Insurance & Risk Advisory

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The Gulf Crisis:
What the Insurance Industry Must Do Now

The escalation of military operations in the Middle East since late February 2026 including strikes targeting Iranian infrastructure and the effective closure of the Strait of Hormuz has triggered the most acute stress-test the global insurance market has faced in decades. **This is not a regional footnote. It is a systemic event.**

At Alpha FMC, we advise our clients about the intersection of insurance strategy, operations, and customer experience. Below is our assessment of what is happening and what best-in-class players are doing about it right now, structured around the five operational imperatives that define crisis performance.

1. Operational Resilience: Guaranteeing Continuity Under Extreme Stress

The Exposure

Before an insurer can reprice, triage claims, or communicate with policyholders, it must first ensure its own operational infrastructure survives the shock. In a crisis of this magnitude, the compound risk is real: geopolitical disruption does not pause because your systems are down.

This event has coincided with a period of heightened fragility in cloud infrastructure. Recent AWS outages in the EU-West and Middle East regions have reminded the industry that digital operational resilience is not optional, it is existential. Insurers with core policy administration, claim platforms, or pricing engines hosted on single-region cloud deployments face a compounding risk: the moment demand spikes, their infrastructure may buckle.

Beyond technology, operational resilience encompasses workforce continuity. Insurers with significant operations in the Gulf – notably in Dubai, Bahrain, and Riyadh face staff displacement, communications disruption, and regulatory uncertainty simultaneously.

What Operationally Resilient Insurers Are Doing

1. Activating business continuity plans – for real: Not tabletop exercises. Live failover to secondary processing sites, confirmed switchover of telephony and digital channels, and tested backup for all critical claims and underwriting workflows. Insurers that drilled these scenarios in the past 12 months are activating within hours. Those that did not are improvising.

2. Multi-region cloud resilience: Leading carriers have already migrated critical workloads to multi-region or multi-cloud architectures. Those still running single-region deployments in AWS eu-west-1 or me-south-1 are now urgently assessing failover options, but the window for calm migration has closed. The priority is ensuring read-access continuity for claims and policy data even if primary compute is degraded.

3. Workforce contingency and regulatory compliance: Insurers with Gulf-based operations are activating remote work protocols, redirecting customer contact flows to unaffected centers, and engaging local regulators proactively on any expected delays in reporting or compliance obligations. The best operators had pre-agreed escalation frameworks with their regional regulators.

4. Vendor and third-party dependency mapping: Crisis exposes supply chain fragility. Insurers are urgently reviewing dependencies on Gulf-based outsourced operations, third-party administrators, and data providers. Any single point of failure in the value chain must be identified and mitigated now.

2. Customer Experience: Reactivity, Empathy and Solutions

The Exposure

In crisis, the relationship between insurer and insured is under maximum pressure. What happens in the next 30–60 days will define customer retention outcomes for the next 3–5 years. This is where the gap between operationally mature and operationally fragile insurers becomes unmistakably visible.

The data is unambiguous. Insurers with strong pre-built crisis protocols activate within hours. Those without them spend critical days designing the response they should have already had.

What Best-in-Class Customer Operations Look Like Right Now

1. Proactive outreach before the claim is filed: Identify every policyholder with active exposure in the affected geography. Reach out proactively to clarify coverage, explain what is and isn't included, and guide them toward immediate practical actions: airline reimbursements, credit card travel protections, embassy assistance. This single gesture converts confusion and anger into trust.

2. Crisis-specific communication scripts: Generic call center scripts fail in extraordinary events. Multilingual, scenario-specific communication guides (covering the most common situations like flight cancellations, hotel stranding, medical emergencies, cargo delays etc.) must be developed and deployed immediately across all customer-facing channels.

3. Intelligent triage - automate the volume, escalate the complexity: Digital self-service and AI-assisted triage can absorb the high-volume, lower-complexity contacts: straightforward travel delays, documented cancellation reimbursements, status queries. But medical evacuations, multi-party cargo losses, and complex liability situations require immediate human escalation. The failure mode to avoid is using automation as a barrier rather than a filter.

4. Executive visibility on customer outcomes: In a crisis of this magnitude, customer experience must be a board-level metric. Senior leadership must have daily sight of Net Promoter Score (NPS) movement, complaint volumes, resolution times, and emerging patterns that signal systemic friction.

3. Claims Management: Precision Under Pressure

The Exposure

The crisis has produced an immediate, massive surge in claims activity across multiple lines simultaneously i.e. travel, marine cargo, business interruption, and political risk. As of 30 March 2026, over 52,000 flights have been cancelled to and from the wider Middle East region since the onset of hostilities.[1] Millions of travelers are discovering in real time that war exclusion clauses leave them without meaningful coverage for cancellations, rerouting, or emergency medical situations directly attributable to conflict.

On the marine side, nearly 2,000 vessels[2] were reported at anchor outside the Strait, with cargo owners facing compounding demurrage and delay costs. The claims pipeline is building fast, and its complexity is unlike anything most claims teams have processed before.

What Strong Claims Operations Are Doing

1. Precise causal triage on incoming claims: Not every claim in this crisis is a war risk claim. Operational disruptions and crew rerouting, airspace closures by national aviation authorities, missed connections due to airport congestion may fall clearly within 'travel delay' and 'missed connection' coverage, entirely separate from war exclusions. A rigorous, legally precise claims triage process is essential to protect both the insurer and the insured.

2. CFAR/IFAR as a product design response: Cancel For Any Reason (CFAR) and Interrupt For Any Reason (IFAR) policy options, long seen as a niche upsell, are now demonstrating their strategic value. Insurers that already offered these features are seeing dramatically lower claims disputes and superior NPS outcomes. For product teams, embedding CFAR/IFAR into core propositions is no longer optional in conflict-adjacent geographies.

3. Proactive policy extension for stranded insures: Leading operators in similar situations, notably Australian insurers during APAC crisis events have deployed automatic policy duration extensions for stranded insureds, with zero claims friction required. This approach is transformational for customer trust: it converts a moment of potential failure into a loyalty-building event.

4. Legal exposure monitoring: Prolonged conflicts generate litigation. Class actions challenging the scope of war exclusions their definition, their notice requirements, their proportionality are a foreseeable consequence of this event. In-house legal and external counsel engagement now, before the claims spike, is materially less costly than reactive damage control.

5. Senior claims alignment: Claims decision-making must be elevated. Senior claims leadership and underwriting must be in daily alignment on emerging patterns, reserving posture, and any policy interpretation decisions with precedent implications.

4. Risk Steering: Repricing, Rerouting and Recalibrating

The Exposure

The Strait of Hormuz carries approximately 20% of global oil and liquid natural gas (LNG) transit. Its effective closure has created an immediate and severe dislocation in marine war risk markets:

[1] As of 30 March 2026. Source: Cirium flight analytics, as cited in 'Middle East Aviation Crisis: 52,000 Flights Cancelled as War Shuts Key Airspace'

[2] As of 26 March 2026. Source: IMO Secretary-General Arsenio Dominguez, as reported by Al Jazeera, "Tehran's Toll Booth: How Iran Picks Who to Let Through Strait of Hormuz", 26 March 2026 (aljazeera.com). IMO separately confirmed approximately 20,000 seafarers stranded aboard vessels in the Persian Gulf. Figures subject to change.

- **War risk premiums** have surged from a pre-crisis range of 0.15–0.25% to between 5% and 10%+ of hull value as of late March 2026 a repricing of 20–40x within weeks. A Very Large Crude Carrier (VLCC) worth ~$138m now attracts an indicative voyage premium of $10–14m, compared with hundreds of thousands of dollars before the conflict.[3]
- The Lloyd's Joint War Committee has extended its listed areas to cover the entire Persian Gulf corridor.
- **Leading Protection and Indemnity (P&I) Clubs** (including Gard, Skuld, NorthStandard, and the London P&I Club) have issued notices of cancellation for war risk cover, effective within days.
- Nearly 2,000 vessels are reported stranded on both sides of the Strait, with cargo owners facing compounding damage and delay costs.[4]

Travel assistance platforms and emergency lines have seen call volumes spike by multiples overnight. The compound effect across marine, aviation, and energy lines creates a correlated risk event that most portfolio models were never designed to capture.

What Strong Risk Functions Are Doing

1. Immediate accumulation review: War risk aggregation models built on pre-2024 assumptions are now dangerously outdated. Underwriters must run stressed Realistic Disaster Scenarios (RDS) across their entire marine book (hull, cargo, liability) on the new geographic parameters. Lloyd's has already mandated this for syndicates.

2. Buy-back facility reactivation - fast: The window for buy-back cover at even partially acceptable pricing is short. Clubs that have moved quickly (Skuld being a notable example) have offered members repriced but still accessible options. Speed of decision-making is a competitive and fiduciary advantage here.

3. War risk surcharge cascade modelling: Major carriers like Hapag-Lloyd are already applying war risk surcharges of $1,500+ per Twenty-foot Equivalent Unit (TEU) for Gulf transits. Underwriters must track and model how these surcharges reshape routing decisions and therefore their own exposure concentration.

4. Rerouting and cargo repricing: Vessels diverting via Cape of Good Hope add 10–14 days of transit and significantly alter the risk profile of cargo. Policy terms anchored to specific routes, transit times, or ports of call must be urgently reviewed for adequacy.

5. Reinsurance: The Structural Pressure Building Below the Surface

Two years of elevated marine war risk premiums in the Red Sea had already begun to strain reinsurance capacity before this escalation. The Hormuz closure has accelerated a structural repricing:

- Reinsurers are reassessing aggregation across marine, aviation, energy, and political risk lines simultaneously – something rarely seen outside of major territorial conflicts.
- War risk capacity in the London market is contracting. Cedants who secured favorable treaty terms in Q4 2025 are well-positioned; those facing upcoming renewals are entering materially more difficult negotiations.

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[3] As of 29–30 March 2026. Pre-crisis range (0.15–0.25%) and current range (5–10%+) sourced from: Lloyd's List finance editor David Osler, as cited on Euronews.

[4] As of 26–27 March 2026. Source: IMO Secretary-General, Al Jazeera, 26 March 2026 (see footnote 2). Transit data: between 1–25 March 2026, Lloyd's List Intelligence recorded only 142 transits through the Strait, vs. 2,652 in the equivalent period of March 2025 (USNI News, 27 March 2026, news.usni.org). Figures subject to change.

- The model risk is significant: most catastrophe (CAT) models were not calibrated for Hormuz closure scenarios at this duration and intensity.

The practical implication for insurers: review your reinsurance protection structures now, before your exposures crystallize further. Engage your reinsurance brokers on facultative capacity for peak exposures. And build the internal data to support your next treaty negotiation from a position of analytical strength.

The Alpha FMC Perspective

The insurance industry was built to absorb shocks. But absorbing this one well requires more than financial capital. It requires operational capital and the depth of protocol, talent, technology, and relationship that determines whether an insurer performs or stumbles under extreme stress.

We see five clear differentiators in this crisis:

- **Operational resilience:** The ability to guarantee service continuity when infrastructure, geography, and demand all conspire against you.
- **Customer-centric crisis response:** Where empathy and speed convert a moment of vulnerability into lasting trust.
- **Claims precision:** Rigorous triage that protects both the book and the policyholder.
- **Agile risk models:** The ability to restress and reprice within hours, not weeks.
- **Reinsurance readiness:** Proactive engagement with capacity markets before the window closes.

At Alpha FMC, we partner with insurers and reinsurers globally to build exactly these capabilities. If you are navigating the current situation and want to exchange perspectives on your operational resilience, your claims operations, your customer strategy, or your reinsurance structure we would welcome the conversation.

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