

Check those insurance policies



The savagery of the recent attack in at the In Aménas gas facility in Algeria has led to a closer scrutiny of in-country insurance cover, reports Nigel Bance.

I am constantly surprised that some companies don't have specific kidnap and ransom cover,' states an insurance underwriter in London that specialises in high-risk oil and gas provinces. His company has seen a surge of enquiries since the attack on Algeria's In Aménas gas facility in January, resulting in the deaths of hostages from Algeria, Colombia, France, Japan, Philippines, Romania, Norway and the UK and US. The plant managed by BP, Statoil and Sonatrach, which covers 10 sq km, was a high profile target given it accounts for a tenth of Algeria's gas exports.

The complexity of the attack by Al-Mulathameen, a splinter faction of Al-Qaeda in the Islamic Maghreb (AQIM), has given risk underwriters a major headache in writing new business in North Africa and the Maghreb region. Some 1,140 km south-east of Algiers, and 30 km from the Libyan border, the facility's very remoteness proved no deter-

rent for the well-armed Jihadists, who also looted Libya's arsenals during the uprising. Insider knowledge was a major contributor in the assault, which began with attackers in Sonatrach-liveried SUVs moving against two buses carrying workers to the facility's airport and then on to the living and recreational area in the compound where most of the hostages were taken. 'No amount of due diligence on staff can ever provide perfect security,' confirmed the underwriter.

In-country cover is available in the underwriting market – but it comes at a price. The Libyan uprising in 2011 had been a wake-up call to the industry to reappraise security arrangements, after many employees had been forced to use their own initiative in order to evacuate to the coast for rescue or to the borders. Those companies with evacuation cover as part of their policies fared better. Armed protection from the mainly British and US security companies were

secreted into the south to bring out staff and provide charter aircraft to small airfields on the coast after the Algerian government closed down all airspace into the main airports. The In Aménas attack has significantly ratcheted up the threat to the industry, with multinational hostages taken and the terrorists resorting to killing. Hampered by the almost total lack of communication from the Algerian authorities, BP and Statoil coped as best they could. A family centre was established by Statoil at Stavanger for returning staff and at BP, senior executives were in constant touch with families.

Risk awareness

The industry must not rely on government to provide both intelligence and strategic assistance when the need arises. Compass Risk Management, which deploys consultants with long-standing experience of hostage negotiation both on land and offshore, has prepared a summary briefing into the In Aménas terrorist operation, commenting on the UK government response. On the positive side, the Foreign and Commonwealth Office was quick in sending consular teams to support repatriation, it reported, but the government had only limited experience in the region, unlike France and Spain. 'This lack of experience was reflected in some of the statements from the government,' the company concluded.

Critically at risk is the downstream sector, where 'often, there is a complete lack of awareness of the risks', as noted by the underwriter when commenting on how the industry should react to the carnage in the desert. Premiums for all sectors across the region into Mali and surrounding areas are high, and cover comes with conditions. Aggregate company limits on ransom payouts is a feature for most policies, with \$1mn to \$5mn the norm. No member of staff should ever carry on their person any certification of insurance where kidnap is mentioned as, if they did, any such cover in a hostage negotiation would be immediately invalidated. Companies are also instructed by underwriters to keep knowledge of such company cover to a select few. All staff need key numbers to call in the event of crisis.

A recent addition to kidnap for ransom policies is cover for hostage extension, quickly gaining currency in certain oil and gas provinces. Local managers or foreign expatriates can find themselves taken hostage by disgruntled staff that have grievances over working conditions or lack of promotion. There have been incidences where expatriates have been held in their hotel rooms and forced to contact their head offices to

Iraq-style armed security has become the norm in much of North Africa and the Maghreb

afford release by a ransom payment. Deaths, thankfully, are very rare.

Political vacuum

The Arab Spring left a political vacuum that has been occupied by the Al-Qaeda-related groups and led to a game-change in kidnap and ransom negotiation. Piracy negotiation in recent years can be relatively straightforward by comparison, even if discussion does take an average of six to eight months, sometimes over a year, but usually the end result is the safe release of both crews and vessel. Crisis-response teams have access to databases of known Somali pirate negotiators and conduits and can beat down initial ransom demands. However, AQIM, Boko Haram, Ansar Dine and other Islamist groups that operate across great swathes of territory and cross-border, pose a far deadlier challenge, with execution of hostages a continual threat.

Armed intervention is often the only rescue option and the most difficult decision for any government to take given the potential loss of life. In March 2012, an Italian and a Briton died in a failed release in Sokoto, northern Nigeria, when British Special Forces accompanied by Nigerian military took on AQIM. The Ansar Dine, with its former stronghold in Timbuktu, and

AQIM had turned northern Mali into a hostage holding centre to house victims taken across North Africa. Beaten out of Mali by the French, the problem appears to be moving to the remote areas of northern Nigeria, leaving the administration of Goodluck Jonathan in a now countrywide grip of terror.

In recent weeks Nigeria has introduced a mandatory death sentence for kidnapping, but that has not assuaged the hostage taking. With the north and central areas in the grip of the Islamist groups, the situation in the Niger Delta has worsened, despite the Movement for the Emancipation of the Niger Delta (MEND) still observing the general amnesty on kidnapping. Followers of 'Comrade Azizi' Henry Okah, often described as the leader and founder of MEND, have threatened the oil industry with attacks following his conviction in South Africa for masterminding the Independence Day bombing in Abuja in October 2010. There are fears that Okah's splinter group could gather momentum if it links up with the former leader of the mostly inactive Niger Delta People's Volunteer Force (NDPVF), Asari Dokubo, who is angry that a \$9mn security contract awarded to him to provide guards for an NNPC pipeline was cancelled by the Nigerian President in January this year.

Lawlessness and violence is also rife offshore Nigeria and in the Gulf of Guinea, exacerbated in Nigeria by the redeployment of some Joint Task Force units to trouble spots in the north. There has been a spate of attacks this year, and the level of violence exacted on crews has risen. Vessels are ransacked and ligh-tering is commonplace. In one incident in January, the Nigerian oil tanker *MT Itri* was hijacked off the port of Abidjan, in the Ivory Coast, while waiting to berth. The attackers sailed it away from Ivorian territorial waters and the vessel was last detected off Ghana.

Well-armed hired security onboard vessels in the Red Sea, Gulf of Aden and Somalia areas has led to a rapid decline in attacks in 2012, falling to an aggregate 75 from 236 in the previous year. There is a reverse trend offshore Nigeria and the Gulf of Guinea – during 10 days in February this year, there were three hijackings in the Gulf of Guinea alone, with foreign crews ransomed. ●

Note: The summary brief by Compass Risk Management on the In Aménas attack is available for download from www.compass-rm.com For analysis on the terrorist groups targeting the oil and gas sector, Exclusive Analysis provides comprehensive coverage at www.exclusive-analysis.com