A Letter from London

Maritime Fraud a Big Problem

Despite a reduction in the number of incidents in 1980, maritime fraud is still a big problem, Mr. Alfred Perry, assistant general manager of The Salvage Association, London, said recently. And it will continue to be a problem while world shipping is in recession. According to Mr. Perry, the magnitude of the situation first became apparent in 1977, increased during 1978 and reached a climax in 1979. But although there was, suprisingly, a big reduction in 1980, the year saw the biggest fraud of all with the Salem case.

Speaking at a National Institute seminar on maritime commercial malpractices in Cardiff, Mr. Perry said that the great problem facing any attempt at law enforcement was that of jurisdiction. A crime can be committed in one country against victims in another by criminals in yet another, usually involving a ship registered in a fourth country owned by a company in a fifth. Police forces were helpless in such a situation.

Only recently, he said, his association was watching with trepidation the progress of a vessel whose operators were notorious. "It is incredible how these people keep reappearing and operating without any attempt to hide their identities," he said. On a voyage from Europe to the Arabian Gulf the vessel was delayed for a suspiciously long time in the Mediterranean. Then, information was received that she was to be scuttled; but he did not yet know the end of the story.

Giving some examples of recent frauds, he referred to one firm in Brussels that suddenly folded in 1978 while operating ships from European ports to Nigeria. The Belgian police were seeking the principal in connection with sugar sold to Nigeria. He named three of the ships involved and said the story about each of them would make excellent fiction. . . 'planes making searches up and down the African coast. . . a moonlight flit from Abidjan with bland announcements that sufficient bunkers had been taken on for South America or the Far East. . . and so on. On at least one of these ships, two different frauds were being perpetrated at the same time.

Mr. Perry said that the principal of the Brussels firm had been sentenced to imprisonment in Greece in 1979, according to press reports, but, nevertheless, seemed to be travelling freely around Europe. Certainly he had appeared in London, presenting business cards in the names of two shipping lines and claiming association with an established firm of charterers at the same address in Piraeus.

Already one firm of chartering brokers had been out of pocket and a firm of charterers' agents had found itself with a large quantity of cargo on its hands for which it had booked space and paid over the freight, but no ship had turned up. In fact, on-board bills of lading had been issued but the vessel named was virtually under arrest with a legal restraint on her bunkers as a result of dispute over their ownership. Meanwhile, the cargo was incurring storage charges which someone would have to pay.

Another chartered vessel from the same so-called shipping line had a general cargo for Lagos and other West African ports and, although freight was prepaid, the shipowners had not received their charter hire. "They are, therefore, placed in a position where the cargo is the only security available to them, but to attempt to impose a lien on cargo in certain West African jurisdictions could lead to unfortunate repercussions."

The recently-formed International Maritime Bureau was acting for some of the cargo, Mr. Perry added. He said that there were other vessels at present encountering similar difficulties under charter arrangements with the same firms and it did illustrate how a person could apparently continue to operate in shipping circles despite a history of bankruptcies, liquidations and criminal convictions. There were several of these people about.

Lost Opportunities

The British insurance market's failure to grasp the chance of developing future valuable business links with the emerging nations through education and training has been condemned by Mr. David Rowland, deputy chairman of Stewart Wrightson, the international insurance broking group.

Mr. Rowland told an insurance conference in London that leading market figures should learn an important lesson from the establishment by their Swiss counterparts of an international training school in Zurich "and the well-known effect it has had in many Third World countries."

The Swiss, he said, had been quick to realise that successful, formal training methods for their own local staff "could be applied as a valuable marketing aid when seeking to establish their relationships in countries of less sophistication."

He continued: "Yet here in London we sit with a pool of knowledge, skill and experience which is eagerly sought by every country in the world — and what have we done about it?"

In the 1950s and 1960s insurance companies and brokers occasionally accepted trainees from overseas, Mr. Rowland said. As demand rose, specific courses tailored to the needs of such students were evolved by Lloyd's and by the Chartered Insurance Institute (the C.I.I.) and its college.

The C.I.I. college had now moved to Sevenoaks, Kent, and Lloyd's had expanded its training facilities. Some of the larger brokers and insurers offered specific courses for their connections, clients and potential clients.

But, Mr. Rowland asked the conference delegates: "Did any of you go to Surbiton? (the previous location of the C.I.I. college). Have any of you visited Sevenoaks? Have you looked at the physical circumstances of the Lloyd's training courses?

"People don't want to come from Nigeria and Kuwait to work in Sevenoaks. They want to go back home having experienced that unique situation — the London insurance market."

Mr. Rowland said he had no wish to decry the "admirable efforts" of those concerned with the C.I.I. College and

Lloyd's courses. But anyone who visited the Zurich school would notice the important difference in outlook. "Sometimes I despair at our inability to seize opportunity," Mr. Rowland declared. "Our efforts are worthy but they do lack vision."

It might be "almost too late", but there was still a possible chance of making good the defect, he thought, if the whole British insurance market "invested in a well-equipped, attractive, international college of insurance, physically situated to the centre of the market."

Later, Mr. Rowland said that the need to see that the greatest possible share of each pound of premium rapidly reached the risk-bearer depended on a grasp of modern technology which few leaders of the industry had yet displayed. He added: "I suggest that the interests of every London market policyholder would be infinitely better served if we devoted a little more of our energy to grappling with these problems today and, most vital of all, seeing that we educate, train and employ people who can grapple with these problems in the future.

"Insurance in London is not an ancient craft industry, it is a modern business based on high technology. I would dearly like to illustrate this by exposing the appalling lack of systems co-operation which underlies the outward unity shown by the market. But another paper, another place."

Mr. Rowland was the final speaker at a two-day conference on the theme "Changing World Insurance Markets — London at Risk?" organised by City Financial Conference Services Ltd.

Overseas Students in the UK

A report issued by the C.I.I. shows that 639 overseas students received training in insurance offices in the UK during the period January 1, 1980 to December 31, 1980 compared with 628 in 1979. Seventy-three nationalities were represented, the USA heading the list with 45 students, followed by Germany (35), Japan (32) and Malaysia (28).

The average period of training was about three months; 66 students undergoing training also attended courses at the College of Insurance. #

A.M.P. Society: Record Bonuses

A record five dollar increase per $1,000 sum insured and existing bonuses in A.M.P. Society bonus rates affecting more than two million Australian policies has brought the Society's bonus levels to the highest this century.

The actual level of increase is also the highest this century and means that A.M.P. Australian bonus rates have increased by $13 over the past four years.

The higher bonus rates will apply to policies in all three classes of business — ordinary, superannuation and collector. Rates have been increased by $5 per $1,000 of sum insured and existing bonuses. In addition, a special bonus will be added to collector policies of approximately one quarter of the normal bonus.

By way of example, the bonus rate on a $50,000 whole of life ordinary policy has been increased by 16.1 per cent to $36 per $1,000 of sum insured and existing bonuses. The rate for an endowment insurance policy maturing at age 65 is $37.50 — an increase of 15.3 per cent.

Higher bonus rates are available on superannuation policies because the Society's investment income in respect of this class of business is not subject to income tax. The rate, for example, on a $50,000 superannuation whole of life policy is $45.50 per $1,000 as compared with $36 per $1,000 on the corresponding ordinary policy.

In addition, the rates of terminal bonus, pioneered in Australia by A.M.P. eleven years ago and doubled last year, have been further increased by one quarter. The terminal bonus is a distribution of capital appreciation in the Society's investments to participating policies — five years or more in force — which become claims by death or maturity.

How a Policy Benefits

The effect on policy benefits of the higher bonus rate is illustrated by comparing the maturity value of an endowment insurance policy, assuming that the rate just announced or the previous rate applied over the policy term.

If the policy was taken out at age 25 next birthday for a 40 year term and with an annual premium of $470 providing an immediate death cover of $20,000, the benefit payable after 40 years would be $87,206 on the new rate or $71,884 on the previous rate. These amounts would be increased by the addition of the terminal bonus.

Tax Paid Additions

Bonuses are tax-paid additions to life insurance policies. The real value of policy benefits is highlighted when compared with the earned return on other forms of investment. The return on the above policy illustration is equal to a taxable investment yielding 9.5 per cent for those on a tax rate of 32 cents, 12 per cent for those on a tax rate of 46 cents, and 16.2 per cent for those on a tax rate of 60 cents in the dollar. These rates would be substantially increased if they applied to the same investment in a self-employed or personal superannuation fund. Both investments would be increased by the addition of terminal bonus.

Other forms of investment do not provide life insurance protection as well as the investment return.

Discussing the bonus rates, A.M.P. general manager, Mr. A. W. Coates, said, "Successive years of markedly increased bonuses are a clear indication of the growth potential of the Society's investment portfolios.

"For many years the Society has stated its belief that membership, as a policyholder, has been the best means for the ordinary saver to get a stake in what happens in the immediate and long term development of Australia.

"Our investment portfolio, including ordinary shares, resource ventures and property, has been developed in a sustained fashion over many years, particularly during the 60s and 70s to become the source of the substantial 'dividend' we are able to announce for policyholders this year.

"The bonus performance over the previous three years has not gone unnoticed by those interested in life insurance not only for protection, but as a valuable investment. This is indicated by the fact that new premium income from sales of A.M.P. life insurance in 1980 increased by 27.3 per cent over 1979", said Mr. Coates. #

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