

International **Tug & OSV**

INCORPORATING SALVAGE NEWS

September/October 2016



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INFLUENTIAL YEARS

Contract reviews up 30 per cent

Joseph Divis, underwriter, offshore, at Charles Taylor & Co, agents for the managers of The Standard Club Europe, looks at the impact of oil price cycles

The Standard Club has witnessed the impact of a number of oil price cycles since commencing underwriting offshore risks in 1975. Our contract review service, offered to more than 80 operators across the offshore arena (including more than 600 entered OSVs), provides an insight into industry contracting trends.

This service advises members of the effect of contractual arrangements in relation to their liability exposures and is designed to provide the member with certainty of cover and the club with a greater understanding of our members' operations. The number of non-knock-for-knock contracts reviewed each year has increased by 30 per cent since 2013/14 to an anticipated 800 in the current year. This increase is not simply a reflection of the club's growth, and has occurred despite an increase in the number of lay-ups.

Much of this change can be attributed to the low oil price affecting the number of contracts produced, for two reasons. First, with less work available more contractors are bidding for each contract – we have heard from our members that certain North Sea contracts have

received in excess of 50 different bids.

Secondly, charterers are increasingly tendering shorter-term, spot market jobs. Clarkson's Research Services has reported that the number of North Sea PSV years fixed is at its lowest level since 2009.

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Joseph Divis, Charles Taylor & Co

These factors highlight fierce competition resulting in marginal day rates. Inevitably this has forced operators to seek opportunities outside traditional oil & gas support work. For example, we have seen an increase in the number of decommissioning related contracts in the North Sea, Africa, UAE and Asia. Wind farm associated work continues to provide opportunities for those willing to

► Joseph Divis



adapt, with so called 'walk to work' contracts becoming more frequent for both specialist vessels and more traditional OSVs installed with motion compensated gangways. More recently we have seen a number of contracts for the towage and installation of offshore fish farms which suggests that aquaculture is an alternative revenue stream.

The current climate remains extremely challenging for members and the club will continue to provide support during this period and beyond.

- The Standard Club is a specialist marine and energy insurer and member of the International Group of Protection and Indemnity clubs, owned by its shipowner members and controlled by a board of directors drawn from the membership.

Beware email on front line of cyber crime

Robert Hodge, senior account executive with mutual insurer ITIC, warns that the maritime industry has become an attractive target for cyberspace fraudsters

It is a fact that violent crime has significantly reduced over the past few years. Why is this? Criminals have not changed; they still want to get their hands on your money.

The answer is that it is easier stealing money in cyberspace than robbing a bank in the real world.

The maritime sector will always be an attractive target for fraudsters because of its international focus. ITIC has seen this trend of cyber fraud ever increasing, particularly involving fraudulent emails.

The classic scenario involves the payment of invoices and the subsequent transfer of funds from one account to another. The background communication and the invoice are usually by email.

A fraudster will learn that a transfer of funds will be made, either from insider knowledge or by hacking into your company's or your contractor's network. They will set up a new, but very similar email address to the one that the vessel manager was previously responding to. For example the suffix of the email address will change from .com to .uk.

The fraudster will advise the ship manager that the account where payment was to be made is no longer in operation and a new account must be used, as the account has changed or is under audit. In fact, businesses very rarely change an account nor do they close an account when under audit.

“A fraudster will learn that a transfer of funds will be made, either from insider knowledge or by hacking into your company's or your contractor's network”

Roger Hodge, ITIC

A further scenario involves the theft of 'cash to master' funds. In one case a vessel manager received a message asking if the money could be sent directly to the agent's foreign exchange broker who could secure banknotes which were in short supply in that part of the world.

► Robert Hodge



A member of staff queried the instruction and replied to the email: "As we don't know the broker, would it be possible to remit CTM to your bank account as usual?" Of course they received confirmation of the new arrangement from the same email address.

ITIC is recommending that if there is anything unusual about payment instructions that you telephone the counter party to verify, but a further word of warning – don't use the reply button as it will be the fraudster you are communicating with.

- ITIC is the mutual insurer for the transport industry, offering a unique professional indemnity policy to a wide range of companies in the marine, offshore, aviation and rail industries. For more information visit www.itic-insure.com