



Welcome

Welcome to this first Seacurus Bulletin of a new year.

The past 12 months, have been incredibly busy for us and we have even moved offices. With regards to piracy it has been a "topsy-turvy" time – there has been a clear drop off in successes, but there have been record payouts too.

So what does the next year hold for us all? Inside this latest issue we look ahead to see what the experts think, we also look at the report of the UK Parliament on where things have gone right and wrong in the struggle against pirates.

This issue contains a look at the ransom issue and also how citadels may not be the safe haven we once thought them to be, it also focuses on the effect of the monsoon seasons on pirates. We hope you find it interesting and informative.

We would like to take this opportunity to wish you a Happy New Year and a prosperous and enjoyable 2012.



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The Year Ahead

The year ahead will prove to be a very interesting one indeed with regards to piracy. As we look forward it has been interesting to hear the words of eminent maritime economist Dr Stopford of Clarksons who recently spoke on issues relating to piracy.

He stated that in the last 18 months pirates have ended up working much harder for the same results, while the number of ships released has now drawn in excess of 50% above the captures. We now see that less than half as many crew members are being held as six months ago.

This all sounds very positive, but what is the prognosis for the year ahead and what of the much vaunted Somali pirate business model? With their inventory ebbing away and with capture thin on the ground, what is the next step for the criminal elements?

The recent release of the Italian Aframax "Savina Caylyn" and her crew after almost 11 months of captivity has seemingly marked a high water mark in the piracy war. According to observers the release is extremely significant as the rumoured ransom is so high – sources are quoting US\$11.5 million.

We have become accustomed to rising ransoms, but while some thought the increasing payments were perhaps outliers, this seems to confirm the pattern indicated with the US\$12 million ransom demanded for the "MV Zirku" back in June 2011.

Now it seems that the "Savina Caylyn" figure may be creating something of a benchmark, which given that some are painting the demise of the Somali pirates is quite surprising. It would seem that a) the pirates are still extremely skilled negotiators, and b) ransoms are getting paid more to get the crew freed than the ship...which is now the moral imperative.

Back in the earliest days of the Somali "crisis" some owners tried brinkmanship, and the waiting game. All it got them was a longer, more drawn out hijack and a lot of bad PR.

It is perhaps to this new backdrop that we can see a potentially worrying trend emerging – that of plain "kidnap". If ships are getting harder to capture, and if payments are being made on people alone, then it would perhaps seem churlish to try and take whole vessels when there are much easier ways of getting a return.

The attacks on Kenyan coastal towns and resorts, and the holding of individual seafarers after their vessels have been released begins to paint a concerning image of a possible new trend. For the pirates there are a number of "win-win" elements to this, in holding personnel ashore it is easier on their resources. They don't need to have holding crews sat for months onboard – they can simply keep the hostages within their own pirate group. So it is less labour intensive. Secondly, in whisking the captives ashore it makes it less likely that a grab raid will be attempted. Pirates have lost vessels and crew in the past, and they are adept at learning their lessons.

Armed Force

The latest report from the House of Commons Foreign Affairs Committee (FAC) on "Piracy off the coast of Somalia" makes interesting reading, and it provides a positive view of the past, present and potentially the future of the battles against piracy.

According to the report it is clear that piracy has become a major problem for the UK and the international community, and as the UK readies itself for a major international conference to be hosted in February there is a pressure to deliver decisive results. FAC Chair Richard Ottaway MP has stated that it is unacceptable that the Indian Ocean has become so dangerous for commercial shipping, and has recognised the need to take action.

The report looks across many facets of piracy, maritime commerce and security in its 213 pages. One area of focus is the use of armed guards onboard British flagged vessels. The FAC believes that the UK Government was right to permit private armed guards to defend British flagged shipping against Somali pirates. The fact that, as yet, no vessel has been taken by pirates when guarded by armed teams has clearly spoken volumes. So too has the great strides made by the private maritime security companies to meet international and industry standards. The success of armed maritime security can be clearly seen as the successful hijacks have slowly dropped away over the past 4 months, and the report recognises the solutions which are provided to shipping.



The decision to allow armed guards by the UK was a turning point globally, as a number of other governments looked to the British lead and have started the process of allowing their own vessels to use armed guards as appropriate. At the time of the Prime Ministers announcement it was seen, not so much as the start of the end, but rather it was the end of the beginning, and so it has proven. Having taken the bold decision to allow vessels to use armed guards, the authorities are now setting about the task of ensuring the systems and rules for the use of force which they employ are appropriate and adequate. The report recognises this, and while it praises the positives which this approach has brought, it also stresses the problems too.

It is recognised that the UK Government's guidance on the use of force, particularly lethal force, is very limited and there is little to help a ship's master make a judgement on where force can be used. Indeed there are many bridges to be built between security and shipping, such that ship masters are comfortable, confident and cogniscent in the use of force from their vessel. There are many fears and concerns for masters today, and as they wrestle with issues of criminalisation the report recognises their concerns and the fact that clear guidance will be necessary to allay them.

The report stresses the recognised "lack of critical detail" in the use of force and as the committee questions whether a private armed guard on board a UK flagged vessel can open fire at a fast approaching skiff, there is a need for clear direction on what is permissible and what is not.

The realities of piracy give little time for those facing violence to consider the questions of legality. As skiffs approach and the rockets fly the guards, master and officers need to clearly know what they can do, how and when.



The report intimates that unless unequivocal guidance is produced, then we may once again give pirates the upper-hand. If pirates are able to approach vessels on which armed guards are unable to fire or are indecisive, then without clear guidance, there is a danger we may emasculate the very frontline solution which is currently keeping piracy at bay.

Ransoms Review

Another issue focused on within the Foreign Affairs Committee (FAC) report was that of ransoms. According to the FAC, over the last four years, average ransoms have risen from \$600,000 to \$4.7 million per vessel and ransoms paid in 2011 have totalled an alarming \$135m, which according to the latest information is a substantial increase on past years and a represents a new record annual high.



The FAC stressed that this should be a matter of deep concern to the British Government and to the entire international maritime community. However, the report concluded that the Government should not pay or assist in the payment of ransoms but nor should it make it more difficult for companies to secure the safe release of their crew by criminalising the payment of ransoms. In fact they felt that the Government has been right to act at an international level to ensure that the payment of ransoms remains legal in order to ensure the safety of the crew. This fact will hopefully mean more assistance from banks in facilitating payments.

In taking a rather agnostic view on ransoms, and seeing them as a necessary evil, they turned their attention to the tracking of financial flows from piracy. Regrettably it seems that the British Government has been disappointingly slow in this regard. The report went further, voicing "surprise" at the continuing lack of information available about those funding and profiting from piracy.

It is to this backdrop that the UK initiative for a centre based in the Seychelles to focus on pirate financiers is welcomed and vitally needed. The report called on the Foreign and Commonwealth Office (FCO) to publish details on the new maritime intelligence and information co-ordination centre, including its mandate, funding, and when it is expected to begin operations. So we should expect more detailed information on this initiative soon.

Just because the UK has found it necessary to allow the payment of ransoms should not mean that they then fail to collect, analyse, and act upon information concerning ransom payments made by British companies or private individuals.

The report has recommend that the Government establish a mechanism through which intelligence and information about ransom payments and pirate groups and negotiations can be communicated to the Government by those involved. The report has also called for the Serious Organised Crime Agency (SOCA) to make it a priority to address rumours of ransom money making its way into the UK's financial system.

The amount of ransom money being paid to the pirates is seen as a key indicator of the degree of success (or failure) of the international maritime operation against piracy. Once a ship has been successfully hijacked, a ransom is usually paid to secure its release. Average ransom payments to Somali pirates have increased sevenfold over the last five years, turning piracy into a multi-million dollar business. FCO figures show average ransoms rising from around \$600,000 in 2007 to close to \$5m in 2011. One witness described the inflation as "like being in a housing boom".

However there was an indication that ransom prices have reportedly fallen recently following an incursion by Kenyan troops into Somalia beginning in October 2011, as the pirates have sought quickly to conclude deals in advance of expected battles between the Kenyan troops and Somali militants.

The shipping and insurance industries have faced criticism that, by paying such large ransoms, it is encouraging and funding further piracy. However, submissions to the inquiry from the maritime industry stressed that companies had little choice. According to Stephen Askins, a marine lawyer with Ince & Co, "we would much rather they were not being paid, but the reality of the situation is that there is no other way to secure the release of the crews. [...] We therefore have to go past the moral consequences, engage with the pirates and pay them a ransom."

Other submissions referred to ransom payments as “humanitarian”. When questioned about the extent to which the industry co-operates to share information on ransoms and to limit their prices, Mark Brownrigg of the International Chamber of Shipping stated that “We are certainly open to those sorts of discussions and interchanges, as necessary, but at the moment I think it is very much on an individual company-to-company basis. There is no collective engagement”.

Ransom payments are not illegal under UK law except for cases in which there was evidence that the payment would trigger another crime. The Government has stated, for instance, that “payment of a ransom to a United Nations designated terrorist group or individual would contravene the al-Qaeda and Taliban sanctions regime established by UN Security Resolution 1267 (1999)”. This approach is not shared by all states, some of which are known to have paid ransoms, and/or become involved in the ransom negotiation process when their citizens are held hostage. However, evidence from industry has been broadly supportive of the UK’s approach.



It is true that the high payments encourage and fund further piracy. However, the report believes that the Government should address this through the recovery of ransoms and prosecution of those who have profited rather than by blocking payments, which would endanger seafarers’ lives and would be likely to result in driving the practice underground.

Citadel Rescue

The use of a citadel is about protection for the crew if a ship is boarded, and the citadel must, for a period of time, withstand the efforts of pirates to gain access. The time calculation is not exact and in broad terms means, until assistance arrives, in the form of a military response or, the pirates become frustrated and deterred and leave the vessel.

Current estimates of a response materialising, range from 3 to 5 days, dependent on position and the availability of assets to react. The decision to move into a citadel must be made with the knowledge (and confidence) that help will eventually arrive within the time estimated (and planned for) and that the citadel itself is able to remain viable during a period when pirates will try to gain access to it. Some arguments against the use of a citadel rest on the uncertainty that help will arrive or if the pirates gain access then violence against the crew may ensue, as happened in the example of the “MV Leopard”.

In the afternoon of January 12th 2011 “MV Leopard” was attacked by two pirate skiffs. As the pirates fired small calibre weapons, the crew retreated to a ‘citadel’. What happened next is still subject to debate, but it appears that perhaps not all the crew made it into the citadel, or that it was breached. In any event, the pirates had disabled the vessel with their furious attempts to access the crew, and so with six seafarers in captivity they departed the vessel and took them to their mothership. The seafarers were ultimately taken ashore, which was at the time a major departure from the pirates’ usually modus operandi.



In the case of the Leopard, a Japanese maritime patrol aircraft soon arrived at the scene and established communications with the crew. While a naval vessel, the Turkish warship, "TCG Gaziantep" was dispatched to assist.

When a crew withdraws into a citadel it is known that it can only be for a relatively short time – and that something has to "give". Ideally a military response is wanted, but that may not happen in time, or at all.

Speaking at the recent Security Association for the Maritime Industry (SAMI) conference on citadels, Lt Cdr Alex Mons of NATO stressed that it is important to remember that the use of a citadel, even where the criteria are applied, cannot guarantee a naval or military response.

Before owners, operators and Masters commit to a policy that recommends the use of a citadel, it is important to understand the criteria that military forces will apply before boarding the ship can be considered:

- 100 per cent of the crew must be secured in the citadel - this includes all security personnel. Anyone seen on deck will be presumed to be a "hostile".
- The crew of the ship must have self-contained, independent, two-way external communications. Sole reliance on VHF communications is insufficient
- The pirates must be denied access to propulsion

Even with these all in place, there can still be issues. Some flag States will not allow boardings, there may not be assets available and even the weather or sea state may preclude a boarding.

The following points should also be taken into consideration:

- All emergency citadel equipment should be fully and regularly tested for functionality
- The communications system should be capable and appropriate
- A full list of emergency contact numbers, including UKMTO, should be held inside the citadel
- An adequate stock of food, water and provisions for all the crew should be available in the citadel. Food can play a really important role, John Twiss of IMSA who led a crew into a citadel and held out against pirates, told of the moral boost which came from a simple meal of noodles. Moral is important, and keeping it high can be an issue
- Crew comfort is a vital consideration – so toilet and washing facilities, as well as some degree of furnishing is important. The stay inside a citadel can be a long one
- Medical supplies, including medication for the treatment of physical trauma should be made available
- Provision of lifesaving and fire-fighting apparatus within the citadel
- There should also be a means of controlling the vessel. BMP4 states that a vessel or crew should not "be controlled" – by retreating into a citadel, there remains that element of freedom

The success rate for citadels suggests the significant role they may continue to play in securing seafarers. Having a citadel into which you can safely retreat, from where you can control the vessel and communicate in relative comfort, has to be an incredibly important security tool of last resort, but there is much work to be done to make the citadel work, and there is also an element of good fortune required to ensure a rescue.

Weather with You

One of the most decisive factors in the struggle to contain Somali based piracy is not BMP4, nor is it the naval assets, or even armed guards. It is the weather.

When the winds pick up it naturally gets so much more difficult for pirates to operate their skiffs and the successful attacks drop as a result. The pirates have gone some way to limiting their weather reliance, as the increased use of motherships allowed them to operate further out into the Indian Ocean and negated the effects of the weather to an extent.

However if you are going to try to manoeuvre small boats, take shots from them and then move from them onto a larger vessel the wind and wave states are pivotal.

Writing in the Nautical Institute journal, Seaways, Huw Davies recently wrote of the effect of the Indian Monsoon on piracy, and of the ways in which these weather patterns have shaped the patterns of trade between China and Africa.

Now it is seen that the Monsoon seasons are closely linked to piracy in the Indian Ocean and mariners are advised to renew their understanding of this phenomena. Some conditions are naturally more conducive to pirate attacks than others, and in knowing the weather forecast we can develop a form of piracy forecast too.

According to Huw Davies, the monsoon can be thought of as a very large scale sea and land breeze. The winds persistently blow from the southwest during the summer period, and from the northeast during the winter.



The two distinct monsoon seasons have differing intensities from year to year, season to season and even on a daily basis.

The SW Monsoon normally sets in towards the end of May or early June. Once it takes hold "monsoon conditions" will persist throughout June, July and August. These conditions regularly see winds of 23-28 knots with gusts of 35 knots. This has an effect on wave height too, with 7-8 metre seas commonplace.

During the winter the winds shift as the air looks to get back to the land - replacing that which has risen through the high summer temperatures. This becomes the NE monsoon, and runs from December, January and February.

The NE monsoon is less dramatic than its summer counterpart. However, it too does affect the sea state and conditions. Winds regularly exceed 18knots and there are commonly wave heights of around 2 metres.

This often means that conditions are too rough for small boats, such as pirate skiffs.

So we see that pirate activity is shaped, to an extent, by the monsoon seasons. While it can never guarantee that pirates will not be operating on any given day, we can use this meteorological advantage to provide some degree of "strategic" assessment of risk.

Website Facelift

Seacurus is delighted to announce that it's website has received a facelift.

The new website can be viewed at - www.seacurus.com where you can find details of our insurance products for marine piracy and piracy loss of hire, war risks, credit, crew and bespoke solutions.

The website also contains a link to a library of all our monthly bulletins published over the previous months.



MARINE INSURANCE BROKERS



Shifting Berths

As you may well be aware, Seacurus has now moved offices, to the Gateshead Quayside.

The office move was completed pre-Christmas, and we have now been able to ensure our systems and IT are all fully fitted and operational. It is never straightforward to shift offices, but with the support of all the Seacurus team the move went incredibly well.

Our new location will make it much easier to meet with clients and colleagues, and we have an iconic view of the Newcastle skyline of which we are rightly proud.

Please note our new address:

Suite 3, Level 3, Baltic Place West, Baltic Place, South Shore Road, Gateshead, NE8 3BA.

The new offices are a real joy, and we even have room to grow the Seacurus team further. We welcome visitors to the offices and look forward to meeting you in our new surroundings.

