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# Seafarer employment scammers should be named and shamed

Bogus employment agencies undermine attractiveness of pursuing careers at sea, and the offenders should be publicly identified for the good of all

Comment



Cyber crime is a threat everyone now faces in their personal lives. From identity theft to bank fraud, we are all vulnerable as more of our lives move online. Companies are just as exposed, with the threat of financial fraud and corporate espionage growing day-by-day.

Marsh, the leading insurance broker, has launched a new policy for owners to help fill the gap left by exclusions of cyber crime common in many hull and other shipping policies, as TradeWinds reported last week.

Now, in another part of the market, attention is being focused on stopping exploitation of seafarers by the worsening problem of bogus employment agencies, often hiding behind fictitious virtual identities.

Compounding the distress and loss to individuals who sign up with the fraudsters is the lack of international collaboration to expose those criminals when they are caught.

The issue is expected to be raised at the International Transport Workers' Federation (ITF) congress in Sofia, Bulgaria, starting this weekend (see *ITF leadership*, page 33). The agenda-setting meeting, which convenes only once every four years, was set to discuss a motion from Anglo-Dutch officers' union Nautilus International.

Nautilus believes unions and industry could work together when they become aware of potential criminal scams, and alert both Interpol and local authorities for them to pursue enforcement action.

The union hopes this "naming and shaming" will not only hit the fraudsters. It will also educate seafarers and potential seafarers to the risks of signing



► **ON THE JOB:** Calling out fraudsters would also educate seafarers to the dangers online.

Photo: BLOOMBERG

up and paying fees to unknown companies online.

In the past year, we have reported that the names of a number of reputable owners, including AM Nomikos and Carnival, have been used to lure in gullible seafarers. In the absence of more concrete action, the industry and labour should work together to help eradicate the worst of this crime. Without that, the reputation of shipping as a worthwhile career will come under threat.

Does anyone remember the expectation that the second half of 2014 was set to be the start of a steady and prolonged upturn — especially in the dry bulk market?

But a slack second quarter, has been followed by freight rate declines through most of July. Earlier this week, the benchmark Baltic Dry Index sat slumped at little more than 750 points, with the Baltic Cape In-

dex (2014) no more lively at 1,163. As a result, second-hand prices and newbuilding prices are under downward pressure.

These figures do not lie. High coal and iron ore inventories in China have restricted import activity, and Atlantic grain shipments have been slower than expected. Blame lies in many places: slower-than-expected economic growth, fears of political flash-points, and a steady flow of newbuildings hitting the water.

Judging by period charter rates, there are some savvy players who continue to remain convinced the last quarter will provide a strong increase in business. We have no reason to doubt their confidence.

But as the summer sun starts to fade in Europe, the US and north Asia in the next six weeks, the market will have to look elsewhere for sources to heat it up. ■

{ GUEST  
OPINION }

Insurance



## Ensuring fair leadership in hull insurance market

Jonathan Jones (*right*), managing director of JLJ Maritime, writes an open letter to the chairman of the International Union of Marine Insurance's Ocean Hull Committee proposing a leaders' code be considered at next month's Hong Kong conference



Recently, I obtained a legal opinion under English law, regarding the "follow the leader" clause, which also reflected on the "duty of care", owed by leading underwriters to following underwriters. Subject to the wording of the follow clause, followers are bound to follow the settlements of the leader. Though, if the leader agreed a settlement, which was not strictly within the terms of the contract, or who might not have acted with due diligence in agreeing the settlement, they might be held liable by the followers for recompense. This advice has prompted this letter.

In the interest of "Utmost Good Faith" and in today's world of "transparency", I would welcome your committee's thoughts as to the observations below:

**1** Regarding duty of care and non-disclosure, is the position under German, Italian and Norwegian law similar to English law? For example, German brokers are not required to make full disclosure to underwriters.

**2** What is the position regarding duty of care with underwriters (for example, Italian and Nordic) who receive claims handling fees from followers? These fees can be substantial and may make a difference in the profitability for a leader?

**3** What is the position regarding the duty of care for Nordic underwriters, who underwrite both Hull and protection-and-indemnity (P&I)? Who have

re-introduced 4/4ths RDC (Running Down Clause) and FFO (Fixed & Floating Objects) to the hull policy; with no increased premium and deductibles at the low level of the P&I Policy? Including RDC & FFO in the hull policy appears highly beneficial. The exposure for P&I is greatly reduced but provides another element to charge following underwriters significant claims handling fees in costly claims.

**4** Leading insurers who charge claims handling fees, which are often in addition to enhanced premium levels, seem to be in a "win-win" situation.

How do leaders handle conflicts of interest where the leader has a share of the hull policy but 100% for P&I. Maybe P&I underwriters should be asked to fully contribute in general average?

**5** Hull leaders who accept modest shares but take disproportionate greater shares on loss of hire, charterers interests, increased value, war and, potentially of greater conflict, also lead mortgagees interest; should this also be disclosed to the followers?

**6** What is the position if leaders reinsure a significant proportion of their share without followers knowing; should this be disclosed?

**7** If leaders enjoy a higher level of deductibles, so they have minimum or no exposure to a claim but charge claim handling fees; should this not be disclosed?

Following underwriters often agree to follow the leader because they respect the leaders' judgment,

knowledge, professionalism and reputation for integrity. Prudent followers often inform managers they only follow respected reputable leaders. To understand the motivation why leaders decide to lead accounts is important to followers. In the interest of disclosure and transparency, the premium the leader receives should be disclosed to enable followers to gauge and understand the full reasoning of the leader. This is not anti-competitive, simply it allows followers to be in full possession of the facts. The followers' terms may be higher than the leader, the same or, indeed, lower than the leader. As an analogy, on a high street you can see various prices offered by each shop for their products or view on the Internet various insurance premiums.

To help gauge the risk reward ratio, followers need to understand what is motivating the leader. Leaders may need protection from possible failure of duty of care actions.

No longer does London underwrite 80% of the world's business where all was transparent but now fleets are being underwritten by underwriters from around the world, with followers' understanding of how a leader benefits varying greatly.

May I suggest, the Ocean Hull Committee draws up an International Hull Leaders Code of Conduct, which all leaders would agree to sign — or not as the case may be — with followers able to take comfort from those leaders who sign and make their own minds about those who do not. ■