

**Pozières
Consulting**

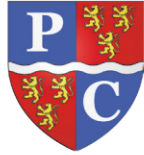
SITUATION REPORT



Somali Piracy

A photograph of a large cargo ship at sea, viewed from a distance. The ship is dark-colored with a white superstructure. The background shows a hazy, overcast sky and distant landmasses. The text 'Somali Piracy' is overlaid in a large, white, bold, sans-serif font across the middle of the image.

DECEMBER 2013

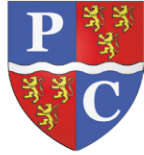


SITUATION REPORT – SOMALI PIRACY

Executive Summary

- Overall cost of Somali piracy is down around 50% from 2012 to US\$3.2 Billion;
- Attacks carried out by Somalia-based pirates continued multi-year decline; only 23 vessels were attacked compared with 75 in 2012, and 237 in 2011;
- The international community this year spent an estimated \$139.1 million to deter each attack that took place in 2013;
- The 54 hostages who still remain in captivity have been held for an average of nearly 3 years and in extremely poor conditions;
- Risks to smaller vessels in the Gulf of Aden remains high due to changing tactics;
- We do not foresee insurance requirements or policy costs reducing in 2014.





Context

Somali piracy is on the decrease. A collective response from the international community has seen a dramatic decrease in the number of attacks in 2013, a full 50% fewer than in 2012. The international community has spent an estimated \$139.1 million to deter each attack that took place in 2013. However, risks remain as Somali pirates and their financiers change tactics in response to the naval crackdown.

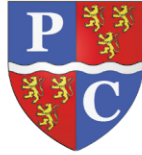
Generally, pirates in Somali are hired by well financed outside groups who provide provisions, equipment and intelligence to pirates in order to allow them to carry out their attacks. They also handle the negotiations for hostages and hijacked vessels. Recruiting a large network of informants and third party go-betweens for negotiations, these financiers are crucial to understanding Somali piracy and the sudden shift in tactics.

Recent strategic strikes by both EU naval forces and the Somali government on key staging beaches as well as effective offshore tactics being undertaken by both Naval and civilian vessels has severely diminished the returns on offer for financiers of piracy and left some themselves in dire financial straits.

To combat these measures, financiers have started to concentrate on smaller, on-shore targets which, while providing smaller returns, also have higher rates of success.

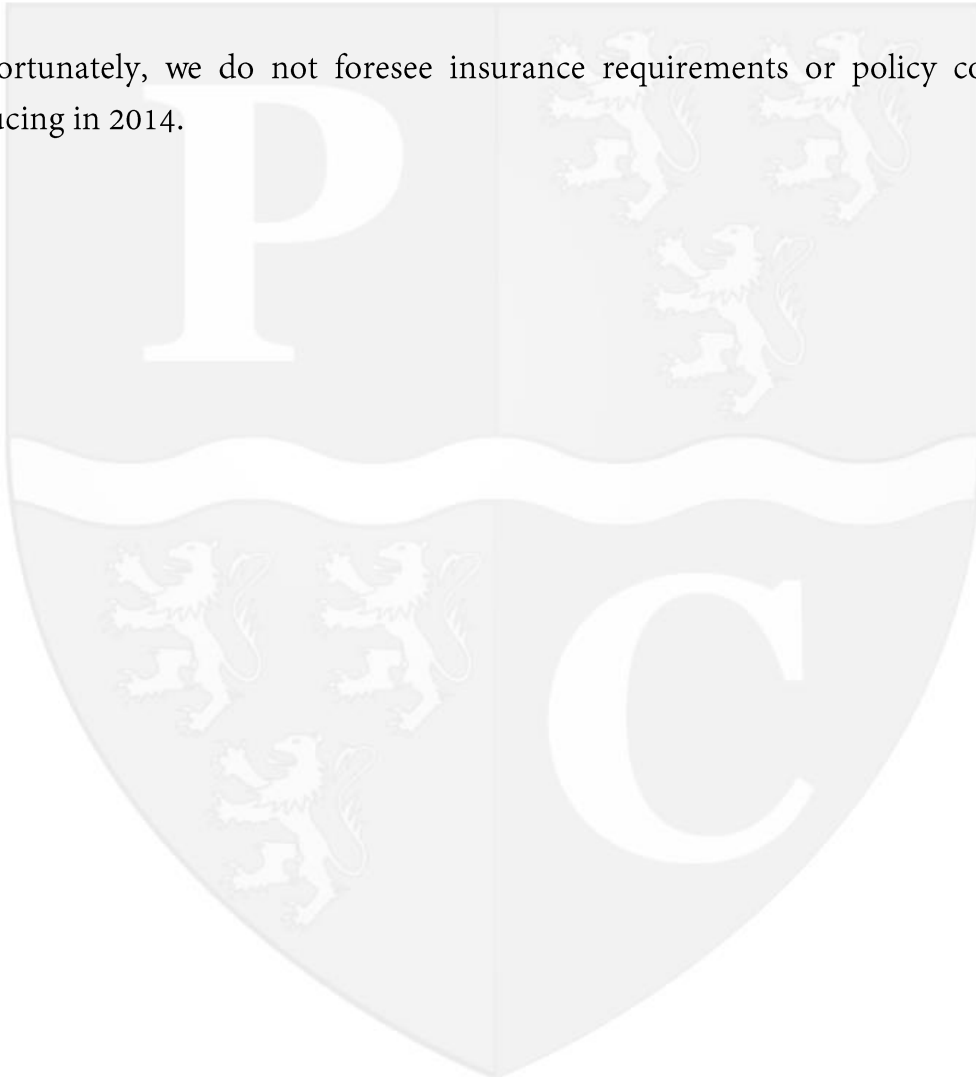
Moving into 2014

Organizations such as the International Chamber of Shipping have warned against complacency despite the recent drop in attacks. There is a risk that once piracy starts to become less of a political problem, countries will start to decrease their presence in the area and the cycle will continue again. We believe however that the greater risk is in present naval resources being diverted from the area to address growing piracy concerns in West Africa. Piracy in West Africa is on the rise and it is still unclear as to how resources will be allocated by the international community in dealing with this rise.

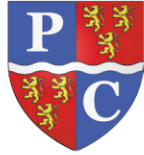


We recommend that clients with exposure to piracy risk maintain the international 'Best Management Practices' (BMP) and the increased deployment of private armed guards for all vessels operating in areas of high piracy for the foreseeable future. Clients with potential exposure to piracy risk in West Africa should adopt similar procedures as those undertaken in the Gulf of Aden.

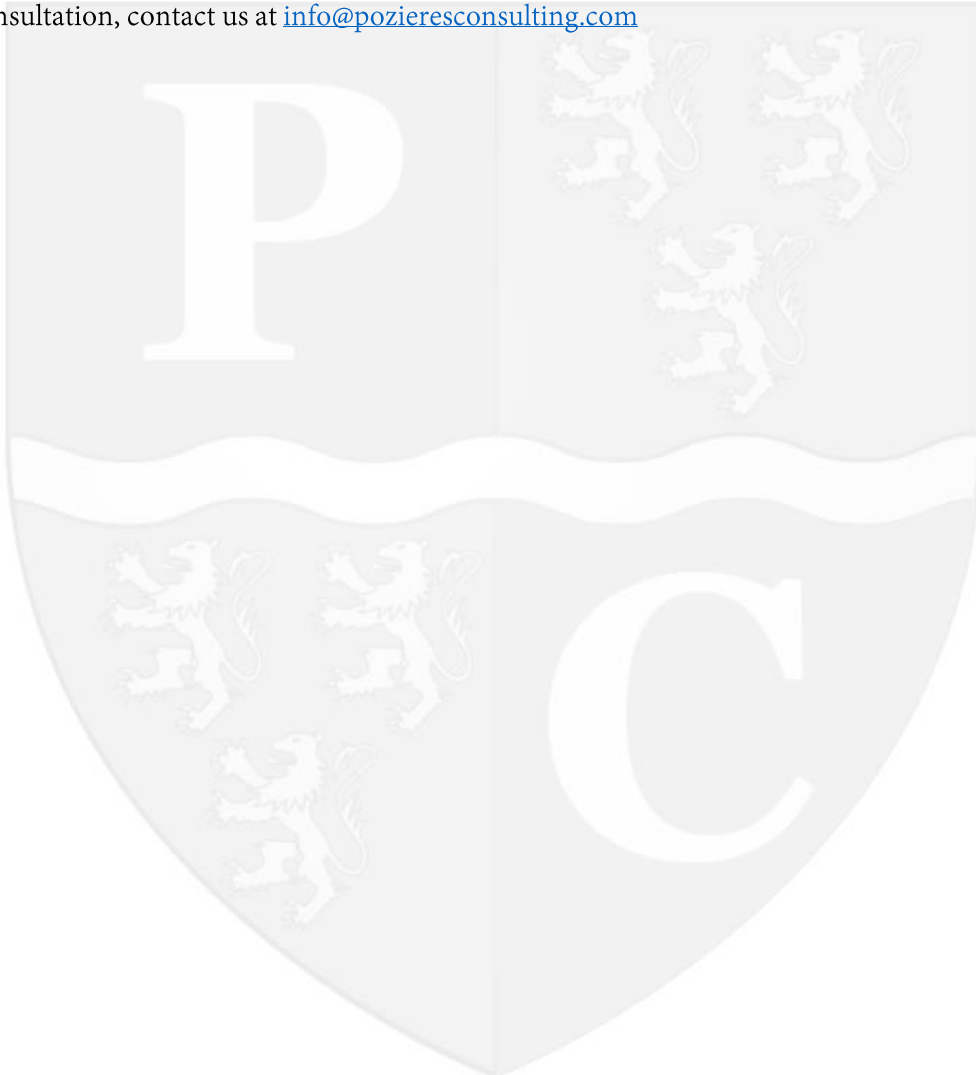
Unfortunately, we do not foresee insurance requirements or policy costs reducing in 2014.



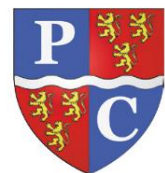
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Pozières Consulting Inc is a Political Risk Advisory firm, providing bespoke analysis and business intelligence through our worldwide network of analysts and sources. We work with clients to identify, analyse and contextualise strategic Political Risks and turn them into tangible, actionable business insights. We utilise a combination of in-depth thematic research, innovative analytic tools and tailored business intelligence gathering to provide a bespoke service to clients. For comprehensive Political Risk advice and a confidential consultation, contact us at info@pozieresconsulting.com



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Pozières Consulting Inc.

www.pozieresconsulting.com

info@pozieresconsulting.com