

How Red Sea Attacks Could Impact Cargo Premiums

Houthi Attacks Continue to Disrupt Suez Canal Shipping

Since November 2023, ships transiting through the Red Sea have faced attacks by Yemen-based Houthi militants, disrupting global maritime trade through the Suez Canal. The potential impact is substantial, as trade via the Suez Canal comprises roughly one-third of global container ship cargo.

As a consequence, container lines including Maersk and Hapag-Lloyd have **paused sailings and/or rerouted them** around the Cape of Good Hope, South Africa. Other container lines continue to sail through the area but are levying increased transit rates.

Cargo Owners Face Tough Decisions, Extra Costs and Insurance Implications

Redirecting ships around the southern tip of Africa is expected to cost **up to \$1 million in extra fuel** for every round trip between Asia and northern Europe. However, many ships continue to sail through the Red Sea, and not all container lines are clear about their intentions for the area.

Cargo owners with ships still sailing through the Red Sea should be prepared for insurance implications. Some marine insurance companies have started to cancel coverage and will look to charge war-specific additional premiums, while others are considering similar actions due to the elevated risk of transiting through the Red Sea.

Aon's Solution

Marine Cargo Facility

Aon's Marine practice is equipped to offer competitive and sustainable solutions at this time of geopolitical uncertainty. Our unique Marine Lloyd's of London facility can provide immediate insurance cover for various types of cargo in the Red Sea area. This unique offering is based on:

- Multi-lead blue-chip insurers creating a sustained and competitive market solution.
- Full Lloyd's-based capacity, benefiting from financial stability and unique licensing arrangements.
- One facility with three competing Lloyd's leaders to win any one risk:
 - Liberty
 - Ascot
 - Chubb
- Single agreement party for up to a \$150 million limit, with the potential to increase \$200 million for any one vessel for the perils of war and strikes.
- This facility allows Aon to quote and bind war and strikes policies within 24 hours.
- Allows our clients to purchase competitively priced standalone war and strikes perils coverage even if they continue to purchase "all risks" coverage elsewhere.

About

Aon plc (NYSE: AON) exists to shape decisions for the better — to protect and enrich the lives of people around the world. Our colleagues provide our clients in over 120 countries and sovereignties with advice and solutions that give them the clarity and confidence to make better decisions to protect and grow their business.

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