Insurance Marine News

Criminals in other regions likely to be watching success of Gulf of Guinea pirates with interest

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The increase over the past few years in the level of kidnapping for ransom in the Gulf of Guinea is almost certainly being watched with interest by criminals in other coastal states with delta regions, a panel has said.

In legal firm Ince's webinar "Spotlight on Africa – Maritime security and piracy", the participants noted that criminals in other parts of the world would not be blind to the money being made by pirates operating out of the Nigeria Delta and River States, who have made a sound business model from kidnapping crew from vessels in the Gulf of Guinea.

The panel was moderated by Julian Clark – Global Senior Partner, Ince, and the other participants were:

- Christian Dwyer, Ince Global Head of Admiralty
- Jeff Green, Underwriting Director, Griffin Underwriting
- Sean Woollerson, Divisional Director, Marine Division, Cyrus
- Liam Morrissey, CEO, MS Risk.

The panellists were asked what similarities and what differences they saw in developments in the Gulf of Guinea in recent years and in the Gulf of Aden / Indian Ocean a decade ago.

Jeff Green said that pirates in the GoG were working on a very different business model. The Somalian pirates, working off a long and unpoliced coastline in what was effectively a failed state, could kidnap a vessel and the whole crew ad keep it until the money was paid. In the Gulf of Guinea, a more sustainable business model was taking the crew off the vessel and bringing them ashore. He did not see any means of bringing the current operations to a speedy conclusion. It was also noted that, while in the Somalia Indian Ocean there was quick ransom inflation from tens of thousands to millions of dollars, the ransom payments in Gulf of Guinea reported incidents (i.e., the larger international vessels) tended to be around the half a million to $750,000.

Liam Morrissey, whose company works as a responder, said that the two models were more different than similar. Interestingly, Morrissey felt that many of the incidents were still about theft of product. Because it took time to cross-deck the cargo being stolen, the crew were taken as a human shield to discourage any action by security forces until the cargo had been stolen. But then the theft transitioned into a kidnap for ransom.

As another panellist later observed, the general international view was that the business model, which had been product theft when, for example, oil was $100 a barrel, had now transitioned into primary K&R, with the cargo often being ignored. Indeed, ships from which kidnaps took place were often only boarded for a short time.

Sean Woollerson felt that the UN Security Council Resolutions on the matter were often out of date, toothless, high-level macro statements and, in general, little more than box-ticking exercises. He noted that the last one was in 2019 and that didn’t address the Gulf of Guinea. Woollerson was far more encouraged by the Nigerian Deep Blue initiative, which had its origins back in 2015, but which really got going this year.

Project Deep Blue is large investment by Nigeria to cover the Gulf of Guinea as a whole. Woollerson said that “I think the Nigerian government realized that the disruption in the waters in their own EEZ was having a huge impact on its own fishing industry. I read that this could reach $600m.” He noted that the number of incidents actually in Nigerian waters was down from 14 in H1 last year to four in H1 2021. However, it was also noted that the piracy had been displaced rather than reduced. About 40% of IMB-recorded events this year had been in the Gulf of Guinea.

Christian Dwyer said that one of the main differences between Aden and the Gulf of Guinea was that the Gulf of Guinea consisted of the territorial waters of many countries, as well as international waters further out. The states were very protective of their own waters, both against the use of private armed security guards and against the navies of other states in the region. That was a big difference from the situation in the Gulf of Aden, in which panellists tended to agree that, while the presence of international naval operations had been a factor, the real turning point had been the introduction of armed security guards on vessels.

With the Gulf of Guinea, the whole situation created contractual complexities. He felt that using established international security companies, ones which had international links in the region, was one possible solution.

However, with local navies sometimes insisting on putting men either on the vessel, or on the accompanying vessel of the security guards, there was the problem of who was responsible for the actions of these naval seamen.

Dwyer also noted a couple of facts from the insurance point of view. While in the Gulf of Aden incidents it often became a matter of general average, in the Gulf of Guinea it tended to be a direct insurance payout.

Julian Clark asked what the rationale was behind Nigeria's opposition to private guards.

Green said that it was not just Nigeria that was territorially defensive. And Green noted that the Nigerian escorts were only any good in Nigerian waters. Green felt that what was needed was a much more coordinated approach. He did not see why it should be a problem getting a Gulf-wide Memorandum of Understanding that would permit private guards on board.

Clark asked Woollerson about the challenges for insurers, and Woollerson said that insurers had learned a lot from the Gulf of Aden scenarios. At the beginning insurers were to a degree playing catch up. Piracy had previously generally sat in the hull policy. It was then moved to the war policy because it was hard to identify whether they were acting as pirates or terrorists. Woollerson said that the K&R policies in those days were land-based, "so we had to adapt K&R policies to a shipping environment".

K&R, which would be better termed a special risks policy, covers things like port fees, loss of hire, repatriation of seafarers, etc. "We are in a good place now to provide suitable cover, but we are still adapting", Woollerson said.

Having a relationship with the responder is the key thing, said Woollerson. "We had 22 ships hijacked back in the Gulf of Aden days and, as a broker that was quite something. But we had run drills with the responder, so we knew what we were doing and what we had to do".

The development of piracy in the Gulf of Aden and Gulf of Guinea has some similarities and some differences. As was noted, part of what happened in Somalia was because fishermen lost their fishing grounds, and so turned to kidnap and ransom "to survive". However, by the end the business was run by organized crime on a far greater scale.

If an owner has a K&R or Special Risks policy, in most cases a percentage of the premium is allocated to knowledge training, and other forms of loss prevention. Owners would do well to take advantage of this, as it helps eliminate the shock, anger, misery and hysteria during the early hours of a crisis. If the company has been trained on what to do, the event is one that triggers a well-oiled response.

Once again, the matter of sanctions and the long arm of OFAC reached out. Julian Clark observed that there was a worry that the payment of a ransom would be made illegal. This ties into sanctions and connections between piracy and terrorism. Were there concerns at this?

Jeff Green noted that insurers never paid a ransom – they reimbursed a shipowner who had paid a ransom. But work was done by insurers to see who the kidnapper was.

In practical terms, few of the kidnappings in Nigeria were political or terrorism related. Similarly, in Somalia there had never been a ransom payment that was not cleared with OFAC.

Williamson recounted that In Nigeria, kidnapping on land in the Delta and River States was well established, with some political and some economic base. About 15 to 20 years ago there was a group called Movement for the Emancipation of the Nigeria Delta (MEND), but there were also a number of criminal gangs in the River state and Delta state. There was also a layer of corruption. It was not systemic, but it existed.

The one area in the world where a ransom payment might be considered as funding terrorism was in the Sulu / Celebes Sea region in the Philippines, where Abu Sayyaf has been deemed a terrorist group.

It was noted by the panel that shipowners would be informed that they would be putting themselves at risk by making a payment, and also that they were unlikely to be reimbursed by their insurer. However, not paying a ransom did not preclude negotiating and interaction. You just can't pay a ransom.

Sean Woollerson said he was worried if a situation arose where pirates (who might claim that they were acting on political grounds even if their true motives were economic) were deemed terrorists. This was a huge area of concern for crews around the world. "I would like to think that perhaps the UN could help out with that, steering a path where we can always get vessels back", Woollerson said.

Morrissey said that, as a responder, his company worked very hard to ascertain whether a group was a terrorist organization. "Just because someone says they are with an extremist organization, they might just be doing it to create pressure, rather than really be a terrorist". Morrissey conceded that this was never a simple process, and often it was a matter of degree of certainty. "But we prepare a report for the insurers and the legal team and ultimately that can go to OFAC, to set out who the group claimed to be, who we think they really are, and how we see the case playing out. It's vital to have that transparency for business."

Sean Woollerson said that the overriding takeaway was that the world was not becoming a safer place. In a way, the events in the Gulf of Guinea were the maritime manifestation of land-based corruption and poverty.

Morrissey said that, while the maritime sector had an area that it categorized as a red zone, for the villains that was a green zone, and there had been a contagion effect.