

RESURGENT SEA-PIRACY: RISK MANAGEMENT AND INSURANCE

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Abstract

A resurgence of piracy at sea has captured media attention around the world. Pirates operating off the coast of Somalia are outrageously bold in attacking and boarding a variety of ships. Modern pirates have the cunning and daring of the old swashbucklers such as in the 17th century, but they also have fearful modern weapons and GPS technology, and a financial chain along which they easily dispose of the ransom money which is the aim of these attacks rather than stealing ship or cargo.

Piracy has been a modern scourge for decades, but elsewhere, and attracted attention only sporadically. The International Chamber of Commerce, through its subsidiary the IMB Piracy Reporting Centre is the major international body combating this evil business. Insurers used to consider it a minor issue in the scale of marine losses. Now, the United Nations Organisation intervenes, and navies of several countries are engaged on patrol and rescue missions, including the use of firearms and helicopters. Insurers now take a greater interest in risk management advice as well as adjusting rates and launching new types of cover.

This article reviews the sudden emergence of this threat off Africa, setting it within the context of ongoing piracy. It considers the four principal risk management efforts: ships' self-defence, action on land in the pirates' home ports, arresting and prosecuting pirates, and interrupting the laundering of ransom money. It also examines the effects of piracy on insurance, the dangers of having armed guards on ships, the problems of definitions, and policy cover. The huge increase in piracy in the Gulf has produced a massive attempt to bring it under control, as joint efforts by Indonesia, Malaysia, Singapore, and Thailand succeeded in doing so in the former piracy hot-spot of the Malacca Straits.