



COMPENSATION FOR DAMAGES ARISING FROM ARMED CONFLICTS IN THE GULF STATES: LEGAL BASIS, INTERNATIONAL PRECEDENTS, AND URGENT MEASURES (SHORT-FORM PUBLICATION)

The current escalation between Iran and the United States has transformed the Strait of Hormuz into a live legal and commercial fault line. Shipping routes are disrupted, vessels are stranded, and global energy markets are reacting in real time with oil prices spiking and maritime risk reaching crisis levels.

Against this backdrop, one issue is rapidly moving from theory to inevitability and who pays for the losses, and how can those losses actually be recovered?

1. The Legal Starting Point: Liability Follows Damage

Where damage is caused by an internationally wrongful act, a legal obligation to compensate arises. This applies not only between states, but also to companies, insurers, cargo interests, and private actors. For example, compensation extends beyond physical damage to include:

- a. Business interruption;
- b. Supply chain disruption;
- c. Loss of profits; and
- d. Increased operating costs.

In the current Hormuz crisis, where maritime flows have collapsed and vessels remain trapped, these heads of loss are no longer hypothetical.

2. The Only Strategy That Matters Now: Evidence Preservation

Before recovery comes proof.

Across the UAE and wider GCC, the most powerful immediate tool is:

Urgent applications to preserve evidence (proof of condition / إثبات حالة);



Court-appointed experts to:

- a. Record damage
- b. Establish causation
- c. Quantify loss

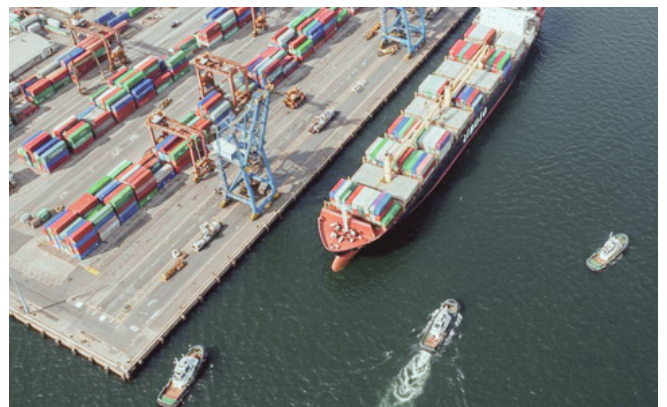
This is not procedural; it is indeed decisive. Without it, future claims, whether in arbitration, courts, or international forums will fail at the evidential threshold.

3. The Real Recovery Path: Beyond Courts and Insurance

In large-scale geopolitical conflicts, recovery rarely follows a standard litigation route. Instead, history shows three realistic pathways:

- a. State-linked compensation mechanisms
 - Example: Post-Gulf War claims commission
 - Millions of claims processed, funded through state revenues
- b. Asset tracing and enforcement strategies
 - Targeting frozen or sanctioned state assets
 - Leveraging enforcement-friendly jurisdictions (e.g. DIFC / ADGM)
- c. Subrogated and aggregated claims pressure
 - Insurers and reinsurers consolidating claims
 - Pursuing recovery through coordinated legal action

Where direct recovery against a state is impractical, frozen assets and enforcement architecture become the battleground.



4. The Reality Check: Insurance Will Not Carry the Load

In conflicts of this nature, coverage gaps emerge immediately. For example, war exclusions are triggered, political violence wordings are contested, reinsurance capacity withdraws and claims become disputed at scale.



This results in significant uninsured losses across shipping, energy, infrastructure, and trade. This shifts the focus away from insurance recovery and toward direct legal and sovereign recovery mechanisms.

5. The Strategic Takeaway (now - not later)

The Hormuz crisis is not just a geopolitical event it is the early stage of a global compensation cycle.

The parties who will recover are not those with the largest losses, but those who:

- Document damage immediately
- Structure claims early
- Identify enforcement targets now

Because in conflicts of this scale, recovery is not about entitlement, it is about positioning.

Closing Line (Market-Facing)

As tensions between Iran and the United States escalate and the Strait of Hormuz remains contested, the legal question is no longer whether losses will arise, but whether those losses will ever be recovered.

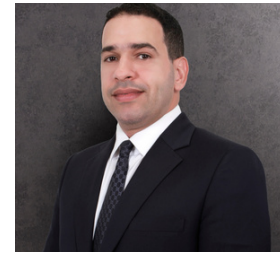
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