

K&R Bulletin

Jardine Lloyd Thompson Limited

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FOCUS ON PIRACY



The past year has seen a resurgence in the number of piracy incidents, particularly those involving vessel or crew being held hostage for ransom. The increase followed a third consecutive year of decreasing numbers of attacks as a result of more effective international monitoring and policing of the waters most at risk.



The International Maritime Bureau (IMB) closely monitors all piracy attacks and reported a peak of 445 actual and attempted attacks in 2003. By 2006 this number had declined to 239 but increased by 10% to 263 in 2007. This rise has continued into 2008 with the IMB reporting a 20% increase in attacks worldwide for the first quarter of the year compared to same period in 2007.

accounted for almost a third of piracy incidents worldwide in 2007 and have dominated in 2008. In the first five months of 2008, the IMB reported 26 pirate attacks off the Somali coast (compared to 31 in the whole of 2007), of which nine developed into hostage-taking situations.



There has been a significant shift in the territorial locations of piracy incidents since 2003. Piracy in the early 2000s was very much dominated by Indonesia, the Malacca Straits and Bangladesh, which accounted for between 40-50% of worldwide piracy incidents each year between 2003-2006. This dropped markedly in 2007 to below 30% as attacks in these areas continued to fall and cases in other areas began to increase.

Common characteristics of these piracy 'hotspots' are weak central governments, socio-economic disparities and ill-equipped security forces to counter the threat. Pirates are becoming increasingly sophisticated both in terms of tactics and equipment. They will attack in large numbers with automatic weapons and grenade-launchers from multiple vessels launched from a larger parent ship. What has become an increasingly common characteristic of these hijackings is the payment by ship owners of large ransoms to release the ship and its crew. Some of these hijackings have taken many weeks to resolve highlighting the need to have the correct resources to efficiently and effectively handle such a situation.

While these territories, particularly Indonesia, still present a significant threat, other coastal areas such as Nigeria, Somalia and the Gulf of Aden now pose a considerable threat to the shipping industry. These regions



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Financial Risks



This increase in piracy has had a huge financial effect on the shipping industry that stretches well beyond the physical threat posed to vessels and their crew.

“
Piracy is entering a new phase; recent attacks have been conducted with almost military precision. The perpetrators are well-trained and have well laid-out plans.
 ”

(Tony Tan, Singapore's Deputy Prime Minister)

Ransom payments and the associated costs of negotiating the vessel's release present one such financial concern as well as the wider need to find alternative, more expensive routes and means of shipment as well as increasing insurance premiums. It is estimated that piracy is costing the shipping industry US\$16bn per year.

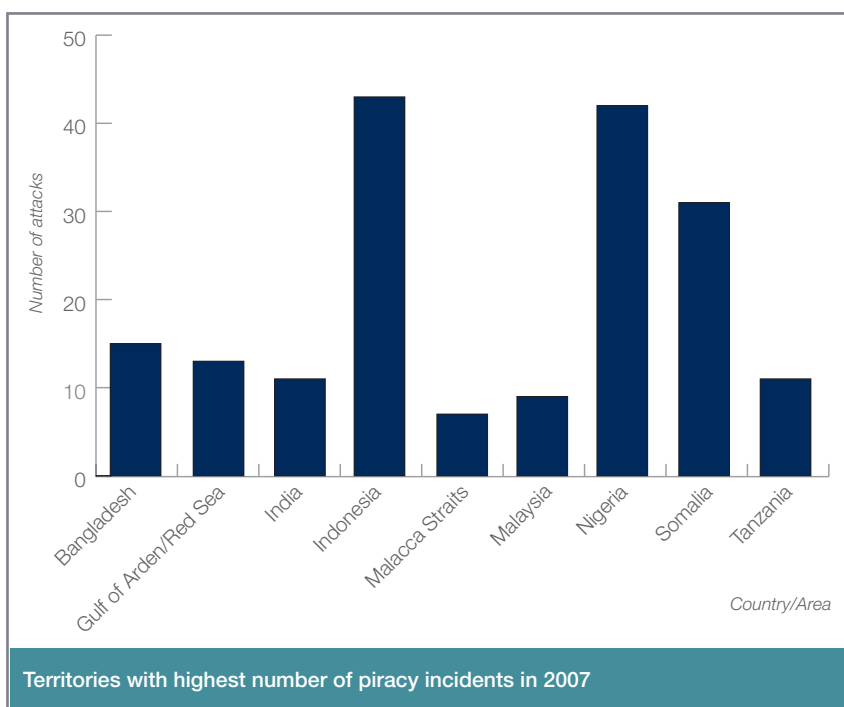
The UN Security Council agreed a potentially significant resolution on 2 June 2008 that gives countries the right to follow pirates into Somali waters, an area where they had previously been able to move to with the hijacked vessel and remain in relative safety. It is hoped this should have a positive effect though it may increase the likelihood of the victims being taken onshore to the lawless environment of Somalia which would be a much less desirable outcome.

A Kidnap-and-Ransom insurance policy can not prevent an attack from occurring but it can provide coverage for the direct financial losses suffered during such an incident as well as providing the essential services of top experts in the field of security consulting and kidnapping and hijacking negotiating.

RECENT PIRACY INCIDENTS

28 May 2008 – The Aerean, a Turkish-flagged freighter owned by Maltese company Arkia, was kidnapped in the Gulf of Aden. Few details were disclosed and the well-being of the vessel and its crew are unknown. It is thought that the same pirates were responsible for the hijack of a German-owned freighter owned by Lehman GmbH on the same day.

28 May 2008 – A German-owned freighter, The Lehmann Timber, was hijacked by pirates in the Gulf of Aden along with its crew of 15. According to a statement from the ship owners, Lehmann GmbH, regular contact was made with the vessel and negotiations were underway. According to reports on 21 June, a US\$750,000 ransom settlement had been reached but had encountered difficulties in delivering the money and the ship's owners expected the situation would not be resolved for another three weeks. A separate report told how the ship's captain had contacted his family and informed them that the pirates were growing angry at the delay in ransom payment





and that their treatment of the crew had deteriorated and were refusing those on board to have food, water and medicine.

25 May 2008 – a Dutch-owned freight vessel, including all nine crew members, was hijacked in the Gulf of Aden while en route from the Kenyan port of Mombasa to the Romanian port of Constanta. On 2 June, a local newspaper reported that the pirates had demanded a ransom of US\$1.1m but the ship owners, Reider Shipping, were only willing to pay US\$700,000 – neither of these figures were confirmed by Reider.

20 April 2008 – a Spanish fishing trawler, Playa de Bako, was hijacked by pirates while fishing in Somali waters. The pirates were armed with automatic weapons and rocket-propelled grenade launchers which damaged the boat during the attack. The vessel and

all 26 crew were released on 26 April following the alleged payment of a US\$1.2m ransom.

4 April 2008 – a luxury French yacht was hijacked in the Gulf of Aden as it sailed from the Seychelles to Egypt. The pirates were armed with automatic weapons and rocket-propelled grenades. All 30 crew were released on 11 April following the alleged payment of a US\$2m ransom. The pirates were subsequently tracked by the French military and intercepted when they returned to land. The pirates will be prosecuted in a French court.

1 February 2008 – a tugboat owned by Danish ship owners Svitzer was hijacked off the north-eastern coast of Somalia by 14 pirates. The crew of six were released on 18 March after the alleged payment of a US\$700,000 ransom.

“
When attacks hit a peak in 2000, at that time Somalia was just a blip on the radar screen. Then it becomes a big problem. Piracy tends to be a feature of areas where there is either lawlessness or real economic deprivation and it's very difficult to eradicate.”

(Secretary-general of the Shipping Federation)

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