WHAT IMPACT HAS SOMALIA PIRACY HAD ON MARINE INSURANCE?

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Abstract

This article explores piracy by lawless criminals operating from Somalia, West Africa, and extending their scope and expertise far into the Indian Ocean since their first attack in 1991. Many piracy definitions are evaluated for their relevance to marine insurance, and applied to Hull policies, with the possibility of transferring some risks to a War policy. The liability coverage provided by P&I Clubs is discussed. Other coverage includes Loss of Hire Earnings, and Kidnap & Ransom, adding to the complexity of piracy insurance. There are some protective measures against attack and seizure, by ships and sailors themselves and by sea and air patrols from several nations. The human and economic costs are described. Premiums have obviously been increased for operations in this vast ocean area, and innovative policies introduced to meet shipowners' needs. Some further recommendations conclude this research.

บทคัดย่อ

บทความนี้กล่าวถึงภัยโจรสลัดที่ผิดกฎหมายอาชญากรรมในประเทศโซมาเลีย แถบแอฟริกาตะวันตก ไปจนถึง มหาสมุทรอินเดียตั้งแต่ปี 1991 คำจำกัดความของโจรสลัดหลาย ๆ คำได้ถูกระบุเพื่อให้สอดคล้อง กับการประกันภัยทางทะเล และเพื่อประยุกต์ใช้กับกรมธรรม์ตัวเรือในความเป็นไปได้ที่จะโอนบางความเสี่ยงไปยังกรมธรรม์สงคราม และได้กล่าวถึงความรับผิดทางกฎหมายภายใต้พีแอนด์ไอคลับ ความคุ้มครองอื่น ๆ รวมถึงการสูญเสียค่าเช่า การลักพาตัว และการไถ่ตัว ได้ถูกขยายความคุ้มครองภายใต้การประกันภัยโจรสลัด, มาตรการการป้องกันในการถูกโจมตี และการจับกุมตัวเรือหรือลูกเรือโดยการตรวจตราทางทะเล และทางอากาศจากหลาย ๆ ประเทศ, ต้นทุนมนุษย์และต้นทุนทางเศรษฐกิจ, ค่าเบี้ยประกันภัยได้มีการเก็บเพิ่มขึ้นสำหรับการดำเนินงานในพื้นที่มหาสมุทรแถบนี้ และการพัฒนากรมธรรม์เพื่อให้สอดคล้องกับความต้องการของเจ้าของเรือ สำหรับคำแนะนำเพิ่มเติมได้ถูกสรุปในตอนท้ายของงานวิจัยฉบับนี้

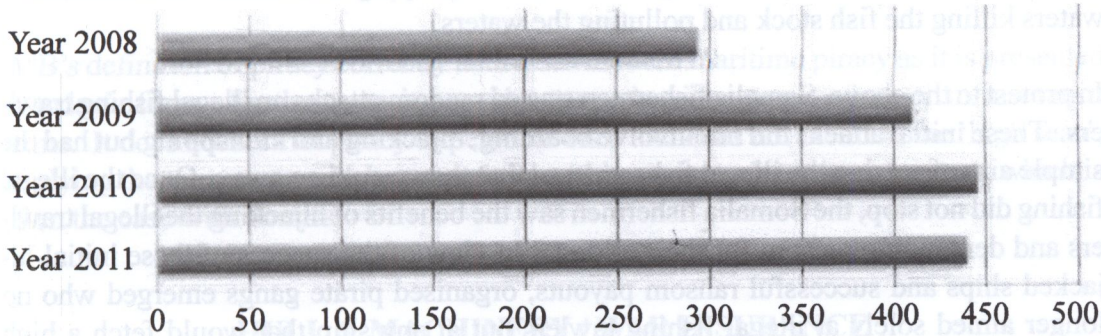
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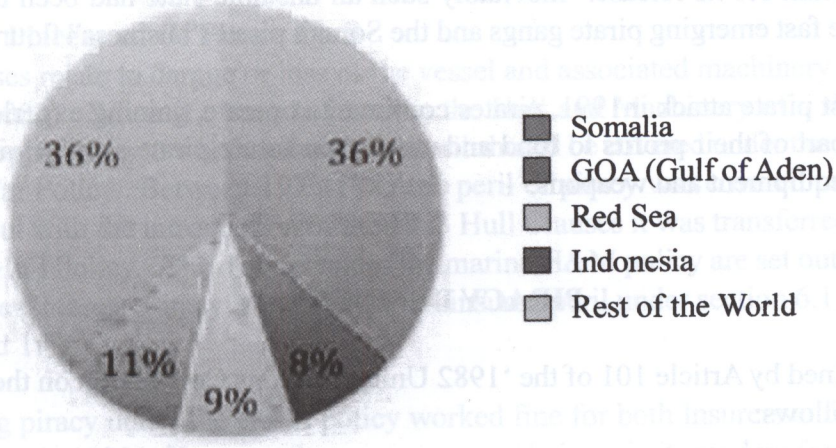
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INTRODUCTION

Figures provided by the ICC International Maritime bureau help us appreciate the seriousness of the piracy threat faced by any ship travelling within pirate infested waters. The information contained on this page has been taken from the recent ICC Annual Report for the period of 1st January 2011 to 31st December 2011 (ICC, 2011). Modern maritime piracy hit a record high in 2010 with a total of 445 actual and attempted attacks compared to a total 410 in 2009 and 293 in 208. For 2011, this figure dropped slightly to 439.

Total actual and attempted piracy attack.





In 2011 Somali piracy accounted for 44% of all actual and attempted piracy incidents in the world. As will be explained, modern piracy emerged from Somalia. Their success has prompted other areas of the world to copy their methods and tactics. It is for this reason this dissertation will focus specifically on Somali piracy.

Before the impact of Somali piracy on marine insurance can be discussed, it is important to understand how modern maritime piracy emerged and why Somalia has become known as 'The Pirate State'.

Modern maritime piracy emerged in the early 1990's primarily from Somalia. Since 1991 Somalia has been suffering fron an ongoing Civil War and does not have a central

government or a functioning infrastructure. 'The country has been wrecked with war since 1991 due in part to the United States' hands-off policy that followed the Black Hawk Down debacle and made the country ripe for an extremist takeover by militant Islamists. Doing nothing will also allow Somali piracy to flourish and grow. (Eichstaedt, 2010).

Somalia lies along the Gulf of Aden and the Indian Ocean and is one of the poorest countries in the world. One source of income came from fishing within its territorial waters. Without an operational coastal guard, illegal international fishing trawlers plagued the Somali territorial waters robbing the Somali fishermen of their fish and their income. It has also been reported that foreign vessels were dumping their toxic wastes in Somali waters killing the fish stock and polluting the waters.

In protest to the above, Somalia fishermen started random attacks on illegal fishing trawlers. These initial attacks did not involve boarding, hijacking and kidnapping but had the simple aim of scaring the illegal fishermen so that they would go away. Once the illegal fishing did not stop, the Somalia fishermen saw the benefits of hijacking the illegal trawlers and demanding ransom for their release. In view of the success of these initial hijacked ships and successful ransom payouts, organised pirate gangs emerged who no longer aimed solely at illegal fishing tawlers but at any ship that would fetch a high ransom in return for its release. Inevitably such an unstable state had been unable to challenge the fast emerging pirate gangs and the Somali pirate "business" flourished.

From the first pirate attack in1991, pirates continue to operate, gaining experience and reinvesting part of their profits to fund and strengthen future pirate attacks with better technology, equipment and weapons.

PIRACY DEFINED

Piracy is defined by Article 101 of the '1982 United Nations Convention on the Law of the Sea' as follows:

(a) "Any illegal acts of violence or detention, or any act of depredation, committed for private ends by the crew or the passengers of a private ship or private aircraft, and directed:
  (i) On the high seas, against another ship or aircraft, or against persons or property on board such ship or aircraft;
  (ii) Against a ship, aircraft, persons or property in a place outside the jurisdiction of any State;
(b) Any act of voluntary participation in the operation of a ship or of an aircraft with knowledge of facts making it a pirate ship or aircraft;
(c) Any act inciting or intentionally facilitating an act described in sub-paragraph a or b.[1]

This definition presents two main problems. Firstly it states that the act must be committed for private ends. What happens if the act itself was committed for private ends but was funded by groups with political motives? Secondly, the act must be committed in a place outside the jurisdiction of a State. Does this mean that if a ship is hijacked within the Somali waters, it does not classify as piracy?

As a mateer of English law however, piracy is not limited to the high seas; it is enough that the ship is "at sea". (www.nautinsthk.com) To make matters even more complicated, there is more than one definition of piracy within the Insurance Industry. The IMB defines piracy as: The act of boarding any vessel with intent to commit theft or any other crime, and with an intent or capacity to use force in furtherance of that act.

IMB's definition of piracy correctly addresses modern maritime piracy as it is presented in today's form. Furthermore it provides a much wider scope of cover in insurance terms. It does not restrict piracy to personal ends and does not mention the 'high seas', implying that piracy can aslo be committed within a country's territorial waters, which is often the case with Somlia.

HULL & MACHINERY / WAR INSURANCE

Historic Placement Of Piracy Peril

Hull losses relate to damge or loss of the vessel and associated machinery (Diacon and Carter, 2003). When it comes to insuring the Hull and Machinery of a ship there are divided opinions as to whether the piracy peril should be covered under the H&M policy or the War Policy. Between 1973-1983 the peril of piracy was covered under the War policy, but with the introduction of the 1983 Hull Clauses it was transferred back to the Marine Hull Policy. The clauses under the marine H&M policy are set out by the Institute Time Clauses. Piracy is included as an insured peril under section 6.1.5 of the ITC 1983 and 1995.

Covering piracy under the H&M policy worked fine for both Insurers and Shipowners until the early 1990s. However the re-emergence of piracy in its modern form has caused uncertainty and concern within the insurance industry. If the pirate act is committed for private ends it would be covered under the H&M policy and if it was for terrorism/war it would be coverd under the war policy. The alleged close link between the Somali pirates and terrorism group Al-Shabaab is an example of the confusion of where the piracy peril would in fact best be insured. 'Piracy is a source of millions of dollars for Somli-based terrorists, notably to Al-Qaidi affiliate Al-Shabaab'. (www.sareoursea/arers.org.)

Furthermore modern pirates are equipped with Rocket Propelled Grenades (RPG) and assault rifles that could be classified as weapons of war.

Current Placement Of Piracy Peril

Presently, the hijackings of ships off Somalia have been accepted as acts of piracy and that is unlikely to change, but could conceivably do so if, for example, the UK Government were to find evidence that ransom monies were being used to finance the civil war in Somalia, or to further the causes of Al Queda (www.nautinsthk.com). While piracy is excluded from the Institute War and Strikes Clauses, loss of or damage to the vessel caused by any terrorist or person acting maliciously or from a political motive is included in the coverage (www.marseareview.com). Taking the above into consideration it is easy to undeerstand the conflict of opinions of which policy should in fact be covering piracy. Consider the following hypothetical scenario: Pirates hijack a ship for personal gain but had been funded by a terrorist group and 50% of the ransom payment is to be allocated to the terrorist group. Should this risk be covered under the H&M or the War policy? It comes as no surprise that Insurers have different views on where the modern piracy risk should in fact be covered. Within the past decade the majority of insurers have preferred to transfer the piracy peril from the H&M policy to the War Risks policy.

Advantages And Disadvantages Of Transferring The Piracy Peril To The War Policy

War Risks Cover protects against the danger of loss in a war zone, at an additional premium. The war risks areas are established by the London-based Joint War Committee (www.aida.org.uk). There are benefits to both insurers and shipowners by covering priracy under the war policy. The benefit to shipowners is that there usually are no deductibles under the marine war policy and any pirate claims will not affect their Hull claims records. The disadvantage to shippowners is that shipowners will need to notify and receive approval from war insurers prior to navigating in the pirate infested listed areas which will usually also be subject to an additional premium. The benefit to insurers is that they can charge an additional premium when ships navigate into the Listed Areas.

The Listed areas set out by the London-based JWC lists the enhanced risk areas and are constantly revised to reflect the most recent trouble spots and pirate infested areas.

PROTECTION & INDEMNITY INSURANCE

P&I Clubs insure shipowners' third party liabilities arising out of use and operation that are not covered under other policies. Piracy is not covered by the P&I Clubs as a named peril since P&I insurance provides coverage against the liabilities that are set out in the risks cover rule, not the insured perils clause. Therefore, to establish whether the shipowner might rely on the P&I insurance while facing the risk of piratical incidents it is necessary to establish what type of third party liabilities might arise out of the piratical sezure and in what circumstances the P&I insurance will pay out when such liabilities are declared (http://www.lub.lu.se).

Crew Cover

Somali pirates had initially built up a reputation of being non-violent towards the crew.

It was in their interest to keep the crew safe in an attempt to negotiate a higher ransom for the safe release of crew and vessel.

Recently it seems that Somali pirates are becoming more violent in their attacks and in their treatment towards the crew. With an increase in number of attempted hijackings and a decrease in number of successful hijackings in recent years it seems pirates are becoming agitated and it is often the crew who pay the price.

Crew liabilities are covered under the normal P&I policies.

Year	2007	2008	2009	2010	2011
No of Incidents	433	1011	1169	1270	890

Source: ICC, 2011

Pollution And Wreck Removal

Ships carry thousands of litres of fuel. Pirates are already using RPGs and assault rifles and continue to arm themselves with more powerful weapons. It is feared that piracy could cause a major environmental disaster if a ship's fuel tank is sunk, run aground,or set on fire. The cost of pollution clean up and wreck removal will normally fall upon the P&I insurers.

Cargo

The shipowner's liabilities might also extent to the liability to cargo owners for cargo loss, damage or other responsibility.

LOSS OF HIRE / EARNINGS INSURANCE

LOH policies 'cover the insured for loss of income resulting from physical damage to a particular insured vessel' (www.warrisr.no). A stand alone policy or an extension to the LoH policy can normally be negotiated to extend the policy to cover the period the ship is detained by pirates although no physical damage may be sustained to the vessel. Many H&M/War insurers are also willing to extend their policy to include a LoH element. Although the ship may not have suffered any physical damage, the shipowner will be deprived of hire income whilst the ship in possession of the pirates. Most ships are on Charter Hire. The standard charter party agreement holds that the charterer will be liable to pay the daily charter hire for the first 90 days of ship sezure from pirates. In such an event the shipowner will be able to claim Loss of Hire only after this period plus any deductible days agreed. With pirates demanding higher ransom payments, negotiations take longer to conclude resulting in ships being held hijacked for longer periods. 'The periods that hijacked ships are being held for is now roughly six months on average, up from 2009's average of two to three months' (www.sareaurseafarens.com). The number of days a ship is held captured has a direct effect on LoH policies as this will increase the total claim amount. The claim payout for a ship held captured for a period of 120 days will be much less than a ship held captured for 170 days for example.

KIDNAP & RANSOM INSURANCE

K & R Insurance is a relatively new policy offered by Marine Insurers and has stemmed from modern maritime piracy to cover gaps in cover between the various marine policies in regards to ransom payments. 'K&R might be considered as the policy filling in the gap created by the lack of clarity as to the ransom coverage' (www.lnp.lnb.ln.se). The extent of cover under such policies will depend on the wording and each shipowner's needs. Cover can include, ransom payment, excess ransom payment, loss of ransom payment in transit, news mangement, interaction/negotiation, crisis management, support to the families of the kidnapped, cost of ransom deliver, legal liabilities, medical care and support to the families of the crew.

'The K&R policies are very advantageous as they provide certainty to the assured that the ransom paid to pirates will be recovered under such policy, as well as other expenses resulting from the piratical attack. It has been proven that the list of insured losses in the K&R policies is rather exhaustive' (www.lnp.lnb.ln.se).

RANSOM

The Current Situation

Ransoms for the release of hostages and ships have increased year on end. 'Over the past five years, Somali pirates' ransom demands have increased a staggering thirty-six fold, from an average of $150,000 in 2005 to $5.4 million in 2010. The largest known ransom payment was for the South Korean oil tanker 'Samho Dream', for which a record $9.5 million was paid in November 2010' (www.sareourseafarers.com).

Pirates are demanding ever increaasing ransom payments for the safe release of hijacked ships/crew. This results in a direct increase in H&M/War insurers liability. This increasing liability is in turn passed on to shipowners in the form of higher premiums.

In respect to ransom, insurance acts as a form of reimbursement. The shipowners must initially pay the ransom amount, and then be reimbursed from insurers. Shipowners lead the ransom negotiations and in theory are free to come to an agreement with the pirates. In practice, most insurers advise policyholders to have insurers as the first point of contact in the event of a pirate attack.

Differing views On Ransom Payment

There are differing views on the subject of ransom payment. From one point of view it may be argued that the payment of ransom facilitates crime, encourages further attacks by the perpetrators and also promotes a message that crime does pay. On the other hand however, it is recognised that the hostages have a right to live and not endure more suffering than is necessary. From a humanitarian point of view, a ransom is probably the only way to save the lives of the crew without endangering them further.

Currently P&I insurers do not contribute towards the payment of ransom payments. This may change in the future however if pirates start to kidmap crew from the vessel instead of hijacking the vessel itself.

Legality Of Ransom Payment

Although the payment of ransom is not illegal under English Law, not all countries share the same view. On 24/05/11 three Britons, an American and two Kenyans were arrested in Somalia for illegally smuggling $3.66 million into Somalia to pay a ransom for the safe release of their vessel and crew. They were sentenced and found guily. Although they were sentenced to jail they were later pardoned but their intended ransom money was confiscated.

'Somalia's transitional federal government, which controls only part of the country, opposes ransom payments, believing that it fuels piracy' (www.newsy.com). It is for this reason that the payment of ranson to Somali pirates is usually delivered by air or sea. As insurers cannot participate in illegal activity, the delivery of ransom payment must be considered in line with the country the delivery is to be made in (or high sea), the nationality of the persons delivering the ransom payments, and how the ransom is to be delivered.

Furthemore, 'many countries including the USA and the members of the EU specifically prohibit any payment of funds that could be used to fund terrorism. Any suggestion that ransoms were being diverted to terrorists could result in both the shipowners and underwriters find themselves at risk of prosecution' (March, 2012).

PROTECTIVE MEASURES AGAINST PIRACY

Best Management Practices (BMP4)

The BMP4 booklet is produced and supported by a number of different companies/ organisations who share an interest in combating Somali piracy. The intention of the booklet is to assist ships to avoid, deter or delay piracy attacks off the coast of Somalia, including the Gulf of Aden. Experience, supported by data collected by Naval forces, shows that the application of the recommendations contained within the BMP booklet make a significant difference in preventing a ship becoming a victim of piracy.

The BMP4 provides among others, advice on:

- Risk assessments to be carried out by ship operators;
- typical pirate attack;
- Planning
- Ship protection measures;
- What to do in case of a pirate attack;
- What to do if pirates take control;

- In the event of military action;
- Post incident reporting.

It is usually written within the insurance policy covering the peril of piracy, that the shipowner is to abide by the recommendations/practices set out by BMP4. 'Compliance with BMP4 will normally be expected as standard and may even be an underwriting requirement' (PRC, 2012).

Naval Patrol

'Since August 2009, NATO warships and aircraft have been partolling the waters off the Horn of Africa as part of Operation Ocean Shield. Their mission is to contribute to international efforts to counter maritime piracy while participating in capacity building efforts with regional governments. Operation Ocean Shield cooperates closely with other naval forces including US-led maritime forces, EU naval forces and national actors operating against the threat of piracy in the region' (www.aco.nat.int).

Despite the many stories of naval military forces successfully deterring pirates, and reducing attacks it must also be recognised that the Indian ocean is a vast area and the presence of the naval forces can be compared to one police car patrolling an area the size of France.

IMB - Piracy Reporting Centre (PRC)

Prior to 1992 shipwners and merchants had nowhere to turn to when their ships were attacked or hijacked. The IMB established the PRC with two main objectives:

'1) To be the single point of contact for ship Masters anywhere in the world who are under piratical or armed robbery attack. The information received from the Masters is immediately relayed to the local law enforcement agencies requesting assistance.
2) The information received from the ship Masters is immediately broadcast to all vessels in the Ocean region – thus highlighting the threat to a Master enroute into the area of risk' (www.icc-ccs.org).

Since 1992 the PRC has gathered a vast amount of information on piracy attacks and their changing trends which is in turn is used by law enforcement agencies, naval forces and insurers. 'The work of the 24 hour manned PRC is vital to shipping in understanding the areas of risk as well as the shifts in these areas of risk' (www.icc-ccs.org).

Armed Guards

Insurers did not initially welcome the use of armed guards on board ships in fear that this would escalate violence. However, with the first signs of using armed guards being positive insurers are currently keeping a neutral stance. 'Shipowners are employing armed security firms to accompany their ships. Despite fears of escalated violence, this has proved an effective deterrent' (www.warsecreview.com). Most pirates abort an at-

tack after they hear warming shots fired by the armed guards and to this date there has been no successful hijacking of an armed guarded vessel.

The view within the insurance industry at the moment is that it is up to the discretion of shipowners to assess the risk for each voyage within the areas of enhanced risk, and employ armed guards if they feel it is needed. If ship operators do decide to use armed guards, the H&M/WAR/LOH/P&I insurers must be notified to ensure that cover will not be prejudiced. If the speed of the ship is below 17 knots and there is a very low free-board, some insurers may even be reluctant to quote in the absence of a security team on board.

Having security guards on board merchant ships (whether armed or unarmed) is a relatively new concept. As with any new market product, these contracts have not been tried and tested. One security company could offer a contract that widely differs to that provided by another. In the absence of standardised contract wording, Insurers are faced with the time-consuming task of analysing a large number of contracts to ensure that they do not prejudice the insurance cover.

'Baltic & International Maritime Council (BIMCO) and the International P & I Group (IG) recognise that the growth in the number of private Maritime Security contractors, each with differing contractual terms, has resuted in uncertainty' (Northern P&I Club, 2010). In March 2012 BIMCO released a standardised draft contract that can be used by security companies and that will provide certainty to insurers and shipowners. BIMCO's Chief Officer, Legal and Contractual Affairs, Grant Hunter said "The objective is to create a contractual benchmark for the employment of security services so that minimum levels of insurance cover for are established and that adequate safeguards are put in place to ensure that liabilities and responsibilities are properly addressed and that all necessary permits and licenses are obtained" (www.bimco.org).

PIRATES EXPANDING THEIR TERRITORY

A new tactic used by pirates in the last couple years is the use of a mother ship. Mother ships are usually fishing vessels that have been hijacked by pirates and in turn used to launch attacks on unsuspecting vessels. 'Mother ships are commercial vessels, being actively used by pirates as floating bases to launch atack skiffs, to resupply pirate attack groups and to conduct hijackings'. Oil tanker Irene SL has been reported to been hijacked some 1,000 miles off the coast of Somlia in February 2011. On March 26, 2012, a vessel was attacked and hijacked by Somali pirates some 1,800 nautical miles East of Somalia clearly showing Somali pirates expanding their working territory. 'The hijacking of a vessel in waters close to the Maldives indicates the growing reach of Somali pirates and provides a wake-up call to Marine Insurers and Shipowners' (Insurance Day, 2012). This alarms Marine Insurers as pirates have essentially expanded their territory and can launch attacks further out at sea on unsuspecting vessels.

Mother ships enable pirates to remain out at sea for longer periods of time searching for the perfect vessel to attack. Likewise, mother ships allow pirates to increase eheir operational territory, and attack further out at sea that would not have been possible otherwise.

THE COST OF PIRACY

The Human Cost Of Piracy

Piracy news reports are usually associated with the economic cost of piracy (ransom payment). What is very often neglected is the human cost of piracy. Over the past five years thousands of seafarers have been held hostage, subjected to gunfire, suffered abuse, denied medical attention, subjected to beatings, torture, suffered injuries and psychological drama.

The human cost of piracy cannot be defined in economic terms. "We do note with great concern that there were a significant number of piracy-releated deaths, hostages taken, and seafarers subject to traumatic armed attacks in 2011. This happened in spite of the success of armed guards and military action in the later part of the year" (www.oceansheyondf:vacy.org).

Within 2011, 6 seafarers were assaulted, 802 held hostage, 42 injured, 10 kidnapped and held for ransom, 27 threatened and 8 killed (IMB, 2010). The human cost can be further extended to the families of the seafarers who also endure endless suffering in fear of the safety of their loved ones. In 2009 M/V Maarsk Alabama was constantly in the media due to the vessel being hijacked and the American Captain and Crew held hostage. The American Special Forces successfully freed the hostages in a rescue operation. Since then recue missions for seafarers held hostage are almost unheard of. The majority of seafarers are from third world countries such as the Philippines and they sadly do not receive the same media attention as with the case of the American crewed Maersk Alabama.

The Economic Cost Of Piracy

'Oceans Beyond Piracy' released a report that raises concerns about the cost of Somali Piracy to the world econmy. Approximately 80% of all costs are borne by the shipping industry, while governments account for 20% of the expenditures associated with countering piracy attacks. The report estimates the 2011 economic cost of piracy was between $6.9 billion (www.oceansbeyondr:vacy.org).

According to 'Oceans Beyond Piracy'[33] report for 2011, the economic cost of piracy is as below:

1.	Increased speeds	$2,710	million
2.	Military costs	$1,270	million
3.	Security guards & equipment	$1,064 - $1,160	million
4.	Re-routing	$486 - $681	million

5.	Insurance	$635	million
6.	Labour	$195	million
7.	Ransoms	$160	million
8.	Prosecutions/imprisonment	$16.4	million
9.	Counter-piracy organisations	$21.3	million

The total economic cost of Somali piracy in 2011 was $6.6 - $6.9 billion.

CONCLUSION

Regardless of the anti-piracy protective measures implemented, it seems that the only way to fully eradicate Somali piracy is to tackle the problem within Somalia itself. With Somalia's poverty and lack of government there is always a large supply of young men who are willing to risk their lives in pursuit of success of previous pirates. As the idea of solving Somali piracy from the source of the problem falls far outside the scope and capability of the insurance industry, it means that marine insurers must come to terms with the long-term piracy risk they are faced with.

It comes as no surprise that marine insurance premiums across all marine policies have significantly increased as a direct result of piracy. These premium increases are by no means unjustified and reflect a risk which is becoming more of a liability year on end.

P&I insurers have adapted to accommodate piracy. Their liability has increased in recent years due to Somali pirates becoming more violent towards the crew. P&I insurers may be called to cover ransom payments if pirates change their tactics to kidnapping crew in return for ransom rather than hijacking the ship itself.

The K&R and War LoH policies have been created as a direct result of modern piracy. Both of these policies have been welcomed by the shipping industry and have proved to be popular. The flexibility shown by LoH and K&R insurers has not been reflected by H&M/WAR insurers.

As opposed to K&R & LoH policies, H&M/WAR policies have been in existence for many centuries. It may be for this reason that they have found it harder to adapt to the emergence of piracy in its modern form. At present, the majority of marine insurers have transferred the piracy peril to the War Risks policy whilst others have chosen to keep the piracy peril under the H&M policy.

From an insurance perspective I agree that insuring piracy should be insured under the War policy. By doing this, insurers can charge an additional premium (AP) whenever a vessel navigates within the Listed Areas. These Listed Areas are updated throughout the policy year to reflect the most recent trouble spots. Therefore insurers are always obtaining an AP reflecting the perceived risk at the time of transit.

With Somali piracy being accepted as a long term problem, it would be beneficial to both the insurance and shipping industry if:

- All Hull insurers come to a unified agreement as to which policy would best be suited to cover the piracy peril. Piracy should be covered under either the H&M or the WAR policy but not both. This causes unnecessary confusion and uncertainty.
- All Marine insurers to come to an agreed definition of piracy. This definition needs to reflect the piracy risk as it is presented today and not as it was presented 100 years ago. There is currently more than one definition within the market and each definiton widely differs from the other.

There is no doubt that the piracy risk presented to insurers in the future will be different to the one presented today. By working together marine insurers will be able to share knowledge and better understand this fast changing risk.

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