

# Taking on the pirates

The re-emergence of piracy in the Indian Ocean five years ago has seriously affected international commerce. The pirates have grown ever-more sophisticated and ambitious, operating over greater distances. But anti-piracy measures have also evolved and shippers can now expect much better protection. By **Sam Campbell**



**20,000** ships pass through the Gulf of Aden each year

**\$6.6-6.9bn** is the estimated cost of Somali piracy to world trade in 2011

**\$575 m** of ransoms have been paid to pirates over the past three years

**T**he menace of piracy means ships running the gauntlet of the High Risk Area surrounding the coastline of Somalia may be hijacked or worse. Even concentrating shipping in an Internationally Recommended Transit Corridor (IRTC) has not eliminated the threat.

Unfortunately, the area is one of the world's most important seaways – around 20 per cent of world trade transits the Gulf of Aden, including more than 10 per cent of the world's oil and around 30 per cent of Europe's oil.

Karolina Nachel, Analyst at MS Risk, a corporate security risk practice, says the failed state of Somalia allows pirates a safe haven. Poverty makes the large ransoms attractive and easy access to weaponry means they are well armed.

Pirates are becoming more sophisticated. Small skiffs are now augmented with larger vessels acting as motherships, allowing a greater range. Attacks have been reported off the coast of Nigeria and even further afield. Although some of these may be the work of imitators from the Movement for the Emancipation of the Niger Delta and other groups, Somalia-based gangs are still responsible for the vast majority of piracy. Better leadership suggests involvement from the returning Somali diaspora.

"The organised criminal violence of piracy is not going to go away until Somalia is a functioning country. That is some time away," says Angus Campbell, CEO of the Convoy Escort Programme. "The industry can't hope

to cure this problem but we can increase the level of prevention and preparedness. Working together, we can improve the lot of seafarers and cargoes."

A range of measures has been adopted to make ships less of a tempting target. Best Management Practices for Protection against Somalia Based Piracy (BMP4) offer advice on retroactively refitting vessels to make them less vulnerable. Implementation of BMP4 is a good start but may not always be enough to deter today's determined pirate attacks.

## Guards

An estimated 30 per cent of traffic now uses armed guards. More than 200 private maritime security companies have entered the market to meet demand, but regulation or certification by accredited bodies is lacking.

**“There are often four men with firearms on a single vessel. Even warning shots risk provoking return fire from pirates.”**

Karolina Nachel, Analyst, MS Risk

"You can outsource the activity but you can't outsource the responsibility," says Nachel. "Companies who cut corners expose ship owners to significant liabilities."

GUARDCON, a Baltic and International Marine Council (BIMCO) standard contract, raises the bar for security companies. The insurance requirements alone potentially

exclude smaller companies from offering their services using GUARDCON, something BIMCO says "is deliberate and is intended, along with the permits and licences provisions, to weed out operators who may potentially place shipowners and their crews at risk." Covering for potential liabilities is an essential insurance.

GUARDCON will undoubtedly assist the industry, in particular shipowners and their P&I Clubs, by providing a clearly worded and comprehensive standard contract. But it is not a substitute for due diligence.

Nachel notes that there are security industry bodies but correctly advises companies to do their own vetting. "Who owns the company? Where are their employees from? What insurance do they have? Don't be afraid to put demands on your security company to provide

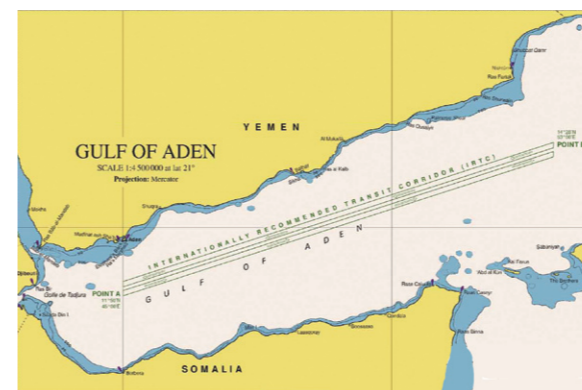
references and complete insurance."

All armed guards need to have liability insurance, agrees Sean Woollerson, Partner, Energy & Marine, JLT Specialty. But even with comprehensive cover, vetting and watertight contracts, issues around the chain of command remain. "The master will always have the ultimate control of the vessel. Armed

guards on merchant vessels, however, are employed by someone else and the ship's captain could still be held responsible for their actions unless protected contractually."

GUARDCON should remove this risk but there are even more basic concerns. "In the maritime industry, we spend so much time removing sources of ignition," says Nachel. "Yet there are often four armed men with firearms on a single vessel. Even warning shots run the risk of provoking a large volume of return fire from pirates."

Armed guards have, in fact, been effective so far and no vessel with armed guards on board has been hijacked. But there remains a fear of escalation as the pirates adapt their tactics. To protect the crew and the vessel, it would be far safer to take the 'fire fight' away from the vessel.



The Convoy Escort Programme (CEP) is a service facilitated by the insurance industry, which offers vessels protection through the Internationally Recommended Transit Corridor

## Calling in the professionals

The Convoy Escort Programme (CEP) may be the solution to this potentially incendiary situation. As an escort service facilitated by the insurance industry, the CEP could be the future of maritime security in the Gulf of Aden. The project has seen JLT Specialty bring together, members of the shipping industry, insurers, lawyers, navies, BIMCO and other organisations.

Well-equipped, armed CEP vessels will escort ships through the IRTC, each carrying a rigid-hulled inflatable boat that will launch into combat if pirates are engaged, multiplying the deterrent force. This strategy takes the pressure off merchant ships not designed for naval engagements and focuses the pirates' attention on the CEP vessels. The company hopes to be up and running before the end of the year having secured lead investment from Martin Reith.

Angus Campbell stresses that the CEP is not a private navy but rather a 'force enhancement' to supplement naval operations. "Our role is protection through effective deterrence."

The CEP will also offer an insurance-backed guarantee in conjunction with the convoy service, providing the cover for every vessel travelling

through the area must purchase: the war risk additional premium and various other additional covers.

## Comprehensive package

"Our insurance product is within the CEP service package and fee, and is extremely competitive compared with the additional premium an owner has to purchase because of the risk mitigation we will be providing," says Campbell. The insurance covers transit across the Indian Ocean, much further than the physical protection through the IRTC.

A BMP4 audit of vessels is also offered, creating a comprehensive package. A tug on standby in Djibouti will assist any vessel that breaks down in the IRTC while the CEP provides protection. Liaison with the military gives the CEP the latest intelligence to help ships avoid areas where there is suspicious activity. "We are also working on adding business interruption," says Woollerson.

The CEP should free up navies to concentrate on proactively hunting pirates. "The use of a modern warship to provide escort services up and down the IRTC is really like using a sledgehammer to crack a nut," says Campbell. "Naval vessels are capable of so much more." **RS**

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