THE GLOBE AND MAIL

OPINION

Why insurance shut down the Strait of Hormuz: Freedom of navigation is no longer guaranteed by naval power alone – now, it depends on insurance infrastructure

LAURENCE B. MUSSIO and JESSICA M. LOMAS
SPECIAL TO THE GLOBE AND MAIL
PUBLISHED APRIL 17, 2026
**Published online as* Why insurance shut down the Strait of Hormuz before the admirals could
Why insurance shut down the Strait of Hormuz before the admirals could - The Globe and Mail

Laurence B. Mussio is chair of the Long Run Institute and a fellow of the Royal Historical Society.

Jessica M. Lomas is a postdoctoral researcher at King's College London in defence industry strategy and a research fellow of the Dunning Centre, Henley Business School.

On Monday, the United States Navy began enforcing a blockade of all Iranian ports in the Strait of Hormuz. Roughly 25 per cent of the world's seaborne oil and 20 per cent of its liquefied natural gas transits the strait. Nearly 800 ships have sat at anchor in the past several weeks. Oil is around US$95 a barrel.

Every headline frames this as a military crisis. It is not. It is an insurance crisis – and it has been since Feb. 28, when the private sector architecture that underwrites global maritime trade did something no navy had yet accomplished: It shut down the strait.

Within 48 hours of the first U.S.-Israeli strikes, war-risk premiums for a large crude carrier surged from roughly US$150,000 to US$3.6-million per transit.

Seven of the 12 major Protection and Indemnity clubs (mutual insurers covering 90 per cent of ocean-going tonnage) issued 72hour cancellation notices for the Gulf.

Without war-risk coverage, a tanker cannot meet the contractual and regulatory conditions required to enter ports or transit high-risk waters. Lloyd's Joint War Committee redesignated the Arabian Gulf a conflict zone.

Traffic collapsed by 80 per cent before Iran's physical blockade was formally declared.

The cascade originated in the insurance market and escaped containment: Stranded tankers forced Gulf producers to shut in wells. The underwriters closed the strait before the admirals did.

This was not supposed to be possible. Marine insurance exists to distribute risk, not concentrate it. The oldest known policy was written in Genoa in 1343.

Centuries before Edward Lloyd opened his coffee house, the Venetian colleganza had already divided risk between investor and mariner. Venice priced each voyage against what it had learned before: storms, hostile ports and corsair waters. Lloyd's Loss Book, kept since 1774, went further still: It memorialized every missing ship in a ledger rather than reducing the loss to an accounting entry. The price remembered.

None of this should have been a surprise. What was not understood was how fast the cascade would run once it started. The architecture that absorbed four years of the Tanker War (1984– 88) could not absorb four weeks of this conflict. The premium no longer remembered; it faltered and, when it did, the entire chain seized. Iran grasped this, granting selective passage to some vessels, reportedly conditional upon a US$2-million toll. It's a toll regime that would be legible to the Barbary corsairs, who extracted tribute for passage through waters they could make dangerous but did not own. Any chokepoint-adjacent adversary can now do the same.

Washington understood the implications faster than London.

President Donald Trump directed the U.S. International Development Finance Corp. to establish a US$40-billion maritime reinsurance facility, with Chubb as lead underwriter

alongside six major American insurers. The move stakes a claim on ground that Lloyd's has occupied for three centuries. The precedent is Operation Earnest Will, when Ronald Reagan reflagged Kuwaiti tankers under the Stars and Stripes: sovereign insurance through military escort. Mr. Trump has formalized what Mr. Reagan improvised and extended it from the quarterdeck to the balance sheet.

If the facility becomes permanent, London not only risks losing a contract but a jurisdiction; the legal framework governing maritime war risk shifts from English law to American administrative procedure. Whether the facility becomes a genuine alternative or remains a wartime expedient will depend on whether Washington sustains it as the strait reopens. The precedent, however, has been set. As a result, the British Chancellor of the Exchequer's emergency meetings with the Lloyd's chairman are best understood as a rearguard effort to preserve one of the last great pieces of British commercial infrastructure still operating at global scale.

Freedom of navigation – the foundational assumption on which maritime trade has rested – is no longer guaranteed by naval power alone. It is underwritten by a private insurance architecture that can withdraw faster than any fleet can deploy, repriced by a sovereign facility built to serve Washington's strategic interests, and contested by a toll regime that would have been familiar to any Mediterranean mariner of the early modern period. The system that was built to remember has faltered. The Loss Book was written to prevent this. Somewhere between 1774 and 2026, the lesson was shelved and seemingly forgotten. The strait is now open only to those willing to bear the cost, whether financial or strategic: exposure to the power of a country that will use commerce itself as a weapon.

For more information:
Dr. Laurence B. Mussio | 416-729-9173
laurence.mussio@sierc.ca | laurence.mussio@longruninstitute.com