

Piracy – Part One

A few years ago, the Disney Corporation experienced renewed interest and growth from its humorous and adventurous take on an old theme. Its series of movies based on its “Pirates of the Caribbean” Ride captured the imagination of millions. However, the laughs and romance provided by those films are in stark contrast to real life. Piracy is a growing problem on a global scale. Increasingly, rightful property owners are being deprived of both their property and the opportunity to profit from their work. The loss caused by modern piracy is growing in frequency and severity

Ocean marine coverage is concerned with protecting businesses involved in transporting persons and cargo over the world's oceans. The protection is divided into several major categories such as the risk of loss or destruction of vessels, loss or destruction of cargo and liability for injury to passengers and to property that belongs to those passengers and, especially to other parties (such as another object that an insured ship may strike). However, piracy is another source of age-old loss that has recently become more serious.

Piracy Defined

Essentially, maritime piracy refers to acts involving at least two vessels, a pirate and a victim vessel. Pirate acts are those which are violent, including detention, and that are perpetrated by private individuals, against other private parties. Therefore, acts involving military personnel or those which are fueled by political motives are not considered to be piracy. Since piracy involves at least two vessels, it is distinct from hi-jackings where onboard individuals unlawfully wrest control of a vessel from another party.

The scale of piracy can be quite broad, ranging from simple acts of passengers being robbed of cash and other valuables, up to an entire vessel being stolen and used for further criminal activity. While minor acts do not affect a vessel's crew or passengers, major acts may involve rightful vessel occupants being set adrift or, much worse, being killed in order to gain possession of the ship. Naturally, the amount of planning and criminal organization increases with the magnitude of the act. Major criminal operations that involve false documentation, use of partners, willing harbors and ship re-registration, may create losses in the hundreds of millions globally.

Piracy Hot Spots

Acts of piracy are much more prevalent in certain parts of the world where lack of enforcement and low incident reporting creates a favorable environment. In recent years, the choke point of the Suez Canal and the waters of Southeast Asia have been extremely problematic. Piracy is becoming more popular because of the relatively low risk of capture and the high rewards associated with successful operations. Personal luxury items (particularly watches and jewelry) and cargoes are, by their nature, fairly easily disposed of as markets are plentiful for such goods.

According to some statistics, cargo vessels, fishing vessels and tankers are the most popular targets. Further, the majority of pirate incidents are completed quite rapidly as, increasingly, pirates have favored working in small crews, using high-powered speedboats.

Please see part two regarding the financial impact and other considerations of this loss exposure.

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