

## War-risk insurance crisis deepens for airlines due to global conflicts

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Dhaka: As the conflict involving the United States, Israel, and Iran intensifies, airlines operating in and around the Middle East are facing a mounting financial threat beyond cancelled flights and rerouted aircraft — a rapidly escalating war-risk insurance crisis.

Industry analysts say the surge in military activity, missile exchanges, and airspace closures has triggered a sharp increase in war-risk premiums, exposing carriers to costs and liabilities that standard aviation insurance policies do not fully cover.

### What is war-risk insurance?

Commercial airlines typically carry two main types of insurance:

- Hull and liability insurance, covering aircraft damage and passenger claims.

- War-risk insurance, which applies to losses arising from war, terrorism, missile strikes, or hostile acts.

In conflict zones, insurers can revise or withdraw coverage at short notice. Under standard aviation practice, underwriters may issue a seven-day notice of cancellation, forcing airlines to renegotiate premiums or secure emergency government-backed coverage.

With airspace over parts of the Gulf, Iraq, and Iran deemed high-risk, insurers have reportedly increased premiums significantly for flights operating near potential strike zones.

### **Premiums surge as risks escalate**

Aviation insurance specialists warn that even aircraft merely transiting near contested airspace can trigger higher war-risk charges.

Key pressures include:

- Higher per-flight premiums for routes crossing or skirting Middle Eastern airspace.
- Increased deductibles for airlines continuing operations in sensitive corridors.
- Reduced coverage limits for damage linked to missile or drone activity.

For carriers heavily reliant on Gulf transit routes, the impact is immediate. Many Europe-Asia connections pass through airspace near the conflict zone, meaning even non-Middle Eastern airlines are exposed to rising costs.

### **Airlines face coverage gaps**

One of the industry's biggest concerns is that cancellations and rerouting costs are often not fully insured. While war-risk policies may cover physical damage to aircraft, they frequently do not compensate airlines for:

- Lost ticket revenue from grounded flights.
- Passenger accommodation and compensation costs.
- Crew repositioning and operational disruptions.

This leaves airlines absorbing millions of dollars in unexpected losses

during prolonged crises.

Insurance brokers note that uncertainty — rather than confirmed incidents — is enough to harden the market. The mere risk of escalation can cause insurers to tighten conditions.

### **Ripple effects on ticket prices**

Experts warn that sustained increases in war-risk premiums could ultimately be passed on to passengers.

Airlines facing higher insurance and fuel costs from longer rerouted flights may respond by:

- Raising ticket prices on affected routes.
- Reducing flight frequencies to high-risk regions.
- Suspending marginally profitable services altogether.

If instability continues, this could reshape global aviation networks, particularly for routes linking Europe, South Asia, and Southeast Asia through Gulf hubs.

### **Impact on Bangladesh and regional carriers**

For Bangladesh, the insurance squeeze presents additional pressure on airlines already grappling with cancellations and rescheduling.

Biman Bangladesh Airlines and US-Bangla Airlines operate multiple Middle East routes serving migrant workers and religious travelers. Higher war-risk premiums could:

- Increase operational costs per flight.
- Force temporary route suspensions if coverage terms become unfavorable.
- Reduce profitability on key labor-market connections such as Saudi Arabia and Oman.

Smaller carriers are particularly vulnerable, as they may lack the financial reserves to absorb extended premium spikes.

### **Government backstops, industry response**

In past global crises, governments have stepped in to provide temporary war-risk coverage guarantees to ensure national carriers remain

operational. Analysts say similar interventions may become necessary if the conflict drags on.

International aviation bodies are closely monitoring the situation, assessing whether insurance market tightening could create systemic risks for the broader industry.

### **Industry on edge**

The aviation sector operates on thin margins even in stable times. With airspace uncertainty, volatile fuel prices, and now a tightening insurance market, airlines face a three-way financial strain.

Even if direct hostilities ease, insurance markets tend to remain cautious long after conflicts subside. That means airlines worldwide — including those far from the battlefield — could feel the financial aftershocks for months to come.

For now, as geopolitical tensions remain high, aviation executives are preparing for a prolonged period of elevated risk — and rising costs — in one of the world's most critical transit regions.

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