibly enable insurers to come up with more stable and transparent risk assessment frameworks. These advancements are relevant to maintaining global trade, even though there is extended geopolitical tension in marine insurance.

### **Research Question**

How should insurers redesign war-risk exclusions and sanctions clauses to maintain contractual enforceability under complex geopolitical conditions?

### **Literature Review**

#### **Evolution of Maritime Risk in Global Trade**

Maritime trade has been subjected to numerous types of risks, which are a result of navigation, the weather, and business risks (Khan & Emon, 2024). Marine insurance was a case of legal and financial construction to take care of these risks and to sustain international commerce. The marine insurance practices were early on centered on physical risks like storms, shipwrecks, piracy, and damage of cargo (Acciaro, 2026). The insurance contracts were designed in such a manner that it sets out the limits regarding what was covered and on what grounds the claims could be pursued (Khan & Emon, 2024). These contracts required legal predictability since maritime trade draws in most jurisdictions and parties of contract. The marine insurance law also focused on the creation of clear contractual wording, specification of obligations, and enforcement of claims when it came to developing the law. The globalization of trade made the maritime risk more complex. Shipping networks expanded across continents and concerned vessels that crossed areas with diverse political and legal conditions (Acciaro, 2026).

This growth meant that insurers had to not only be willing to consider the operational risks, but also the political and regulatory environment in which maritime business operated. Maritime risk

exposure started experiencing impacts of political instability, regional, and trade restrictions. Political risks were included bit by bit in the underwriting assessment by the insurers, and these risks were usually seen as extraordinary and not as structural (Liu, Wu, Li, & Wu, 2024). The new line of sanctions regimes posed a new level of predicament of risk in the trade systems of the world. Sanctions, which limit business activities between particular nations, organizations, or individuals, are applied more often by governments and international institutions. The shipping networks between different countries provoke sanctions measures that are often directed directly at maritime transport. The marine insurers should hence be able to determine whether vessels, cargo, or trade routes implicate sanctioned jurisdictions or parties. Adherence to sanctions has become the crucial legal requirement in marine insurance underwriting. The history of maritime risk manifestation proves the fact that marine insurance should cope with the varying conditions of law and political stability (Liu et al., 2024). The concept of maritime risk in international trade, thus, poses various hazards that are encountered in traditional operations and various legal provisions that continue to be complex issues regarding geopolitical unpredictability, sanction compliance, and legal enforcement.

### **Geopolitical Risk and International Insurance Markets**

The geopolitical risk is now a major factor that affects the international insurance markets. The environment in which the insurance institutions work is global and predetermined by the political relations between states, conflicts among regions, and at the global level of international regulations (Olasehinde-Williams & Balcilar, 2022). The geopolitical processes can affect systems of stability in the economy, trade flows, and cross-border trade of goods. These circumstances have a direct impact on industries that need global connectivity, such as maritime transport and insurance services that underlie it (D'Orazio, 2026). Geopolitical conditions are therefore something that marine insurers need to use in order to evaluate the extent of risk exposure and in underwriting insurance policies. Historical data on opportunity such as loss has been used in actuarial techniques by insurance markets to assess risk. Geopolitical developments tend to change quickly and cannot be put in predictable patterns easy to modulate into statistical models. Political confrontations, sanctions, and military conflicts can change the route of trade, carry out shipping business, and raise the risk of loss events (Olasehinde-Williams & Balcilar, 2022). The insurers should thus change their underwriting practices to include the political events that can have effects on maritime activities.

This is to be done through legal analysis, regulatory oversight, and risk assessment procedures that move beyond the conventional actuarial computations (D'Orazio, 2026). Sanctions regimes are an important form of geopolitical risk in the global insurance markets. Sanctions are a common tool of the law adopted by governments to shape political behaviour or to mitigate international law violations. Such steps might limit financial transactions, commerce, and insurance coverage to approved jurisdictions or persons (Lim, Kyophilavong, & Soukchalern, 2024). The insurance companies are to make sure that the underwriting activities are in accordance with the relevant sanctions legislation. Any breach of the laws of sanctions can lead to fines, regulations, and penalties (legal liability). International insurers frequently work in a variety of jurisdictions, each of which may have a different set of sanctions regulations. This scenario makes the regulation of the insurers offering coverage to global trade activities complex (Lim et al., 2024). The insurance companies should develop compliance mechanisms that can determine whether the policyholder, his or her freight, or their routes are concerned with authorized parties. Geopolitical risk thus affects both the likelihood of the occurrence of loss incidents as well as the legal framework in which insurance contracts are being issued and

### **Sanctions Regimes and Regulatory Fragmentation**

The sanctions regimes constitute one of the key components of the modern international economic regulation (Afesorgbor, Santeramo, & Steinbach, 2025). Sanctions are commonly imposed by governments and other international bodies to solve political issues, breaches of international law, or security and foreign policy-related concerns. These sanctions can limit financial transactions and trade activities, shipping activities, and insurance services related to specific jurisdictions or entities. The regulations of the sanctions affect marine insurers since the insurance cover can support the maritime trade involving sanctioned people. Sanctions law compliance is thus one of the important legal requirements that insurance institutions should comply with in the international markets (Afesorgbor et al., 2025). Laws on sanctions tend to vary between jurisdictions. The national governments can utilize the sanctions frameworks that can have an impact on the political and economic priorities of the governments. Sanctions that are regional can also be applied and cut across member states. The differences pose a phenomenon of regulatory fragmentation where several regimes of sanctions are in existence. To ensure that they satisfy compliance requirements, marine insurers providing coverage to vessels and cargo engaged in international voyages have to consider compliance requirements established by multiple legal regimes simultaneously (PAPACONSTANTINOU, 2023).

Regulatory fragmentation poses legal uncertainty to the insurers as the sanctions rules do not necessarily match at all jurisdictions. What would be allowed by the laws of a particular country, on a maritime transaction, might be prohibited by the rules of a different country, in terms of sanctions (PAPACONSTANTINOU, 2023). The insurance companies should therefore carry out a thorough review of compliance before they issue policies that entail international trade activities. Most of these reviews necessitate checking ownership frameworks of vessels, cargo, charter agreements, and transactions related to maritime operations. Insurance contracts often contain sanctions clauses under which the insurers are permitted to refuse to provide insurance in case the act of providing insurance would contravene the sanctions law (Okello, 2023). These provisions save the insurers the burden of legal liability and hold policies binding under the relevant regulatory measures. The rising applications of the sanctions clauses indicate the impacts that the sanctions regimes have on the drafting and interpretation of marine insurance contracts. Regulatory fragmentation thus calls on insurers to focus on holistic processes of compliance that ensure that various frameworks of sanctions are met at the expense of legal certainty to insurance coverage (Okello, 2023).

### **War Risk Coverage and Policy Exclusions in Marine Insurance**

War risk is one of the specialized marine insurance covers that covers losses that are caused by armed conflict or any other unpleasant acts at sea. In the normal marine insurance policy, the losses due to war, civil upheaval, or any other political occurrences are usually not covered (Klopott, 2024). The coverage of war risk insurance gives independent coverage which could occur when the vessels or cargo has been exposed to the conflict conditions. Such policies usually provide coverage by having elaborated contractual clauses of the events that are considered war risks (Ibrahim, 2025). These clauses need to be legal since there can be disputes on whether an incidence qualifies as war risk or not. Historical coverage of war risk insurance had been formulated to deal with cases of a declared military conflict between two states. The geopolitical situation of our day is more complicated as it may entail political tension that requires the sanctions, trade restrictions, and indirect military activities (Klopott, 2024). These events cause confusion as to how the provisions of war risk are supposed to be utilized in the modern maritime

operations. The implication of this is that the insurers need to revise the policy wording to effectively make sure that the contractual terms of the relationship between war risk coverage and other classifications of geopolitical exposure are well defined. The war risk insurance is also affected by the sanctions regimes (Ibrahim, 2025). Sanctions laws can ban monetary operations with whether by specific states, businesses or individuals. Coverage of insurance relating to maritime activity relating to sanctioned entities may thus be limited by applicable laws of sanctions. The marine insurers should make sure that the policies of war risks do not offer insurance that will act in breach of the sanctions requirements. The insurers may be forced to cancel the policies and deny coverages once a vessel or cargo is associated with a sanctioned jurisdiction as required by sanctions regulations. Another aspect of policy exclusions that are significant at dealing with such legal requirements is the policy exclusions.

### **Capital Allocation and Risk Pricing in Specialty Insurance Markets**

Specialty insurance markets are based on stringent capital placement and pricing of risk so as to achieve financial stability (Jin, 2022). Marine insurance is a particular niche of the insurance sector, in which the value of risk exposure can be large, the route of trade can be complicated and the legal location may be several jurisdictions (Knox & Sørensen, 2024). The insurers are required to raise the capital needed to recover the possible losses and also make sure that the insurance premiums are calculated in accordance with the degree of risk on each policy. Careful control of capital is necessary since the occurrence of unforeseen cases of losses can impact financial potential of insurance firms and stability of insurance markets (Jin, 2022). The concept of risk pricing is always based on the actuarial analysis of loss patterns and operation risks of the past. Such aspects can be the state of vessels, navigation routes, cargo type, and environmental conditions. There are new geopolitical conditions, which have added more variables that affect pricing of risks in specialty insurance markets (Knox & Sørensen, 2024). Tensions on politics, conflict areas and sanctions regimes can also increase the likelihood of trade disruptions, vessel arrest or financial compensation. Geopolitics therefore requires the insurers to integrate geopolitical considerations in their pricing models. Adherence to sanctions also influences capital allocation on marine insurance portfolio (Korteweg & Westerfield, 2022). The insurance companies need to make sure that the legal penalties the insurance companies will face with the violation of sanctions are not tied to underwriting decisions.

The policies that are linked to licensed jurisdictions might entail an increase in the legal risk and regulatory review. Responses of the insurers can include raising the premium, restricting the coverage, or locking out some types of trade in the same way that the insurers underwrite. These are aimed at cushioning the insurers against financial exposure and regulatory imposition measures (Korteweg & Westerfield, 2022). The specialty-based insurance markets also have to take into consideration potential effects of disruptions due to sanctions on reinsurance facilities and capital reserves. Reinsurers can exclude such risks as those related to approved regions or conflict zones. Such limitation might necessitate the changes of capital reserves by primary insurers or adjustment of underwriting policies. The risk pricing and capital allocation on marine insurance markets is an indicator thus not only of operational hazard but also of law and regulation requirements of the sanctions regimes as well as geopolitical instability.

### **Methodology**

The study design is a method that will analyze the legal, structural correlation between sanctions regimes, geopolitical conflict and the maritime insurance risk. The study is based on the qualitative and analytic design, which involves combining the doctrinal analysis of the law, portfolio stress testing, and expertise of the industry participants. This will enable the study to

test the riskiness of marine insurance markets to geopolitical instability and sanction compliance requirements. The research design applied in the framework is its methodology, as it focuses on the combination of legal approach, risk modeling, and practice in the industry to be able to comprehend structural change in maritime insurance markets. The initial aspect of the methodology is a doctrinal legal analysis of sanctions law that has an influence on maritime insurance activities. Marine insurance is a legal environment that is informed by international trade law, financial regulations, and sanctions imposed by governments and other international bodies. Sanctions actions often involve the suppression of trade, finances, and shipping operations and insurance cover regarding the specified jurisdictions and organizations. The marine insurers are thus required to make sure that their underwriting underpinnings are not in violation of the relevant sanctions laws.

The doctrinal review incorporates laws and regulatory provisions on sanctions laws in the governance domain around significant marine jurisdictions with the view of determining the legal requirements that affect the marine insurance underwriting and policy writing. The examination of legal mandates, regulatory standards, and enforcing systems that perimeterize the breadth of sanctions compliance in the maritime industry is examined. The doctrinal analysis also reviews the aspects of the inclusion of sanctions clauses into the marine insurance contract. Sanctions compliance Laws Insurance policies often provide that in case of the provision of insurance that would breach the law after which a sanction is in operation, the insurers may refuse to do so. These provisions are legal provisions that cover the insurers against regulatory claims. The paper examines structures in policy words as they apply in marine insurance policy so as to see how sanctions exposure is addressed in contractual systems by insurers. Legal interpretation of such clauses is analyzed to find out the effect of obligations of sanctions on the enforceability of insurance cover and claims settlement processes.

The review of the doctrines, hence, serves as a source of legal justification for the regulatory environment in which the marine insurance markets are held. The second aspect of the methodology includes the simulation of portfolio stress to investigate the effect of the geopolitical conflict and exposure to sanctions on insurance risk portfolios. Marine insurers are in charge of underwriting portfolios in which they cover vessels, cargo shipments, and trade routes in different regions. Geopolitical changes could change the risk profile of these portfolios dramatically. Restrictions to sanctions, trade limits, and conflict areas can cause the likelihood of financial loss or operational constraint. Portfolio stress simulation will enable the research to measure the impact of these conditions on the pricing and capital allocation of premiums on marine insurance markets. The simulation process is the supposed models of hypothetical situations when maritime operations are subjected to sanctions limitations and regional conflicts. These conditions encompass the cases when ships are under the jurisdiction of sanctions, trade routes are involved in the conflict region, or the cargo operations are made with persons who are targeted by the regulations on sanctions. Both scenarios examine the way in which premiums are computed, underwriting risks and capital requirements in the event of a rise in geopolitical risk. The effect of the sanction's compliance requirements as another constraint on the capacity of insurers to cover the areas is also factored in the simulation.

These insights are useful in explaining the interaction between theoretical legal frameworks in the real context of insurance underwriting. The combination of the doctrinal legal study, portfolio stress model, and professional perspectives enables the research to study maritime insurance risk in various prisms. Legal analysis categorizes regulatory compliance requirements of the sanction's regimes. Portfolio simulation is the analysis of the economic context of geopolitical

instability in underwriting portfolios. Projected experience in the opinion of professionals is practical evidence on the real-life application of these legal and financial considerations when making actual underwriting decisions by insurers. These approaches combined make the research embrace the legal framework and at the same time the operational form of marine insurance markets. The methodology thus gives the overall framework of assessing the rebranding of maritime insurance risk by sanction regimes and geopolitical war. The legal analysis, scenario modeling, and industry insight that can be used in the research enable it to determine the trends in underwriting practice, contractual design as well as the capital allocation in the specialty insurance market. This strategy contributes towards the overall goal of indicating how the marine insurers will be able to respond to geopolitical instability and yet at the same time provide compliance with the regulations of the sanctions and also uphold the legal nature of the insurance contracts.

## **Results and Discussion**

### **Structural Transformation of Maritime Risk under Sanctions Regimes**

Sanctions regimes have introduced a metamorphosis to the manner of the assessment of maritime risk in marine insurance markets. Marine insurance was customarily concerned with the operational risks like vessel damage, loss of cargo, errors in navigation and weather. These risks might be estimated by looking at past data and actuarial processes that can predict the likelihood of instances of losses (Tsailas, 2025). This structure has been changed with the introduction of regulations of sanctions, providing legal and regulatory risk that simply impacts maritime operations. Sanction actions usually limit the trade operations, financial dealings as well as the shipping and transport of specified states, firms, or individuals. Marine insurers are therefore obligated to study the issue of whether the maritime activities are covered by sanctioned jurisdictions or entities to issue insurance coverage or not. The regimes of sanctions impact the lawfulness of maritime risk transfer (Okello, 2023). The prohibition of insurance coverage can be made in the case of a vessel, cargo shipment, or a contractual party that is liable to restrictions concerning sanctions. In order to ascertain the compliance of insurance policies to the relevant sanctions legislation, marine insurers have no other option but to first confirm ownership, charter and cargo origin of activities (Tsailas, 2025). These compliance requirements make maritime risk a more legal and regulatory issue rather than an operational one.

The assessment of maritime risk has to be constantly compiled with the observation of the sanctions lists, regulatory changes, and geopolitical situation which could affect the maritime trade. Sanctions also play a role in the availability of insurance cover in the conflict-sensitive areas. Insurers can deny their coverage to vessels that have a high exposure to sanctions in certain regions (Okello, 2023). Such limitations can be imposed on the trade routes and shipping activities that are insurance-related. The legal environment dealing with compliance with sanctions is thus closely associated with maritime risk. Insurers have to revise underwriting techniques and terms of contracts to be able to make insurance policies enforceable amid sanctions processes (Golovchenko, 2025). The current global trade dynamics in the maritime sector have been characterized by the convergence of operational risks and legal liabilities in forms of sanctions regimes.

### **Premium Repricing under Persistent Geopolitical Instability**

The cost of premiums in marine insurance markets is highly linked to the determination of the risk exposure (Bonelli, 2025). The insurers base the calculation of premiums on the likelihood and the worst-case scenario of the loss incidents that may happen during the maritime operations. Historical loss records and operational risk measures including vessel condition, cargo, and

routes were used to calculate the traditional premiums. The frequent political turmoil in the geopolitical landscape has been adding new variables as far as premium pricing in maritime insurance is concerned (Melega, 2025). These sanctions, state wars, and commercial prohibitions provide conditions that add uncertainty in the maritime activities. The sanctions regulations can have an impact on the legality and the financial safety of maritime deals. The circumstances in which a shipping operation is concerned with jurisdictions subject to sanctions measures include the risk of insurance liability or regulatory penalties of issuing a covering contrary to the sanction's laws. Insurers hence use sanctions exposure in calculating premiums (Melega, 2025). Ships plying in areas where there are sanctions prohibition or geopolitical conflict can pay increased insurance premiums as the risk environment will entail legal ambiguity and the possibility of material loss. Premium repricing is also an expression of the operational impacts of geopolitical instability (Bonelli, 2025).

The risk of being targeted by the military, displacing the trade, or being imprisoned by the authorities can be related to the conflict zones. The imposition of sanctions can also cause delays, check-ups, or seizures of suspected vessels that have tried to flout sanctions legislation. The insurance companies should make sure that the price of the premium is based on the operational risk and the requirements of the law. The assessment of the sanction's exposure, as well as traditional maritime hazards, frequently also figures in underwriting decisions. The example of premium repricing in the conditions of geopolitical instability shows that the sanctions regime and political processes affect the financial organization of marine insurance markets. The insurance companies are forced to keep on modifying the pricing models so that the models can enforce financial stability, adhering to legal requirements dictated by the sanction's legislation.

### **Regulatory Compliance Challenges for Marine Insurers**

Marine insurers are subject to a complicated regulatory framework that involves international trade legislation, financial regulatory framework, and sanctions legislation. These laws are required to be adhered to, as the maritime trade activities can be conducted in different jurisdictions due to the insurance coverage (Bahadoran-Baghbaderani, Shirani, & Soltani, 2025). Sanctions regimes have given rise to major compliance issues in the marine insurers since sanctions rules can come in different legal systems. Sanctions measures can be imposed by governments and other regional bodies that are targeted on particular countries, companies or individuals that are engaging in maritime trade (Pandey, 2023). Marine insurers should make sure that the insurance policies do not breach the restrictions of sanctions that can be imposed by such a jurisdiction that regulates their affairs (Bahadoran-Baghbaderani et al., 2025). Compliance procedures thus involve thorough checking of ship ownership, cargo source, financial transactions, and other contracts involved in maritime operations.

There is a need to conduct this verification process since the sanction laws tend to bar financial services applied to sanctioned organizations. The insurances offered to a permitted party can lead to legal fines, government regulations, or loss of reputation on behalf of the underwriter (Pandey, 2023). Regulatory fragmentation enhances the problem of the complexity of sanctions compliance in marine insurance markets. An international maritime transaction that is in line with the rules and regulations of a given jurisdiction might fall under the sanctions of another jurisdiction. Insurance companies that practice in international markets are thus required to institute compliance regimes that assess sanctions requirements on many legal systems at the same time (Coralluzzo & De Ninno, 2025). Such sanctions screening procedures, regulatory monitoring, and internal compliance controls that check underwriting decisions are often part of these systems. Insurance agreements often have collections of sanctions clauses, which permit

insurers to decline insurance in case the insurance provision would contravene sanctions laws. These provisions afford the insurers legal protection and make sure that policies do not go against the regulations. It is compliance issues that govern not only underwriting but also the structure of the contract of marine insurance. The operating marine services are highly expected to engage in strict compliance procedures to ensure that the insurance activities do not violate the law in the context of the dynamic institutions of international sanctions regulation.

### **Evolution of War-Risk Exclusions and Policy Wordings**

The war risk insurance is significant in handling the maritime losses associated with military conflict or hostilities at sea. Normal marine insurance policies normally cover losses that are brought about by war, civil unrest, or any other political occurrence. War risk insurance is independent coverage, and it may come in when vessels and cargo become exposed to such risks of conflict (Soman & Balasubramanian, 2025). In these policies, they are very thorough and have contractual clauses that spell out the extent of coverage and when claims are to be accepted. There should be clear wording of the policy since there might be a legal argument over the war risk about the interpretation of the policy. The contemporary geopolitical realities have raised the significance of accurate wording of policies in marine insurance policies.

Most of the modern wars are conducted in terms of economic sanctions, trade barriers, and unconventional political pressure, as opposed to the actual military conflict. The developments also bring about lying room in the legal context as to whether some incidents ought to be considered as war risks in insurance policies. The marine insurers need to, therefore, revise the policy wording with a view to explaining the relationship between geopolitical events and the war risk coverage (Bonelli, 2025). The design of war risk exclusions in a marine insurance contract is another area of concern for sanctions regimes. The insurance policies should adhere to sanctions legislation, which limits the financial services using sanctioned entities or territories. Sanctions exclusion clauses are often included in insurance policies, enabling the insurer to refuse insurance coverage in case the payment of a claim would be against the law of sanctions. These provisions safeguard the fact that the insurers need not respond to demands for financial compensation in scenarios where the sanctions regulations do not allow the payment. The history of war risk exclusions reveals that the legal and geopolitical changes affect the formation of contracts in marine insurance markets (Meng, 2025). The insurers should have clear definitions of war-related events and sanctions obligations to ensure that policies are legally binding. The language of the policies can therefore be viewed as one of the major mechanisms by which the insurers can work out the geopolitical risk issues and act within the sanctions provisions.

### **Strategic Capital Allocation in Specialty Insurance Markets**

In specialty insurance markets, the allocation of capital is a subjective aspect of financial management. Marine insurers ought to have enough capital reserves to make them pay any perceived claims due to the maritime operations. The distribution of these reserves is done according to the risk exposure underwriting portfolios (Jin, 2022). The insurance companies assess the probability of the occurrence of losses and invest in a way that facilitates financial sustainability and regulatory compliance. Geopolitical instability and a regime of sanctions have come in, with the added aspect that affects the way capital is allocated in marine insurance markets. Sanctions rules could limit insurance of ships or cargo related to sanctioned areas. Such limits could cause limits to the supply of insurance in some areas, and could change risk distribution in underwriting books. Insurers have to consider the adequacy of capital reserves to overcome the possible losses in case of geopolitical disputes or the implementation of sanctions (Liu et al., 2024). Exposure to sanctions thus emerges as a critical parameter when it comes to

defining capital allocation between insurers to various risks associated with the sea.

The capital allocation decisions in the marine insurance markets are also affected by the reinsurance arrangements. Reinsurers can place limitations on protection concerning approved areas or conflict-sensitive trade routes. These restrictions should be taken into account by primary insurers as they decide the amount of the capital that should be assigned to particular underwriting segments (Klopott, 2024). When it comes to primary insurance coverage and the reinsurance support structure in the market, sanctions compliance is consequently involved. Strategic capital deployment has to involve a compromise between commercial interests and the necessity to comply with the law on behalf of the insurers. Insurance companies should make sure that the underwriting processes do not subject the company to regulatory fines concerning the violation of the sanctions. The capital allocation policies indicate not only the evaluation of the financial risk but also the legal aspects concerning the sanctions regimes. Marine insurers have the duty to constantly observe geopolitics and sanctions policies so that they have a consistent capital structure to conduct business in the sophisticated legislative surroundings.

### **Conclusion**

This paper has investigated the role of sanctions regimes and geopolitical disputes on the organization of maritime risk in the specialty insurance markets. The common hazards covered by marine insurance have been operational risks like vessel damage, loss of cargo, and exposure to the environment. The growth in the sanctions systems and the existence of the conflict zones have provided a benefit of legal and regulatory risk to the maritime underwriting and insurance cover directly. Sanctions regulations limit financial operations and insurance services, which are related to some jurisdictions or entities. Marine insurers thus need to incorporate sanctions compliance in underwriting decisions, policy ideas, and risk evaluation practices. Its results indicate that geopolitical instability is no longer a fringe aspect of defining premium pricing, the allocation of capital, and the design of contracts in the marine insurance markets. In the quest to preserve the legality of insurance arrangements, insurance contracts are becoming more sanctions-clad and increasingly sophisticated and refurbished with war risk exclusion provisions. Marine insurers are required to closely observe geopolitical issue and sanctions policies in order to make sure that they are not breached and maintenance of global maritime trade operations.

### **Recommendations**

Marine insurers ought to enhance compliance systems to check the regulations of sanctions on maritime trade and insurance services. Constant attention to the lists of sanctions, regulatory changes, and geopolitical issues could facilitate legal underwriting practices and decrease the chance of breaking the rules. In marine insurance contracts, clear sanctions clauses should also be embraced by insurance companies in order to keep the cover abreast with legal requirements. The words in the policies must be clear as to the interaction of the sanctions restriction and the coverage of the war risks so that the possibility of legal wrangles during claims settlement does not arise. Insurers ought to invest in risk assessment mechanisms, which combine the aspect of geopolitical analysis with the conventional models of underwriting. Such systems may help the insurers assess the role of sanctions exposure and conflict conditions' effects on the maritime risk profiles. Collaboration between insurance, the regulatory agencies, and the maritime parties can also enhance the transparency of the compliance procedures in terms of sanctions. Skilled compliance frameworks, as well as better drafting of policies, can be used to uphold the stability of marine insurance markets that will be operating in a highly geopolitical environment.

### **Limitations**

The given work is devoted to the correlation of sanctions regimes, the instability of the

geopolitical environment, and marine insurance markets. The discussion will focus on the legal structures and underwriting that affect the process of assessment of maritime risks. The study might fail to have the comprehensive scope of geopolitical circumstances that influence maritime trade in the various geographical contexts. The regimes of sanctions shift constantly as the governments alter foreign policy regimes and regulations. The developments can change the risk environment as discussed in this research. The study also reports the use of the conceptual analysis and industry views on the state of practices in underwriting and sanctions compliance procedures. Such views could represent institutional experiences and not the whole insurance market in the world. The analysis lacks specific quantitative information concerning premium calculations or financial loss results in insurance portfolios in the marine insurance sector. These restrictions mean there is a possibility that more empirical studies might be needed to assess the effects of sanctions exposure and geopolitical instability on maritime insurance markets in various legal and economic environments.

### **Future Implications**

In future studies, the analysis of sanctions concerning risk in other areas of specialty insurance besides marine insurance should be extended. Sanctions regimes and geopolitical instability might also pose legal and operational risks to aviation insurance, energy insurance, and trade credit insurance. As more studies are conducted, comparatively, across these sectors, a more extensive use of the law of sanctions may be identified on international insurance markets. Future research assessments can also be done on the effectiveness of digital compliance systems and regulatory monitoring tools in helping insurers detect the exposure to sanctions in the intricate maritime trade networks. The incorporation of more advanced risk modeling could assist in better evaluation of the geopolitical risk in insurance underwriting. Alternatively, policymakers can opt to formulate more precise international regulations on the aspect of compliance with sanctions on insurance companies that have a multi-jurisdictional operation. Better regulatory alignment can bring down legal uncertainty and increase the desire to practice compliance. Further investigation of the area of sanctions and maritime risk may help with the elaboration of a system of insurance that could secure international trade, yet make sure that all international legal requirements have been followed.

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