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## **PERSISTENT IMPOSITION OF WAR RISK PREMIUMS ON NIGERIAN-BOUND CARGO: CAUSES, IMPLICATIONS, AND WAY FORWARD FOR MARITIME TRADE STABILITY**

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### **Abstract**

The study examined why War Risk Insurance (WRI) remains imposed on Nigeria-bound vessels despite clear improvements at sea, and what that persistence means for prices, ports, investment and the Blue Economy. Motivated by the paradox that piracy and kidnappings fell sharply yet premiums stayed high, the paper set out to explain the causes and propose remedies. Using institutional theory as the guiding framework and a qualitative-analytical method that draws on secondary data from NIMASA, NPA, NBS, CBN, IMB, Lloyd's and UNCTAD, the study found that WRI functions less as a response to current sea risk and more as an outcome of entrenched institutional perceptions and market inertia. Empirically, roughly \$1.5 billion has been paid in recent years in WRI-related charges, these levies have contributed to rising landed costs and food price pressures, and they have hollowed out port competitiveness, driven cargo diversion and estimated revenue losses near ₦130 billion annually, and deterred FDI in ports, oil and gas, and fisheries. The study concluded that Nigeria's maritime sector remains constrained by outdated high-risk classifications that inflate costs, discourage investment, and weaken port competitiveness. As part of the way forward, the study recommended coordinated institutional, security, financial, and diplomatic reforms to restore investor confidence, achieve risk reclassification, and unlock the full potential of the Blue Economy.

### **Keywords:**

*War Risk Insurance (WRI), Premiums, Lloyd's Group, Protection and Indemnity (P&I) Insurance, Maritime Piracy, NIMASA.*

### **INTRODUCTION**

Maritime trade has always been challenged by the twin threats of piracy, armed robbery at sea, and other maritime crimes. Over time, what began often as opportunistic boarding of merchant vessels evolved into more organized networks of sea robbery, kidnapping of crew for ransom, and hijacking of vessels, especially around chokepoints or in weakly policed coastal zones (Tumbaraska, 2023). In many regions, the cost of doing maritime business rose sharply; insurers

demanded higher premiums, shipping firms rerouted voyages, and cargo owners had to absorb extra risk charges (Kayode, 2024). These have deleterious implications for international trade including escalating shipping cost, supply chains disruption, and commercially unviable routes, especially for developing economies heavily dependent on maritime transport (Adeleke, 2024).

From this landscape of risk emerged War Risk Insurance (WRI) as a special layer of protection for vessels, cargoes, and crews when operating in zones deemed dangerous. In essence, war risk insurance is meant to cover losses arising not from ordinary marine perils (storms, grounding, collision) but from political violence, hostilities, rebellion, acts of war, or piracy/terrorism (Bloomfield Law, 2025). Shipping companies, flag states, and nations began accepting and insisting on war risk surcharges where risk perception was high. The principle is simple; those willing to traverse riskier routes pay more (Onyenuchya, 2025). In many cases, the existence of war risk insurance regimes acted as a deterrent to maritime attackers, because higher insured costs meant greater accountability, more vigilance by shipowners, and stronger pressure on states to bolster security (Hellenic Shipping News, 2023).

In Nigeria and the Gulf region, maritime insecurity has roots in both geography and domestic politics of fiscal federalism and resource control (Ekeuwei & Akpan, 2022). The Niger Delta's long history of militancy, oil theft, and environmental degradation created conditions where criminal networks could exploit riverine and coastal zones for illegal bunkering and piracy (Agala; 2024; Ehiane, 2025). Over years, Nigeria became a focal point of maritime crime, not just internally but affecting neighboring littoral states and international shipping lines (Kayode, 2024). As piracy and armed robbery events surged, trade in Nigerian waters and across West African coastal routes faced delays, losses, elevated insurance costs, and cargo diversions. Nigeria's ports and traders bore the economic burden of both real losses and perceived risk (Kayode, 2024).

Given that environment, war risk insurance began to take hold in Nigeria-bound maritime traffic. Insurers applied surcharges to vessels deploying to Nigerian ports or transiting proximate waters; classifications of "high risk" zones were published; and premium computations accounted for additional hull risk and war liability (Onyenuchya, 2025). Over time, international underwriters, Protection & Indemnity (P&I) clubs, and shipping lines normalized the imposition of WRI on cargoes heading to or from Nigeria. According to stakeholders, Nigeria's war risk premium burden is staggering. Specifically, over the past three years importers reportedly paid about \$1.5 billion in war risk surcharges despite improved security trends (Agha, 2025). In operational terms, for example, a very large crude carrier (VLCC) may incur a war risk surcharge per voyage upwards of \$445,000, and new container vessels may see surcharges of \$525,000 per voyage (Egole, 2025a).

Yet, Nigeria's own achievements in maritime security over recent years complicate the picture. According to IMB reports and domestic sources, piracy and armed robbery in Nigerian waters have dropped sharply, with attacks falling from dozens per year to virtually zero in some recent years (NIMASA, 2022; Majidi, 2025). Nigeria's Deep Blue Project, the SPOMO Act, naval patrol increases, and regional cooperation have been credited with this turnaround (Raphael, 2025). Meanwhile, in the Gulf of Guinea region at large, incidents are reported to have declined by roughly 90 % compared to peaks in prior years (Marangio, 2025).

Paradoxically, even in this improving security environment, and despite the fact that Nigeria is not engaged in armed conflict, foreign organizations, international underwriters, P&I clubs, and shipping firms continue to insist on war risk premiums for Nigeria-bound cargo (Egole, 2025a; Onyenuchya, 2025). These charges persist even though Nigeria was delisted by IMB/IBF as a piracy-prone zone in March 2022 (Omonobi, 2023).

Therefore, this study sets out to investigate these motives, explore the disconnect between improved security and persistent WRI burdens, and assess their implications for trade in Nigeria.

## CONCEPTUAL FRAMEWORK

### War Risk Insurance

Before delving into the concept of war risk insurance, it is pertinent to first explore the meaning of the term insurance. The concept of insurance has been explained in different ways by scholars and institutions, yet all definitions revolve around the principle of risk transfer and compensation for loss. Agbada & Osuji (2020) describe insurance as a contractual agreement between the insurer and the insured, in which the latter pays premiums regularly in line with policy terms. This focus on the contractual basis projects insurance as a legally binding relationship rather than merely a service. Similarly, Olasehinde (2003) and Ajayi (2000) emphasize the idea of an insurer promising repayment or compensation to an insured party when financial loss occurs, thus highlighting the compensatory essence of insurance. These definitions, however, remain largely formal and contractual, presenting insurance as a static exchange of money for risk coverage without delving into its broader socio-economic role.

Other scholars provide more elaborate views by stressing the function of insurance in managing uncertainty and enabling stability. Imai (2020), and the International Association of Insurance Supervisors (IAIS, 2017), for instance, describe insurance as a contract that ensures indemnification for specified damages or liability in exchange for premiums. Their definitions broaden the scope by explicitly noting that insurance protects against future uncertainties, implying that insurance operates as a forward-looking mechanism in economic activity. Accordingly, Etale & Edoumiekumo (2021) extend this line of thought further by pointing out that insurance not only protects the insured but also reduces risk for third parties while serving as a tool of gross capital formation. Nwafor (2019) supports this view, emphasizing the systematic pooling of small, regular payments to protect against severe, unpredictable losses. Unlike earlier contractual definitions, these conceptualizations recognize insurance as a risk-sharing and developmental tool in society, thereby situating it as more than a legal contract but also as an economic stabilizer.

From these varying perspectives, a clear pattern emerges. While early definitions (Ajayi, 2000; Olasehinde, 2003) and contractual approaches (Agbada & Osuji, 2020) emphasize the bilateral agreement between insurer and insured, later and more recent interpretations (Etale & Edoumiekumo, 2021; Nwafor, 2019) stress the social, economic, and developmental dimensions of insurance as a collective risk-sharing and capital mobilization system. The gap, however, lies in the limited attention given by most definitions to the psychological and trust dimensions of

insurance, that is, the assurance it provides individuals and businesses to engage in risky ventures with confidence.

Thus, synthesizing these definitions, insurance may be agreed upon as a contractual and institutional mechanism through which risk is transferred from an individual or organization to an insurer, in exchange for premiums, with the promise of compensation for potential losses, while also functioning as a risk management and economic development tool by pooling resources, stabilizing uncertainty, and fostering productive investment.

From the foregoing, war risk insurance is a specialized form of cover that protects ships, cargoes, crews and shipowners against losses arising from political violence and other hostile acts that fall outside ordinary marine perils. More practically, war risk cover is a form of insurance that provides financial protection against losses resulting from events like invasions, insurrections, riots, coups and terrorism, and which, in the maritime field, specifically extends to losses arising from hijackings, kidnappings, sabotage and other acts of hostility that arise from conflict-type events rather than from navigational or weather risks.(Bloomfield Law, 2025). This connotes that war risk insurance is separate from other forms of insurance in that it responds to political or deliberate human aggression (including piracy/terrorism when covered by the policy) rather than accidental maritime hazards.

Legally and contractually, war risk insurance is shaped by two linked features including exclusions within standard marine and Protection & Indemnity (P&I) cover that treat war risks as excluded perils, and a market mechanism by which those exclusions may be bought back or covered by separate war risk policies or excess war programmes (NIMASA, n.d). Most P&I clubs and marine insurers explicitly exclude war risks from basic P&I and hull policies and then provide limited pooled or excess war risk programmes at the international level (Ferrari, P.L & Co., 2023). In practice this means owners and charterers must secure specific war risk hull and war risk liability covers when trading to or near designated high-risk zones; the scope of cover, territorial limits, and precise wording (e.g., whether piracy is included as war risk or treated separately) are therefore matters of policy wording and underwriting practice (Steamship Insurance Management Services, 2024). Accordingly, important market guidance and club circulars set out these boundaries and often cap war-risk liabilities in pooled facilities.

Operationally in the maritime sector, war risk insurance functions as an add-on layer above conventional hull & machinery and P&I covers. Underwriters, often through brokers and Lloyd's markets, assess the geopolitical and maritime security risk of a voyage or a port call and then set war-risk premiums accordingly (Lloyd's, n.d). Premiums and surcharges are determined by factors such as recent incident frequency, the value of the hull, the indemnity limits required for P&I liabilities, transit corridors used, and perceived state capacity to deter or respond to attacks (Lloyd's, n.d). Where a formal "war zone" or "high-risk area" is declared by the market or by leading clubs/brokers, shipping lines and cargo interests commonly pay per-voyage war hull and war P&I premiums, and in many commercial arrangements these costs are passed through to cargo owners as a war risk surcharge (Blue Water Shipping, 2025). The market has also shown that governments or public entities sometimes partner with insurers to preserve trade continuity in active conflict zones (Steamship Insurance Management Services, 2024).

Several international organizations and institutions are central to how war risk insurance operates and how risk is assessed in the Gulf of Guinea/Nigeria context. At the regulatory and guidance level, the International Maritime Organization (IMO) provides counter-piracy guidance and best practice for industry conduct in higher risk waters, which underpins operational risk assessments used by insurers and ship operators (IMO, n.d). The International Maritime Bureau (IMB) collects and publishes incident data (piracy and armed robbery reports) that materially influence market perceptions and underwriting decisions, even as insurers and brokers monitor IMB statistics closely when pricing or designating high-risk areas (International Chamber of Commerce, 2025).

On the market side, P&I clubs (via the International Group), Lloyd's underwriters, global brokers and major reinsurers set the contractual forms, exclusions and excess programmes that govern war risk cover; their circulars and rules effectively determine whether and how a particular voyage will face additional war-risk premiums (International Group of P&I Clubs, n.d). Finally, national maritime authorities, in Nigeria's case the Nigerian Maritime Administration and Safety Agency (NIMASA) and the Nigerian Navy's security initiatives, feed into this system both by producing local security intelligence and by engaging diplomatically with underwriters and trade bodies to contest or justify risk classifications (Anyanwu, 2025).

### **Theoretical Framework: Institutional Theory**

Institutional theory began with Max Weber's ideas about legitimacy and authority, which explained how organizations seek acceptance by aligning with societal norms. The theory was later expanded by scholars like Talcott Parsons, Philip Selznick, and Alvin Gouldner in the 1950s and 1960s, who showed that organizations do not act in isolation but are shaped by their environments (David et al., 2019). By the 1970s, it evolved into what became known as neo-institutionalism, emphasizing how taken-for-granted rules, beliefs, and habits shape how institutions behave.

Essentially, the theory assumes that organizations do not always act rationally or efficiently but respond to social expectations and external pressures. Their behaviour is guided by institutional rules, norms, and values rather than purely economic motives (Lammers & Garcia, 2017). In many cases, organizations adopt certain structures or practices not because they are the best technically, but because they bring legitimacy and public trust (Ray, 2019). These norms often become so internalized that people within the organization are no longer aware of how much they shape daily actions (Hoefler, 2022).

Still, the theory has been criticized for being too broad and sometimes vague. It tends to overstate the power of institutions while downplaying the ability of individuals or organizations to resist or innovate (Lammers & Garcia, 2017). It also blurs the line between culture and institutions, making it difficult to separate external pressures from internal choices (Eitrem et al., 2024).

In applying the theory to the study, the persistence of Nigeria's "high-risk" maritime classification can be understood as a reflection of institutional dynamics rather than actual security realities. The continued labeling of Nigerian waters as unsafe by global insurers such as Lloyd's and the Joint War Committee is less about empirical piracy incidents and more about

institutionalized norms and perceptions that have become taken-for-granted. These organizations operate within an established framework of risk evaluation that tends to reproduce old assumptions, even when conditions change. This aligns with the theory's view that actors respond to institutional expectations and legitimacy pressures rather than purely rational assessments.

For Nigerian maritime authorities, the challenge lies not only in improving physical security but also in confronting these institutionalized perceptions. Agencies like NIMASA and the Nigerian Navy have made strides in maritime surveillance and enforcement through the Deep Blue Project, yet the international system that governs risk classification has its own embedded rules and routines that resist quick change. As institutional theory suggests, legitimacy in such systems is socially constructed, meaning that Nigeria must engage in sustained diplomatic and regulatory reforms to reshape how it is perceived.

## **RESULTS**

### **Background of War Risk Insurance in Nigeria**

The emergence of war risk insurance in Nigeria is closely tied to a history of maritime insecurity, particularly piracy, armed robbery, and militant activity in the Niger Delta and along the Gulf of Guinea (Egole, 2025a). From the mid-2000s through the early 2020s, Nigeria's waters were regularly ranked among the most dangerous in the world, with vessels attacked for cargo, ransom, and political leverage (The New Humanitarian, 2004; Kayode, 2024). These persistent threats led global underwriting institutions, most prominently those based in London, to designate Nigerian waters as high-risk zones, requiring shipowners to purchase additional war risk cover when calling at Nigerian ports (Onyenucheya, 2025)

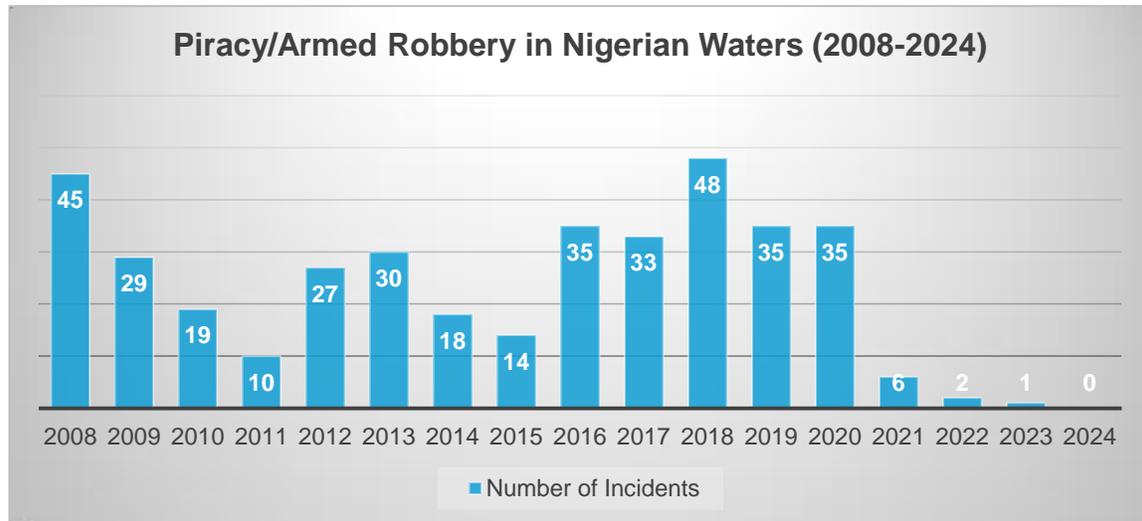
The operation of war risk insurance in this context has been both costly and enduring. According to the Nigeria Maritime Administration and Safety Agency (NIMASA) in Agha (2025), the country has paid more than \$1.5 billion in war risk insurance premiums to foreign insurers over just three years, reflecting the deep financial burden on shippers and traders. These premiums are not abstract figures but direct charges on each voyage. For instance, for a very large crude carrier valued at about \$130 million, the war risk surcharge amounts to roughly \$445,000 per voyage, while a new container vessel valued at \$150 million attracts about \$525,000. Beyond vessels, importers themselves shoulder significant costs, paying an average of \$40 to \$50 per 20-foot container in war risk surcharges, with disruption charges rising as high as \$450 per container (Onyenucheya, 2025). These premiums have accumulated into an estimated \$620 million paid by Nigeria-bound vessels between 2020 and 2023, indicating the scale of the economic outflow (Onyenucheya, 2024).

However, these charges persist despite a marked decline in piracy and armed robbery incidents in Nigerian waters. According to Majidi (2025), the International Maritime Bureau (IMB) records indicate that attacks peaked in the late 2010s, with 33 incidents reported in 2017, 48 in 2018, 35 in 2019, and 35 in 2020. By 2021, however, the figure dropped sharply to six, and since 2022 Nigeria has recorded near-zero incidents in its territorial waters, zero in 2022, two in 2023, and only one in 2024. Nigerian authorities credit these improvements to sustained naval patrols, regional cooperation, and initiatives such as the Deep Blue Project, which deployed air, sea, and

land assets against maritime crime (Raphael, 2025). As noted by Marangio (2025), the IMB itself has acknowledged that the Gulf of Guinea, though still prone to violent incidents, has become comparatively safer, with Nigeria no longer the epicenter of global piracy.

Figure 1 below shows the total number of piracy/armed robbery attacks in vessels on Nigeria Waters between 2008 and 2024.

**Figure 1: Piracy/Armed Robbery Attacks in Nigerian Waters (2008-2024)**



Source: Majidi (2025). <https://www.statista.com/statistics/250868/number-of-actual-and-attempted-piracy-attacks-in-nigeria/?srsltid=AfmBOoo6n3xclFK2CSOXxNqTC4TAJiFfpLbwN6T0vgog0-AS1Dek8rSN>.

The trend of piracy and armed robbery attacks on vessels in Nigerian waters between 2008 and 2024, as illustrated in Figure 1, presents a fluctuating but ultimately declining trajectory. The data show high levels of maritime insecurity in the late 2000s and early 2010s, with incidents peaking around 2008 and again in 2018, when attacks reached their highest point within the period under review. These fluctuations reflected the challenges of ineffective maritime governance, inadequate patrol capacity, and the growing sophistication of criminal syndicates operating within the Gulf of Guinea. Such instability inevitably heightened the perception of Nigeria as a high-risk maritime environment, thereby justifying the imposition of additional costs in the form of war risk premiums.

However, from 2020 onwards, there is a dramatic decline in reported attacks, with incidents falling sharply to single digits in 2021 and nearly disappearing by 2023 and 2024. This reduction corresponds with intensified regional and international security collaborations, such as the deployment of the Deep Blue Project by the Nigerian Maritime Administration and Safety Agency (NIMASA), joint naval patrols, and support from international actors including the International Maritime Bureau and the Gulf of Guinea Maritime Collaboration Forum. These interventions further indicate that piracy and armed robbery in Nigerian waters are no longer systemic threats but isolated and declining occurrences.

## **The Persistence of War Risk Premiums on Nigerian-bound Cargo: Causes and Contradictions**

Despite the marked improvement, foreign insurers and brokers have yet to adjust their assessments to the improved security landscape, continuing to impose surcharges as though Nigeria's waters remain among the most insecure globally. This comes even after the IMB removed Nigeria from its list of piracy-prone nations in March 2022 (Omonobi, 2023).

Three major factors have been identified as the reasons for the persistent war risk insurance imposed on Nigeria-bound vessels by foreign organizations and international institutions. These are grouped into three classes namely: the profit motive, the non-piracy factors, and the perception challenge. In other words, the profit motive is the economic/financial inertia, the non-piracy factors involve the operational and judicial risks, while the perception challenge covers the regulatory and jurisdictional lag.

### **Economic/Financial Inertia (Profit Motive)**

The first and most important reason foreign insurers continue to impose war risk insurance on Nigeria-bound goods is because of the enormous profits it generates. As earlier noted, Nigeria and other West African shippers have paid more than \$1.5 billion in war risk premiums over a recent three-year period (Onyenucheya, 2025). These payments are collected mainly by international insurers, brokers, and reinsurers, who rely on them as a steady source of income. Even when actual piracy incidents have declined, insurers have little incentive to remove these charges because they represent guaranteed earnings.

On a voyage level, the costs are significant. As previously stated, insuring a large crude oil tanker sailing to Nigeria can attract war risk charges of about \$445,000 per trip, while modern container ships face premiums of up to \$525,000 per voyage. In addition, per-container charges often add \$40–50 per TEU, and in some cases as much as \$450 per container (Onyenucheya, 2025). These figures show how quickly small charges accumulate across thousands of shipments, creating what Nigerian officials have described as a form of “economic exploitation.”

This situation is reinforced by the financial strength of the global insurance market. Lloyd's of London, for instance, reported gross written premiums of £52.1 billion and profits of £10.7 billion in 2023 (Lloyd's, 2024). Munich Re, another global reinsurer, recorded €59.1 billion in premiums and profits of €4.6 billion in the same year (Munich Re, 2024). With such profitability, insurers have little motivation to reduce or remove premium streams like those from Nigerian trade. Instead, these charges have become embedded in global underwriting practices and persist as long as they continue to yield profit. In a more empirical parlance, this pattern is reinforced when viewed against the broader profitability of global insurers when piracy/armed robbery in Nigeria and the Gulf of Guinea peaked between 2018 and 2020 (Majidi, 2025). For instance, Munich Re reported profits of €2.3 billion in 2018 and €2.7 billion in 2019 (Munich Re, 2020), while Swiss Re earned \$421 million in 2018 and \$727 million in 2019 (Swiss Re, 2020). Even the Lloyd's market, which reported a net loss in 2018 due to catastrophe claims, maintained gross written premiums of more than £35 billion and returned to profitability by 2019 (Lloyd's, 2020). These multibillion results are indications that marine war-risk surcharges, though a small portion of

global portfolios, were still a lucrative and recurring stream that contributed to the health of insurers' specialty desks. In particular, the brokers and syndicates handling Gulf of Guinea traffic gained disproportionately, since war-risk premiums are collected voyage by voyage and container by container, with little operational cost to insurers

The consequences go beyond the shipping industry. Higher war risk premiums increase the cost of imports into Nigeria. The IMF submits that a 1% rise in shipping costs increases import prices by about 0.35% within a year (Carrière-Swallow, 2022). For Nigeria, which is heavily import-dependent, this means war risk premiums make goods more expensive, worsen inflation, and increase demand for foreign exchange. In this way, war risk insurance functions as a hidden tax on Nigerian trade (Onyenucheya, 2025). It not only boosts the profits of foreign insurers but also threatens Nigeria's economic growth by raising import costs, worsening exchange rate instability, and limiting competitiveness.

### **Operational and Judicial Risks (Non-piracy Factors)**

Operational and judicial risks refer to the non-piracy challenges that vessels face when operating in Nigerian waters and ports. These include the risks of being delayed, detained, fined, or dragged into lengthy legal disputes because of issues such as drug smuggling, human trafficking, stowaways, illegal bunkering, and unclear regulatory processes. Insurers consider these risks just as seriously as piracy, because even without a single pirate attack, a vessel can still suffer significant financial losses from detention, court proceedings, or crew-related incidents (UNODC, 2019). In fact, these factors often explain why underwriters continue to impose high war risk premiums even though piracy has sharply declined in the Gulf of Guinea.

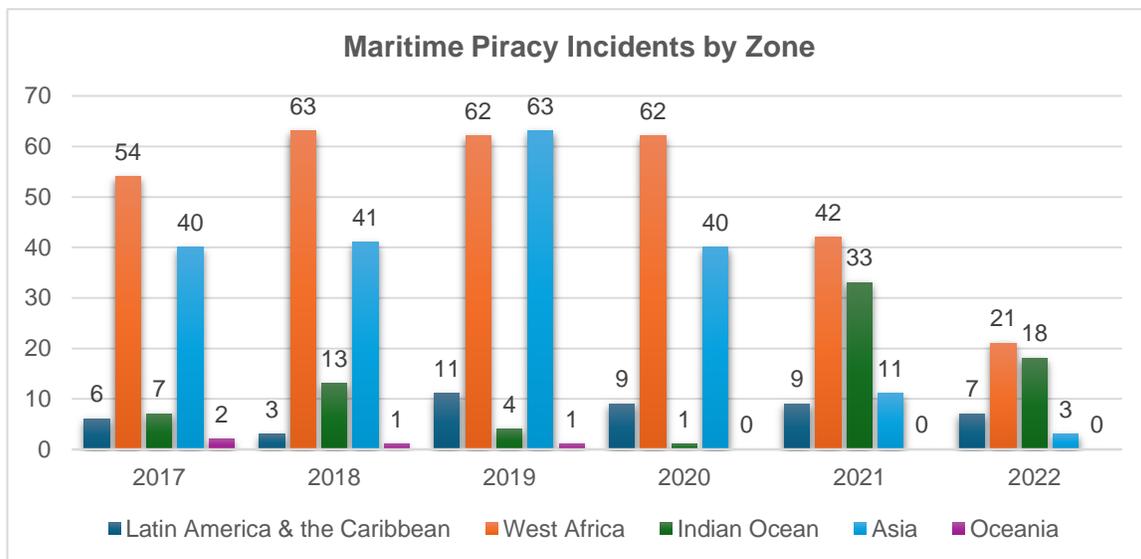
One major non-piracy risk is drug trafficking and stowaways. Nigerian ports have been repeatedly used for smuggling operations, and vessels caught in such incidents are often detained for long investigations. For example, Nigerian authorities seized more than 11,000 kilograms of cocaine in maritime-related operations between 2019 and 2023, including a single bust of 19.4 kilograms at Lagos in 2022 (Eboh, 2024). Each case not only attracts global attention but also leads to detentions of ships, prosecutions of crew, and penalties that can run into millions of dollars. Stowaways present similar problems; high-profile cases, such as the Nave Andromeda in 2020 and other incidents linked to Nigerian ports, have forced ships to divert, triggered military interventions, and saddled shipowners with fines, crew security expenses, and reputation damage (BBC Pidgin, 2020). For underwriters, the financial uncertainty of such incidents is built into premium calculations.

Another critical risk is the lack of legal clarity and the slow pace of Nigeria's judicial process. Ships arrested on suspicion of illegal bunkering, trafficking, or other regulatory breaches can remain detained for months or even years. The Nigerian Navy and related enforcement agencies disclosed that between 2015 and 2021, they arrested 333 vessels, many of which were locked in prolonged legal battles (Egole, 2025b). According to Edemumoh (2025a), these detentions cost shipowners and the Nigerian economy hundreds of billions of naira in lost time, fines, and disrupted trade. Because underwriters must factor in the potential downtime and unpredictable legal costs, they see Nigerian waters as inherently risky even in the absence of piracy.

Residual security concerns also persist, particularly crew kidnapping. While piracy incidents have dropped from 48 in 2018 to just 0 in 2024, the Gulf of Guinea remains infamous for hostage-taking (International Chamber of Commerce, 2025). Reports from the IMB in Security Council Report (2022) show that in 2020 alone, the region accounted for 95% of all crew kidnappings worldwide, with 130 seafarers abducted. Even as incidents have declined, the legacy of these events and the occasional flare-ups keep insurers cautious. As Kayode (2024) notes, a single kidnapping can cost a shipowner million in ransom payments, crew repatriation, and insurance claims.

Providing evidence to this is Figure 2 below, which shows the maritime piracy incidents by zone from 2017 to 2022

**Figure 2: Maritime Piracy Incidents by Zone (2017-2022)**



Source: Atlas Insurance (2023). <https://www.atlas-mag.net/en/category/tags/focus/maritime-piracy-report>.

Figure 2 captures the enduring notoriety of the Gulf of Guinea, which falls under the West African zone. Over this six-year period, West Africa consistently recorded the highest number of incidents compared to other regions, peaking at 63 cases in 2018 and maintaining a troublingly high level of 62 incidents in both 2019 and 2020. Although incidents declined to 42 in 2021 and further to 21 in 2022, the zone remained disproportionately burdened compared to Latin America, Asia, Oceania, and even the Indian Ocean, which only saw a significant spike in 2021.

As a matter of fact, what distinguishes the Gulf of Guinea, however, is not merely the number of reported attacks but their severity. These figures further show that while piracy numbers may have fallen after 2021, the risk of hostage-taking created a lasting perception of insecurity that insurers and shipping companies could not ignore, hence, the persistent imposition of war risk insurance on Nigeria-bound vessels, and in extension, others within the West Africa region.

### **The Regulatory and Jurisdictional Lag (The Perception Challenge)**

Regulatory and jurisdictional lag means that improvements in on-the-ground security and the introduction of new maritime laws or surveillance systems do not automatically alter how international insurers, P&I clubs, and commercial markets perceive and price risk. In essence, a “delisting” or official reduction in reported piracy incidents does not immediately translate into the removal of commercial war-risk loadings (Al-Feky, 2018). This occurs because the global insurance market operates through deeply institutionalized processes, conservative risk frameworks, and long observational timelines before reclassifying an area once labelled as “high-risk.” (Blue Water Shipping, 2025, Lloyd’s, n.d). These delays are rooted not only in financial caution but also in bureaucratic inertia and regional interdependence (Blue Water Shipping, 2025).

To begin with, delisting by global reporting bodies does not automatically trigger premium removal in the insurance market. The Joint War Committee (JWC), Lloyd’s Market Association (LMA), and leading P&I clubs each operate their own independent underwriting systems, rulebooks, and risk matrices that guide how territories are classified and priced. These institutions maintain war-risk and high-risk area lists that are only updated after exhaustive reviews of regional threat intelligence, shipping advisories, and aggregated claims data (Filhet-Allard Maritime, 2025). For instance, while the IMB and the International Bargaining Forum (IBF) delisted Nigerian waters from the list of piracy-prone zones in 2022 following a dramatic drop in attacks, the JWC retained the Gulf of Guinea on its list of “Listed Areas” due to what it described as “residual risks of armed robbery and regional instability” (Omonobi, 2023; Safety4Sea, 2025). This regulatory dissonance reveals that insurers respond more to institutional assessments within their underwriting network than to external announcements. In practice, this means commercial war-risk surcharges often remain in place long after the number of reported incidents has declined significantly.

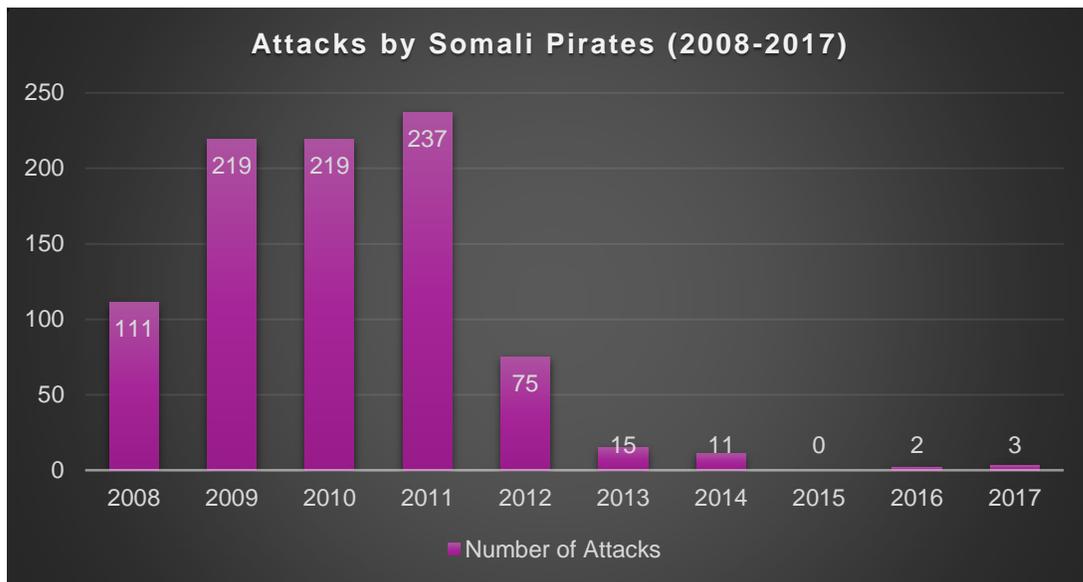
Furthermore, persistent enforcement gaps and uneven compliance with international Best Management Practices (BMP) reinforce market caution. Nigeria has made remarkable investments in maritime security infrastructure, most notably through the Deep Blue Project, which was launched in 2021 and equipped with 17 interceptor boats, 2 special mission vessels, and 3 helicopters to strengthen surveillance and interdiction capacity (NIMASA, 2022). However, despite some achievements such as the arrest of 333 vessels involved in illegal activities between 2015 and 2021 as earlier emphasized (Egole, 2025b), international insurers and P&I clubs have continued to express reservations about the judicial and administrative follow-through of these enforcement actions. Where vessel arrests are not followed by swift prosecutions, transparent convictions, or consistent legal outcomes, the perception of legal uncertainty persists. Such procedural opacity, especially concerning asset seizures, evidence handling, and prolonged vessel detentions, creates the impression of systemic inefficiency, which translates to continued operational risk premiums (Steamship Insurance Management Services, 2024).

Going forward, the global insurance market’s caution is compounded by its preference for sustained performance records rather than short-term improvements. While Nigeria’s record of 1 and 0 piracy incidents in 2023 and 2024, respectively, is impressive, insurers typically require

three to five consecutive years of stable, verifiable security data before recalibrating risk classifications. This pattern was evident in the Indian Ocean case. Even after Somali piracy subsided drastically post-2017, it took until January 2023 for the Joint War Committee to officially remove the Indian Ocean from its list of high-risk zones (IMO, 2023). The Gulf of Guinea remains burdened by its reputation as the world’s kidnapping hotspot, a stigma that continues to influence premium pricing even when attacks have virtually disappeared.

Figure 3 shows the number of Somali Pirates attacks from 2008 to 2017

**Figure 3: Attacks by Somali Pirates (2008-2017)**



Source: Ali (2017). <https://www.reuters.com/article/world/us-watching-piracy-increase-off-somalia-sees-ties-to-famine-idUSKBN17POBT/>.

Figure 3 illustrates the rise, peak, and eventual collapse of piracy activity off the Somali coast over a decade. In 2008, there were 111 recorded attacks, a figure that more than doubled by 2009 to 219 attacks, and remained high through 2010 and 2011, when piracy reached its peak with 237 incidents. These years marked the height of Somali piracy, when hijackings and hostage-taking disrupted global shipping routes through the Gulf of Aden and the western Indian Ocean, forcing ships to divert routes and driving up insurance premiums worldwide.

From 2012 onwards, however, piracy incidents declined dramatically, dropping from 75 attacks in 2012 to just 15 in 2013, and then 11 in 2014, before reaching zero by 2015. Only isolated and largely unsuccessful attempts were recorded in 2016 and 2017 (with 2 and 3 incidents respectively). Post-2017, there have been no recorded Somali pirate attacks in the region, a clear indication that the combined international naval patrols, private armed guards, and enhanced Best Management Practices (BMP) had effectively neutralized the threat.

However, as earlier noted, despite this achievement, the commercial and insurance perception of risk did not immediately follow reality. It took until January 2023, nearly six years after the last recorded attacks, for the Joint War Committee (JWC) of Lloyd’s to officially remove the Indian

Ocean from its list of high-risk zones, signaling the regulatory and institutional inertia in global insurance markets, where delisting and premium adjustments depend not only on declining incidents but also on a prolonged track record of stability.

Lastly, the jurisdictional complexity of the Gulf of Guinea further sustains this perception lag. Insurers and underwriters treat the entire region as an interconnected risk corridor rather than a set of isolated national waters (Marangio, 2025). Because merchant ships calling at Nigerian ports also transit through neighbouring jurisdictions like Benin, Togo, and Cameroon, where enforcement standards vary and incidents occasionally persist, insurers perceive Nigeria's security gains as only part of a broader, unstable equation. This regional risk pooling explains why, despite Nigeria's delisting by the IMB, war risk premiums on Nigeria-bound cargoes remain high.

### **The Persistence of War Risk Premiums on Nigerian-bound Cargo: Implications on Trade**

The continued imposition of war risk insurance (WRI) on Nigeria-bound vessels, despite the sharp decline in piracy, poses serious economic challenges. It operates as a hidden non-tariff barrier, increasing the cost of trade, discouraging investment, and weakening Nigeria's maritime competitiveness. In effect, WRI surcharges distort trade flows, inflate the cost of goods, and erode confidence in the country's blue economy potential, which are discussed separately below.

### **Fueling Domestic Inflation and Cost of Goods**

War risk insurance (WRI) continues to act as a hidden but powerful inflation driver in Nigeria's economy. These insurance surcharges, imposed on vessels bound for Nigerian ports, are passed directly into the cost of imported goods. According to the National Bureau of Statistics (NBS), headline inflation reached 29.9% in January 2024, with food inflation hitting 39.5% by the end of that year (NBS, 2024). The price of essential commodities, such as imported rice, rose sharply, with a 50kg bag of imported rice climbing from about ₦49,103 in September 2023 to around ₦120,193 in December 2024, marking an increase of over 140% (Tunji, 2024).

Nowhere was this inflationary linkage clearer than during 2018 and 2019, when Nigeria recorded one of the highest levels of maritime piracy in its history. In those years, Nigeria's inflation rate remained persistently high, averaging 12.1% in 2018 and 11.4% in 2019 (Statista, 2025). Imported goods and raw materials experienced steep price increases, largely due to higher maritime freight and insurance costs imposed as risk premiums. For instance, the import price of refined petroleum and machinery parts rose by double digits during this period, as insurers expanded their surcharges following the spike in Gulf of Guinea attacks (Egole, 2025c). Evidence from the same period makes this clearer. Data from the NBS show that imported rice, one of Nigeria's most common staples, was already quite expensive in 2019. The average retail price for one kilogram of imported high-quality rice was about ₦361.90 in March 2019, which means a 50-kilogram bag cost around ₦18,095, providing a clear picture of how prices of sea-borne goods behaved when piracy and war risk charges were high (NBS, 2019).

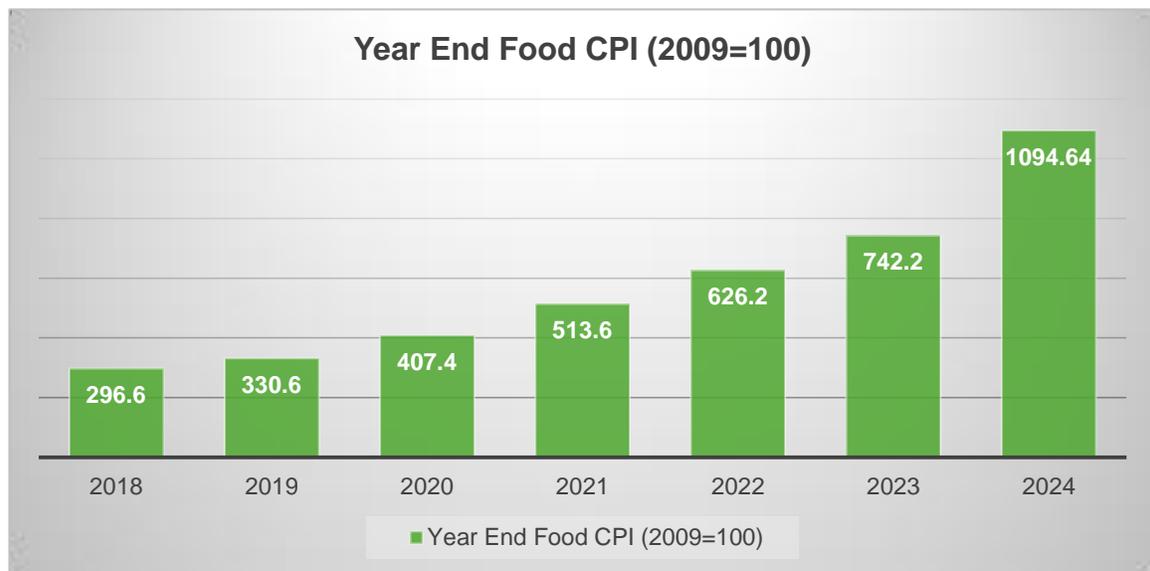
Furthermore, these war-risk surcharges also deepen Nigeria's foreign exchange crisis. Because premiums are paid in dollars, they increase demand for foreign exchange and exert additional

pressure on the naira. This vicious cycle amplifies inflation, as importers raise prices to offset both higher insurance payments and currency depreciation (Sikiru & Salisu, 2025). By 2024, the exchange rate had fallen to nearly ₦1,535 per U.S. dollar (CBN, n.d), further worsening the cost of imported goods and weakening the purchasing power of the average Nigerian household.

The macroeconomic impact is also a severe consideration. With import-dependent industries like manufacturing and agriculture bearing higher input costs, domestic production becomes more expensive. The pass-through effect is evident in the continuous rise in Nigeria’s composite consumer price index and the persistent inflationary trend in food and manufactured goods.

Figure 4 below shows the monthly Consumer Price Index (CPI) of Food in Nigeria, 2018–2024

**Figure 4: Monthly CPI of Food in Nigeria, 2018–2024 (Base Year: 2009= 100)**



Source: Compiled from NBS Data (2018-2024)

Figure 4 shows a steady and accelerating rise in Nigeria’s food Consumer Price Index (CPI) from 2018 to 2024. Food prices climbed from 296.6 in 2018 to 330.6 in 2019, reflecting early impacts of elevated shipping and war-risk insurance costs linked to the 2018–2019 piracy peak. The upward trend intensifies in subsequent years, reaching 1,094.64 by 2024, indicating compounded inflationary pressures from ongoing exchange-rate depreciation, rising import costs, and broader macroeconomic stress. In short, the CPI trajectory visually reinforces the link between maritime risks, import costs, and sustained domestic food inflation.

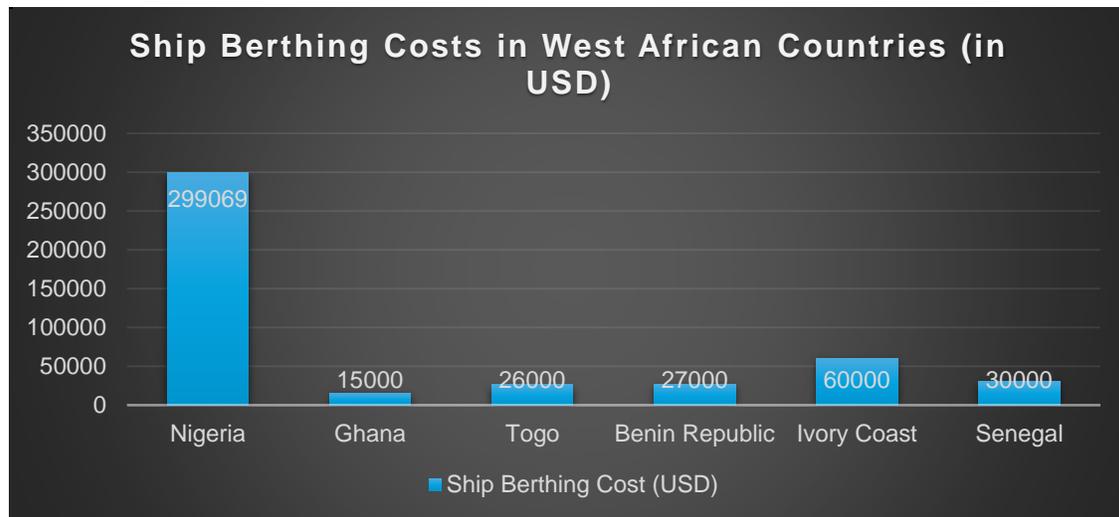
### **Eroding Port Competitiveness and Driving Capital Flight**

Perhaps the most damaging long-term effect of the war risk insurance imposition is its erosion of Nigeria’s port competitiveness within the West African region and its direct contribution to capital flight. The elevated surcharges, which add substantial amounts to shipping costs, have made Nigerian ports some of the most expensive in Africa. Reports show that berthing charges for vessels in Nigerian ports can range between \$200,000 to \$300,000 following recent tariff adjustments. In comparison, the same operation costs about \$15,000 at Tema Port in Ghana,

\$26,000 at Lomé in Togo, and \$27,000 at Cotonou in Benin (Adesanya, 2025). This obvious disparity, where Nigerian ports are between seven and ten times more expensive than their regional counterparts, has created a strong financial incentive for shippers to divert cargo to neighbouring ports, where they are later transhipped into Nigeria by road.

Figure 5 presents the ship berthing costs in some West African countries

**Figure 5: Ship Berthing Costs in West African Countries (in USD)**



Source: Compiled from industry data and port tariff reports of the Nigerian Ports Authority (NPA), Ghana Ports and Harbours Authority (GPHA), Port Autonome de Cotonou, and Port Autonome de Lomé; and Shipping Agencies, Clearing and Forwarding Employers Association (SACFEA).

Figure 5 clearly reflects Nigeria’s growing loss of competitiveness in the regional maritime market. While neighbouring ports such as Ghana, Togo, Benin Republic, and Senegal maintain average berthing costs between \$15,000 and \$30,000, Nigeria’s figure stands at an alarming \$299,069, almost ten times higher, with significant economic consequences for Nigeria’s trade logistics and its position as a potential maritime hub in West Africa.

The consequence of this diversion extends beyond operational inconvenience. It represents a direct loss of customs revenue, port fees, and employment opportunities. According to Sea Empowerment Research Centre in Hamoui (2025), Nigeria loses roughly ₦130 billion annually to cargo diversion as traders and shipping companies prefer neighbouring ports with lower risk profiles and fewer cost burdens. The development has also allowed ports like Lomé to experience rapid growth, handling about 25.5 million tonnes of cargo between 2019 and 2020 (Kingsley, 2025), much of which is Nigerian-bound cargo, reflecting how Nigeria’s ports have steadily lost their dominance, even though the country represents the largest consumer market in the region.

Table 1 below shows the Container Port Performance Index (CPPI) rankings of West African Ports, 2020–2023

**Table 1: CPPI Ranking of Major West African Ports (2020-2023)**

Port	2020 Ranking	2021 Ranking	2022 Ranking	2023 Ranking
<b>Dakar</b>	120	303	196	381
<b>Conakry</b>	250	242	189	208
<b>Freetown</b>	216	268	226	252
<b>Takoradi</b>	235	281	245	273
<b>Onne</b>	291	342	302	308
<b>Lagos</b>	342	358	260	309
<b>San Pedro</b>	293	318	296	318
<b>Lomé</b>	332	349	318	319
<b>Monrovia</b>	—	—	271	340
<b>Abidjan</b>	217	360	333	342
<b>Nouakchott</b>	292	356	331	355
<b>Tin Can Island</b>	344	339	308	364
<b>Tema</b>	312	354	205	380
<b>Cotonou</b>	233	348	330	401

Source: Maritime Review Africa (2024).

<https://maritimereview.co.za/Articles/ArtMID/397/ArticleID/334/African-ports-continue-to-show-a-decline-in-container-handling-efficiencies>.

Table 1 presents a disturbing trend for Nigeria’s maritime economy. The figures indicate that Nigerian ports, particularly Lagos, Tin Can Island, and Onne, consistently rank among the lowest-performing ports in the region, while ports in neighbouring West African countries such as Ghana (Tema and Takoradi), Côte d’Ivoire (Abidjan and San Pedro), and Togo (Lomé) either maintained stability or improved slightly over the same period. For example, Lagos Port slipped from 342 in 2020 to 309 in 2023, while Tin Can Island Port declined further from 344 to 364, remaining near the bottom of the continental rankings. Similarly, Onne Port, which serves as a major oil and gas logistics hub, improved only marginally, from 291 in 2020 to 308 in 2023, reflecting continued operational inefficiency. In contrast, Tema Port in Ghana, which underwent modernization and expansion between 2019 and 2021, performed markedly better, ranking 205 in 2022 before dropping in 2023 due to global logistics disruptions. This shows how Nigeria’s ports have struggled to compete effectively within West Africa’s growing maritime corridor.

This diversion of cargo traffic and the accompanying financial outflows together constitute a significant form of capital flight. Payments made to foreign insurers and the redirection of cargo to external ports mean that revenues that should have circulated within Nigeria’s economy are instead transferred abroad. These losses are compounded by declining foreign vessel calls and reduced foreign direct investment in Nigeria’s maritime infrastructure, as investors perceive the environment as costlier and riskier compared to its regional competitors. Going forward, Nigeria’s structural inefficiencies, such as congestion, multiple agency charges, and slow cargo clearance, amplify the disadvantage created by war risk premiums. Importers often find it faster

and cheaper to discharge cargo in neighbouring countries and transport them by road into Nigeria rather than face higher costs and longer dwell times at Lagos or Onne (Kingsley, 2025).

### **Hindrance to Blue Economy Development and Foreign Direct Investment (FDI)**

In a sector like blue economy where the government has strategically prioritized as a cornerstone for economic diversification and sustainable growth, the perception of insecurity is not merely symbolic; it directly translates into higher operational expenditures, reduced returns, and diminished competitiveness.

Indeed, the deterrent effect is most visible in capital-intensive industries such as deep seaport development and oil and gas exploration, where risk and cost calculations are central to investment decisions. For any foreign consortium evaluating a project in Nigeria's maritime domain, the WRI surcharge is not an optional consideration but a compulsory cost component built into the financial model (Bloomfield Law, 2025). As earlier noted, a Very Large Crude Carrier (VLCC) operating within Nigerian waters still attracts an average insurance surcharge of about US\$445,000 per voyage, while container vessels may pay up to US\$525,000, depending on tonnage and route (Egole, 2025a). When multiplied across dozens of voyages annually, these figures represent millions of dollars in avoidable overheads that yield no tangible benefit to investors or the economy. In 2019, it was reported by the Major Waves Energy Report (2020) that during the peak years of piracy, the oil and gas sector was already expending several million dollars annually on such risk premiums, costs that have persisted even as piracy incidents have drastically declined.

What this means is that even as security has improved, perception lags behind reality, and perception is what drives capital flows. In the calculus of international investors, a risk-tagged environment not only inflates the cost of doing business but also shortens the investment horizon, as investors demand quicker paybacks to hedge against volatility. As previously emphasized, many multinational firms now prefer to route shipping or offshore logistics through alternative West African ports such as Tema in Ghana or Abidjan in Côte d'Ivoire, where the insurance costs are lower and operational predictability higher. This diversion of maritime activity effectively translates into capital flight, depriving Nigeria of the long-term, patient investment needed to transform its marine infrastructure and realize the full potential of its blue economy.

The effect is even more pronounced in infrastructure development, where the financial implications of perceived insecurity multiply exponentially over multi-decade concession periods. Deep-sea port projects, which are essential to modern trade competitiveness, require heavy upfront investment and long gestation periods. The NPA Managing Director, Dr. Abubakar Dantsoho, no deep seaport project can be undertaken for less than \$2 billion, with the Lekki Deep Seaport alone costing about \$1.3 billion in combined public and private financing (Edemumoh, 2025b). However, while the Lekki project reached completion, others such as the Badagry, Olokola, and Ibom Deep Seaports remain stalled, with the Badagry project alone requiring around \$3.7 billion (Edemumoh, 2025b). Accordingly, investor apathy, largely fueled by high operating costs, diverted cargoes, and poor risk-adjusted returns, remains a key reason for the delays. When compounded by the WRI premium, which adds a mandatory surcharge to every imported piece of

equipment, construction material, or eventual cargo throughput, profitability projections shrink, and financiers become wary of long-term exposure in Nigerian waters.

The same pattern extends to other maritime sub-sectors integral to the blue economy, such as fisheries, aquaculture, and marine logistics. The “high-risk” perception inflates not only vessel insurance but also cargo and personnel coverage, driving up premiums across the board. For local operators, this translates into higher freight charges and increased security levies, which compress profit margins and deter reinvestment in vessel upgrades or cold-chain expansion (UNCTAD, 2021). For exporters, particularly in seafood and perishable goods, the inflated logistics costs erode competitiveness in global markets, discouraging participation and deterring potential foreign partnerships (Aziz et al., 2025). Over time, this has resulted in a slow-moving sector where innovation is stifled by cost, and growth remains trapped beneath the weight of institutionalized risk perception.

### **The Persistence of War Risk Premiums on Nigerian-bound Cargo: The Way Forward**

Having explored the causes for the persistent imposition of war risk insurance on Nigeria-bound vessels despite reduction in piracy and maritime terrorism on the country’s waters, it is pertinent to develop policy mechanisms for ameliorating the situation, while also securing safe navigation for vessels and ensuring full exploration and utilization of the benefits thereof. Therefore, this section is explored under institutional, security, financial/market, and diplomatic policy reforms.

#### **Institutional Reforms**

To begin with, there is a pressing need for inter-agency integration and data harmonization. As shown, a major reason global insurers still classify Nigeria as “high risk” despite the decline in piracy incidents is the lack of consistent, transparent, and verifiable data from a single credible maritime authority. NIMASA, the Navy, and the Ministry of Marine and Blue Economy must establish a unified Maritime Security Coordination Centre that collates, validates, and publishes real-time data on incidents, vessel movements, and cargo throughput. For example, the International Maritime Bureau (IMB) reported that piracy incidents in the Gulf of Guinea has dropped significantly between 2020 and 2023, yet this progress is not uniformly communicated through official channels (Security Council Report, 2022). Institutionalizing transparent data dissemination would not only bolster Nigeria’s credibility before international bodies such as Lloyd’s Joint War Committee (JWC), but also ensure that investors receive a consistent message about the country’s maritime stability.

Equally critical is regulatory streamlining within the port environment. Investors are discouraged not merely by physical insecurity but by institutional inefficiency, manifested in excessive charges, overlapping levies, and administrative bottlenecks. The World Bank’s 2023 Logistics Performance Index ranks Nigeria 88<sup>th</sup> out of 139 countries, with port efficiency and customs performance identified as major weaknesses (World Bank, n.d). The Nigerian Ports Authority and the Shippers’ Council should therefore implement a single-window clearance system that integrates all port-related documentation under one electronic platform. The success of similar reforms in Ghana, where port dwell times were reduced from an average of 24 days to 15 days

after automation, shows that streamlining institutional procedures directly enhances competitiveness and investor confidence (Anagor-Ewuzie, 2019).

Institutional credibility must also extend to judicial and legal reforms. A major contributor to Nigeria's negative maritime perception is the arbitrary detention of vessels and prolonged legal proceedings in port jurisdictions. These delays translate into millions of dollars in demurrage and reinforce the perception of Nigeria as an unpredictable operating environment. Establishing a specialized Admiralty Division within the Federal High Court, manned by judges trained in maritime law, would allow for faster adjudication of maritime disputes, ensuring vessels are released promptly after investigation, thereby eliminating one of the key institutional excuses used by foreign underwriters to maintain high premiums.

Furthermore, institutional accountability and performance monitoring should be elevated to national priority. The Ministry of Marine and Blue Economy must transition from a symbolic coordinating body into a performance-driven institution with measurable key performance indicators (KPIs). Annual performance audits of port agencies, customs, and maritime security institutions should be made public, similar to the transparency model adopted in Singapore's Maritime and Port Authority (MPA) (MPA Singapore, 2024). When institutions are evaluated not only on revenue generation but also on efficiency, safety compliance, and investor satisfaction, the entire system becomes self-correcting.

Lastly, Nigeria must embed institutional diplomacy into its governance framework. Maritime credibility is as much about perception as it is about performance. Through the institutional backing of NIMASA and the Ministry of Foreign Affairs, Nigeria should engage regularly with the International Maritime Organization (IMO), the United Nations Conference on Trade and Development (UNCTAD), and the JWC to present verified evidence of safety improvements and policy reforms. This proactive diplomacy would demonstrate not only Nigeria's commitment to global standards but also its willingness to be held accountable to them.

### **Security Reforms**

Sustaining maritime security remains the most visible and persuasive way to convince global insurers that Nigerian waters are no longer a high-risk zone. Although piracy incidents in the Gulf of Guinea have dropped drastically, the gains are fragile without a continuous, well-coordinated security framework that ensures deterrence and trust.

The Nigerian Navy, working with NIMASA under the Deep Blue Project, has already made commendable progress by deploying over 17 interceptors, two special mission aircraft, and four drones for maritime surveillance (NIMASA, 2022). Notwithstanding, the challenge lies in sustaining operations, maintaining equipment, and coordinating intelligence across neighbouring states. In contrast, the Seychelles and Mauritius, two African nations that successfully rebranded their maritime spaces as "low-risk", did so by institutionalizing joint patrols, integrating naval data with commercial shipping networks, and ensuring real-time response systems (The Commonwealth, 2012). Nigeria must replicate this model by expanding joint security patrols with Benin, Togo, and Cameroon through the Yaoundé Code of Conduct (2013) to secure transboundary waters and eliminate soft entry points for criminals.

Equally important is the establishment of a centralized Maritime Security Command Centre that links the Deep Blue Project, Falcon Eye surveillance, and regional information systems. Data integration would enhance early threat detection, allowing faster response times to suspicious activities. Countries like Singapore have shown how a unified maritime command structure can sustain incident-free traffic despite being one of the world's busiest shipping hubs (Archipelagic & Island States Forum, n.d). Thus, Nigeria can adapt this success model by institutionalizing 24-hour surveillance across its coastal corridors, from Lagos to Calabar.

Following this is sustained personnel training and operational funding, which are also crucial. Many security assets deployed under Deep Blue have faced downtime due to maintenance and budgetary shortfalls (NIMASA, 2022). The government should earmark a fixed percentage of port revenues to fund maritime security logistics, ensuring uninterrupted patrols and equipment upgrades, transparency in spending will further encourage international confidence.

### **Financial/Market Reforms**

Reducing the financial burden created by WRI requires deliberate reforms that strengthen domestic insurance capacity, enhance port competitiveness, and improve overall market confidence. One immediate step is to develop a national maritime insurance pool under the supervision of the National Insurance Commission (NAICOM) and the Central Bank of Nigeria (CBN). This kind of collective domestic underwriting is not new. South Africa's SASRIA model, for example, allows the government and local insurers to co-manage high-risk coverage while retaining profits within the domestic market (AON, 2021). Nigeria can key into similar structure specifically for maritime risks, ensuring that part of the WRI premiums are absorbed by local firms. This would not only build confidence in Nigerian insurers but also retain foreign exchange that is currently leaving the system.

On the port side, it is important that Nigeria focuses on restoring competitiveness by cutting excessive operational charges and improving efficiency. As already noted, port handling and clearance costs in Nigeria are up to seven times higher than those in nearby ports like Lomé and Cotonou (Adesanya, 2025). This pricing gap continues to push shipping lines to divert cargo to neighbouring ports, causing major revenue losses. Better could be achieved by simplifying port charges, automating documentation, and removing redundant levies.

Financial incentives would also help stimulate confidence, if offered on a comprehensively monitored platform. Offering tax rebates, temporary tariff reductions, or risk-sharing guarantees for shipping and logistics firms could strongly encourage greater use of Nigerian ports. For instance, Ghana used a similar approach in 2018 by introducing port fee reductions and risk guarantees, which led to a significant increase in vessel calls at Tema Port (Neequaye, 2018). A similar reform in Nigeria would not only boost cargo throughput but also signal to global insurers that the business environment is stable and competitive.

### **Diplomatic Reforms**

Diplomatic action is the pressure valve that turns domestic fixes into international recognition, and without it, the world's markets will keep treating Nigeria as risky even when the seas are

safer. To change that reality, Nigeria must not only release statistics; it must build formal, repeated engagements with the institutions that actually influence insurance pricing and shipping behaviour. This would mean taking verified incident data and operational metrics to the Joint War Committee and Lloyd's market advisers, and working with the IMO to secure public technical endorsement of Nigeria's sustained security gains. Regular, jointly verified submissions, backed by independent third-party audits, create the documentary trail underwriters need to reassess Listed Areas rather than relying on older, worst-case snapshots.

At the same time, diplomacy must be regional and relentless. As previously mentioned, the Yaoundé Code of Conduct (2013) exists precisely to make Gulf of Guinea responses collective rather than national; by deepening cooperation with neighbouring littoral states and presenting joint patrol statistics, prosecution records and coordinated response times, Nigeria can shift the narrative from isolated gains to regional normalization. Regional evidence is persuasive because insurers price corridors, not islands; when multiple states show synchronized capability and transparent legal outcomes, the commercial case for corridor loadings weakens. Nigeria should therefore push for periodic, published joint assessments under the Yaoundé framework and invite Lloyd's advisors to witness exercises and data feeds in real time.

Third, Nigeria should couple its diplomatic outreach with carefully staged demonstrations of operational credibility. Small states such as the Seychelles show how targeted, visible actions, such as rapid arrests, transparent prosecutions, and open reporting, can change international perceptions far faster than quiet improvements (Africa Center for Strategic Studies, 2018). Hosting international verification missions, arranging observer embeds on patrols, and opening incident archives to independent verification will give market players the confidence they demand. The aim is to replace anecdotes of past kidnappings with a permanent record of deterrence and resolution that underwriters cannot reasonably ignore.

Finally, Nigeria must engage insurers and brokers directly as partners rather than adversaries. Structured dialogues with Lloyd's market representatives, P&I clubs and major brokers, framed as fact-finding rather than lobbying, would be helpful in clarifying the precise evidence thresholds those bodies use to maintain or lift Listed Area designations. Where appropriate, Nigeria can, as a matter of fact, offer staged risk-sharing arrangements, guarantees or pilot local reinsurance initiatives that reduce immediate market exposure while underwriters monitor longer-term trends.

## **CONCLUSION & RECOMMENDATIONS**

Nigeria's maritime environment remains caught between progress and perception. While the Gulf of Guinea has seen a steep decline in piracy, dropping from one of the world's most dangerous regions to one of the least active in maritime crime, the international market continues to treat Nigerian waters as unsafe. This outdated classification, perpetuated by foreign insurers and reinforced by limited domestic reforms, has kept WRI premiums in place long after the real threat receded. The implications are economic and structural in that higher freight costs have raised import prices, inflated the cost of goods, and quietly drained billions in capital flight as insurance payments flow abroad.

What emerges from this analysis is a paradox where security success has not translated into economic relief. Despite enhanced naval surveillance, the Deep Blue Project, and expanded regional coordination, the label of “high risk” lingers, deterring investment in sectors critical to Nigeria’s blue economy aspirations, from offshore energy to deep-sea port development and sustainable fishing. The result is a cycle where perception, not reality, drives cost, sabotaging competitiveness at a time when neighbouring West African ports are quietly gaining ground.

Rebuilding credibility will require a different kind of effort, one that fuses diplomacy with data, reform with reliability. Nigeria’s institutions must speak with one voice, consistently presenting verifiable maritime data to international risk committees while addressing residual non-piracy issues like stowaways, port inefficiencies, and slow judicial processes that insurers still cite as justification for the surcharge. Successes from regions like Southeast Asia, where coordinated state action and insurance localization helped declassify once volatile sea lanes, show that perception can be changed through sustained engagement and institutional discipline.

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