

Introduction

Piracy against shipping is probably as old as maritime navigation and trade.

Like international trade, Piracy has developed along with the expansion of commerce and transportation. Pirates are often born out of poverty, or develop to enhance criminal activities.

The recent seizure by pirates of the Saudi owned supertanker "Sirius Star" (319,430 tons [DWT]) and its reported US\$100 million cargo of crude oil has highlighted the huge impact a few armed individuals in small boats can inflict on international trade.

This commentary gives a brief overview of the current problem and likely coverage options for Hull and Cargo risks.

Live Piracy Map at our website – www.vmat.com.au > Links > Marine Links > Live Piracy Map

Disclaimer

This newsletter is for information purposes only and is not legal advice.

The increasing incidents and boldness of pirate attacks in the Gulf of Yemen and around the 'Horn of Africa' recently has seen increased alarm and an international effort to try to secure the busy waterways leading to/from the Suez Canal.

Nigeria and Indonesia continue to feature heavily on Piracy Reporting Centre statistics and highlight the broad geographic spread of the problem.

Generally speaking the term Piracy is given to incidents of armed attack and burglary against ships. Kidnap of the crew and ransom demands are common, and in some cases an attack will result in the complete loss of the vessel.

Hull Cover

The perils clause of the predominately used Institute hull clauses (1983) includes "Piracy". The intention is to embrace the likes of – violent acts of persons who board the vessel with an intention to steal. Cover would include damage to or loss of the vessel. The Marine Insurance Act 1909 (Cwlth) goes on to include within the legal definition of "Pirates" – *"passengers who mutiny and rioters who attack the ship from the shore"*.

Loss of Hire cover can be purchased to secure the earnings capability of the

vessel. Further investigation is recommended in order to gauge the effectiveness of this type of cover.

Cargo Cover

The 'All Risks' nature of the commonly used Institute Cargo Clauses (A)¹ will include loss, damage or robbery caused by pirates.

General Average² may be declared by the ship and contribution sought from cargo owners where sacrifice or expenditure is made on behalf of all parties to the adventure. Kidnap and ransom costs may appear as General Average where the ship has no specific cover for these losses.

Delay risks are not covered by Institute Cargo Clauses (A) and careful assessment of Insured requirements is recommended.

The London Market has recently introduced a **Cargo Piracy Notice of Cancellation Clause** which further highlights the concerns surrounding the escalation of these attacks.

Contact us if you would like additional information. ☎

The Team at Vero Marine and Aviation

¹There is no Piracy cover in the Institute Cargo Clauses (B) & (C).

²Insurance News - Sept 2006