# Moral risk: the underwriter's fraud antennae!

**Andrew Black**
Austral Marine Insurance Services

# MARINE INSURANCE FRAUD

## Marine Underwriter's Perspective

Marine insurance fraud is an integral part of the wider subject of maritime fraud.

The International Chamber of Commerce in its 'Guide to Prevention of Maritime Fraud'[1], issued in conjunction with its International Maritime Bureau, notes:

> *An international trade transaction involves several parties – buyer, seller, shipowner, charterer, ship's master or crew, insurer, banker, broker or agent. Maritime fraud occurs when one of these parties succeeds unjustly and illegally, in obtaining money or goods from another party to whom, on the face of it, he has undertaken specific trade, transport and financial obligations'.*

Invariably and almost inevitably, every maritime fraud or attempted maritime fraud will involve a related marine insurance policy.

The development of international trade and commerce, originating out of the merchant coffee houses of London in the 16th century, would not have occurred without the confidence encapsulated in such organizations as the Baltic Exchange and Lloyds of London. More especially, the protection afforded by marine insurance facilitated confidence on the part of buyers, sellers and shipowners in their ability and freedom to trade internationally. London's history and reputation as an international trading centre, and the subsequent growth and export of English Common Law, owe much to this period where ethics and '*my word is my bond*' were taken as a given.

The global community, and particularly its developing nations, relies increasingly on its ability to trade internationally. The financial security provided by marine insurance remains as pivotal to international trade today as it did 400, or more, years ago.

### Fraud as a Crime

There is no criminal offence of 'fraud' or 'maritime fraud' in Australia or New Zealand. Writers on the subject instead refer to fraud as a concept of what it means to defraud someone.

The underlying constituent of all fraud involves dishonest conduct by a wrongdoer to the detriment of a victim. In criminal fraud the burden of proving dishonest conduct is to a standard beyond a reasonable doubt. In civil fraud it is

[1] International Chamber of Commerce (ICC) Publication No.370 (1980).

necessary to prove, on balance of probabilities, dishonesty through false representations made to *intentionally* deceive and thereby obtain a financial advantage. Where the *intention* to deceive cannot be established then the false representation made is regarded as an innocent misrepresentation. These general legal principles while applying to marine insurance contracts are varied by the specific application of marine insurance law.

## Impact of Fraud on Insurance

All insurers are at risk of frauds being perpetrated upon them by their customers. Insurance fraud, like most fraud, is a hidden crime with much of it remaining unrecognized, undetected or unproven.

While admitting insurance fraud is a problem, most insurers have difficulty agreeing upon the extent of the problem. Fraud is only discussed by insurers in the context of attempted fraud, as no insurer could admit to paying a patently fraudulent claim. Against this background, the extent of insurance fraud or attempted insurance fraud is difficult to quantify and the percentage of fraud actually detected by insurers is probably minimal. By implication, the majority of successful fraudulent claims are paid without suspicion being aroused.

In the area of what the insurance industry terms 'personal lines'[2], fraud is generally looked upon as a victimless crime. The majority of personal insurance fraud is committed by otherwise law-abiding people, who see nothing wrong with overstating their losses 'a little' or materially altering key facts[3].

Many insurance consumers see insurers as fair game and insurance fraud as not a 'real' crime. The resulting burden this places on law-abiding citizens and business constitutes an impediment to economic competitiveness. Largely anecdotal evidence by The Insurance Council of Australia[4], and other industry associations around the world, estimate that up to 10% of all insurance premiums paid by the public are lost to fraud by way of fabricated or inflated claims. Ultimately all insurance consumers, as reflected in higher premiums, pay insurance fraud.

## Fraud in the context of Marine Insurance Law

Contracts of marine insurance in Australia[5] and New Zealand[6] are, for the most part, regulated by each country's enactment of their respective Marine Insurance Acts (MIA). This legislation contains substantially the same provisions as the United Kingdom's Marine Insurance Act 1906 (UK MIA). At the time of its enactment the UK MIA represented a codification of the Common

[2] Personal Lines: covering Home-Dwellings, Home-Contents, Motor Vehicles, Travel & Pleasure Craft
[3] Australian Institute of Criminology, Trends & Issues Report No.66 Insurance Fraud February 1997
[4] Ibid
[5] Marine Insurance Act 1909(Cth,) (Au MIA)
[6] Marine Insurance Act 1908 (NZ MIA) and the Insurance Law Reform Act 1977, which specifically applies to the NZ MIA (Section 14).

Law, founded upon over 2,000 reported cases, whilst acknowledging and incorporating numerous accepted market practices and principles that had developed up to that time.

Given the Marine Insurance Acts in Australia, New Zealand and in a number of other Common Law countries[7] have their origins in the UK MIA, it is not surprising that, as a rule, marine insurers shy away from using the expression 'fraud', instead preferring to use the euphemisms of 'bad faith' 'non disclosure' and 'misrepresentation'.

Fundamental to a contract of marine insurance is the doctrine of 'utmost good faith'[8] or uberrimae fidei. With its origins in English Common Law, good faith, by its nature, encapsulates the corresponding rules relating to the duty of 'Disclosure[9] and Representations'[10], as originally enshrined in the Marine Insurance Acts of both Australia and New Zealand. These good faith obligations extend beyond not making a misleading statement to include the non-disclosure or withholding (deliberate or innocent) of material facts.

These same obligations to act in good faith apply not only to the insured (and their broker[11]) but also to the insurer. The duty continues until such time as the contract of marine insurance has been entered into and at each subsequent renewal.

Where wrong or incomplete material information is provided, the insurer may avoid the contract.

The potential for fraud in marine insurance primarily arises: -

---

[7] Canada: Marine Insurance Act 1993 designed to enact the UK MIA but in modern language. Hong Kong: Marine Insurance Ordinance Cap. 329

[8] Au MIA Sec 23: Insurance is uberrimae fidei. A contract of marine insurance is a contract based upon the utmost good faith, and, if the utmost good faith be not observed by either party, the contract may be avoided by the other party. Although no equivalent Au MIA Sec 23 included in the NZ MIA the same concept applies based on common law and equity. See also NZMIA Sec 89 Application of rules of common law. – The rules of the common law including the law merchant, save in so far as they are inconsistent with the express provisions of this Act, shall continue to apply to contracts of marine insurance.

[9] Au MIA Sec 24 and NZMIA Sec 18: (1) Subject to the provisions of this section, the assured must disclose to the insurer, before the contract is concluded, every material circumstance which is known to the assured, and the assured is deemed to know every circumstance which, in the ordinary course of business ought to be known to him. If the assured fails to make such disclosure, the insurer may avoid the contract. (2) Every circumstance is material which would influence the judgement of a prudent insurer in fixing the premium, or determining whether he will take the risk.

[10] Au MIA Sec 26 and NZMIA Sec 20: (1) Every material representation made by the assured or his agent to the insurer during the negotiations for the contract, and before the contract is concluded, must be true. If it is untrue, the insurer may avoid the contract. (2) A representation is material which influence the judgement of a prudent insurer in fixing the premium or determining whether he will take the risk. (3) A representation may be either a representation as to a matter of fact or as to a matter of expectation or belief. (4) A representation as to a matter of fact is true if it is substantially correct – that is to say, if the difference between what is represented and what is actually correct would not be considered material by a prudent insurer. (5) A representation as to a matter of expectation or belief is true if it is made in good faith. (6) A representation may be withdrawn or corrected before the contract is concluded. (7) Whether a particular representation is material or not is in each case a question of fact.

[11] Au MIA Sec 25 and NZMIA Sec 19:

(1) at the time the marine insurance contract is negotiated and entered into (the **underwriting stage**), or

(2) subsequently, in connection with a claim presented to the insurer (the **claims process**).

**Fraud in Marine Underwriting:**

The MIA's disclosure and representation provisions[12] are an acknowledgement that an underwriter, when considering a risk for insurance, must rely and have absolute trust in the proponent's representations and that these have been made in good faith. For the underwriting process to operate effectively and efficiently the underwriter must have confidence that the proponent has not knowingly withheld any circumstance or knowledge that would leave the underwriter to believe the risk being considered is, in reality, materially different to that intended to be insured.

The resulting obligations encompass not only the physical attributes of the subject matter offered for insurance (the physical hazards) but also other intangible related circumstances (the moral risks). The moral risks would include matters such as past criminal convictions, current criminal or civil proceedings, as well as the proponent's past claims record. All of these would normally be deemed highly material to the consideration of the risk being presented.

The duty of disclosure is intended to afford the underwriter the best opportunity to obtain the vital information necessary for him to be able to assess the risk being offered. To this end, the more relevant information an underwriter receives the more accurate the resulting evaluation as to: -

(a) whether, or not, the risk is acceptable,

(b) assuming the risk is acceptable, the conditions of insurance to be offered, and

(c) the mathematically correct premium rate to be applied, commensurate with the risk being assumed.

The party seeking insurance (usually the owner) is in possession of most of the pertinent information about the risk. It follows that they have the duty to disclose and pass on all relevant information to the insurer and a corresponding duty not to misrepresent this information. This duty applies to every material fact known to the insured or which ought to be known.[13]

Fraud in the negotiation or formation of a marine insurance contract usually arises when the party seeking insurance gains from intentionally giving wrong or incomplete information. This is done in order to procure an insurance policy that would not otherwise be obtainable or obtained on better terms. The implication

[12] Supra N.9 & 10
[13] Supra N.9

is that the party seeking insurance has fraudulently non-disclosed or fraudulently misrepresented the risk offered for insurance. In such circumstances the resulting fraud entitles the insurer to avoid the contract.

The most common types of marine insurance fraud perpetrated are, invariably, deliberate overvaluation or exaggeration of the worth of the subject-matter to be insured and non-disclosure of an insured's past 'moral risk'.

The issue of overvaluation is particularly important, given, valuation of the subject matter to be insured, and by implication the measure of indemnity, is left to be agreed between the insurer and the insured under the MIA.

This freedom to contract, with regard to value, is enshrined in the MIA[14]. The MIA provides that a marine insurance policy be either a 'valued'[15] or an 'unvalued'[16] one. In the absence of fraud, the value fixed and agreed in a 'valued' policy, between insurer and insured, is conclusive and binding[17].

Most marine policies insuring ships are 'valued' policies, with the proposed insured value being put forward by the insured. In the absence of fraud, the value agreed between the insurer and the insured is binding on the insurer. It is important therefore, before agreeing, an underwriter is satisfied with the agreed value. It is customary for ships to be insured for their market value. A ship offered for insurance with a value significantly in excess of its market value is one that an underwriter will not readily agree to; in the absence of a compelling argument to explain the difference. Certainly, any insurer (marine or non-marine) who agrees to insure an asset for more than its 'market value' is potentially inviting fraud. Where a marine 'valued' policy is in place the likelihood of fraud increases significantly.

In practice, it is much easier to over-insure ships than it is cargo. Any excessive over-insurance of cargo will, in the absence of fraudulent documentation, become apparent when, as part of the claims process, invoices in support of the loss are called for.

## Underwriting to Avoid Marine Insurance Fraud

As with all crime, prevention is clearly the preferred aim.

---

[14] Au MIA Sec 35(1) and NZMIA Sec 28(1): A policy may be either valued or unvalued.
[15] Au MIA Sec 35(2) and NZMIA Sec 28(2): A valued policy is a policy which specifies the agreed value of the subject-matter insured.
[16] Au MIA Sec 36 and NZMIA Sec 29: Unvalued Policy - An unvalued policy is a policy which does not specify the value of the subject-matter insured, but, subject to the limit of the sum insured, leaves the insurable value to be subsequently ascertained, in the manner herein-before specified.
[17] Au MIA Sec 35(3) and NZMIA Sec 28(3): Subject to the provisions of this Act, and in the absence of fraud, the value fixed by the policy is, as between the insurer and assured, conclusive of the insurable value of the subject intended to be insured, whether the loss be total or partial.

The most effective tool to prevent fraud within the marine insurance industry is to ensure its participants conduct themselves with utmost good faith, integrity and maintain the highest professional standards befitting their respective roles.

For **insurance brokers,** who today transact the majority of 'commercial lines'[18] insurance, this means that before preparing and presenting a slip to the market they need to ensure: -

(a) they have full knowledge of their client (their principal) and an equally full understanding of their business
(b) fully conversant with the risk they are being asked to take to the market
(c) have gathered all relevant information from their client in relation to the risk
(d) have clearly explained and documented to their client the duty of good faith and the obligation to disclose all circumstances material to the risk being offered. This explanation should also highlight the consequences of any failure to make such disclosures
(e) if they suspect their client's disclosure of material facts is not true, fair and complete then they need to readdress the request to their client to make sure the necessary true, fair and complete disclosure occurs.
(f) in the event they find the responses from their clients to be consistently unsatisfactory they need to review their position and consider terminating their appointment; advising insurers and/or other regulatory authorities as may be appropriate
(g) other than in very exceptional circumstances they should not complete proposal forms on behalf of their clients. Where this does occur, clients should always be asked to check the details and certify the correctness of the information before this is submitted to insurers.
(h) an experienced broker will know the sort of information underwriters need in order to assess the risk being presented
(i) the broker's personnel should be skilled in marine insurance and competent to answer insurers' reasonable questions about the risk.
(j) where required, the broker should promptly convey and seek responses to insurers' reasonable requests for additional information
(k) finally, present a slip and other information to an insurer that clearly and unambiguously discloses all material facts and circumstances within their knowledge. The slip should portray a fair and accurate representation of the risk insurers are being asked to consider and ultimately assume, if their terms are accepted.

For their part, **marine underwriters** need to ensure: -

(a) they diligently adopt best underwriting practice, whereby they have full information and make all reasonable enquiries into the risk they are being offered
(b) they are suitably trained and experienced to assess the risks on offer and are able to make informed decisions as to whether these are acceptable and, if so, the terms to be quoted.

[18] Commercial Lines: Covering Fire/ISR, Commercial Motor Vehicle, Liability, Marine –Commercial Hull, Marine – Cargo.

(c) they do not lower their underwriting standards which may encourage fraudulent practices
(d) receive correctly completed and signed proposal forms and slips that are clear, accurate and unambiguous.
(e) where proposals or slips do not provide the full picture, they need to actively seek out further and better particulars. Where appropriate, this should also include requesting the provision of independent risk management, condition survey and/or valuation reports.
(f) pay careful and particular attention to the values being presented for insurance (especially where a valued policy is being sought) and ascertain the basis on which the proposed sums insured have been arrived at. Where doubt exists as to the legitimacy of the proposed insured value, seek independent verification prior to acceptance.
(g) in their dealings with clients, explain and remind them of their obligations to act in good faith and to fully disclose all circumstances material to the risk to be insured
(h) insurance proposals and renewal notices clearly remind proponents and policyholders of their duty of disclosure. These should highlight that fraud is a crime and the sanctions that arise from a failure to disclose or to make false or misleading statements.

Marine insurance underwriters need to be aware and remain vigilant to the wider issues impacting the maritime industry. This is in keeping with the MIA's presumption that '*The insurer is presumed to know matters of common notoriety or knowledge, and matters which an insurer in the ordinary course of his business, as such, ought to know*'[19].

The introduction and ready access to the Internet provides today's underwriters with a powerful research tool from which to supplement and gain greater insight into those risks they are being asked to insure. In addition to providing up to date and direct access to an underwriter's traditional sources of information (e.g. Lloyds' Register) an enquiring underwriter's judicious use of search engines can often prove to be enlightening and invaluable.

Over and above the information provided by the proponent and their broker, relating to the insurance risk on offer, a prudent underwriter will need to keep abreast of a range of issues which may, now or in the future, adversely impact the risk being offered. These can be:

(a) **political events** – including war or threats of war, piracy or terrorist threats, embargos and sanctions, industrial disputes and strikes,
(b) **general economic trends** - such as large and unexpected movements in interest, inflation and/or foreign currency rates
(c) **industry specific issues** - such as an unexpected and dramatic rise or fall in commodity prices, or in the supply or oversupply of vessels or some other sudden change impacting the specific financial dynamics of an industry e.g. introduction of quotas on a fishing industry or the imposition of import/export tariffs.

[19] Au MIA Sec 24 and NZMIA Sec 18: (3)

Any insured operating within an industry sector that is struggling to maintain economic viability presents an underwriter with enhanced challenges. This is especially so when the proceeds arising from a 'generous' or fraudulent marine insurance claim may provide an opportune exit strategy from a beleaguered industry or encircling financiers/creditors.

Correct technical pricing of a risk is essential to an insurer's long-term viability. Possibly of even greater importance is an insurers ability to detect those insurance risks they should simply be avoiding at any price! The advertising jingle, '*It's the fish John West reject that makes John West the best*' should resonate well with a prudent underwriter.

## Fraud in Marine Insurance Claims

To succeed with a claim under a policy of marine insurance, an insured must establish that the subject matter insured has sustained a loss and that the loss sustained was proximately caused by a peril or risk insured against[20].

The burden, or onus of proof, is on the insured to show a *prima facie* case has been established that the loss claimed was proximately caused by one of the insured perils. If the insurer has a contrary view, then the onus of exception falls on him to show the loss was not caused by an insured peril or is excluded by the policy. Where the causes presented by the respective parties conflict, the balance of probability becomes the final determinant. Should the balance of probability be equal, then the insured will have failed to prove that the loss is proximately caused by an insured peril and no loss will be recoverable from insurers.

Given the onus of proof on the insured, how does this reconcile with a fraudulent marine claim? This would arise when the insured knowingly alleges facts exit that they are aware are untrue, in order to establish a loss by an insured peril. The making of a fraudulent claim in such circumstances constitutes a breach of the duty of good faith with the insured forfeiting all benefits under the policy.

The MIA[21] affirms that insurers shall not be liable for any loss attributable to the willful misconduct of the insured. Importantly for insurers, deliberate 'scuttling' is not a peril of the sea[22]. Scuttling of a vessel by its master or a member of the

---

[20] Au MIA Sec 61(1) and NZMIA Sec 55(1): Subject to the provisions of this Act, and unless the policy otherwise provides, the insurer is liable for any loss proximately caused by a peril insured against, but, subject as aforesaid, he is not liable for any loss which is not proximately caused by a peril insured against.

[21] Au MIA Sec 61(2)(a) and NZMIA Sec 55(2)(a): The insurer is not liable for any loss attributable to the wilful misconduct of the assured, but, unless the policy otherwise provides, he is liable for any loss proximately caused by a peril insured against, even though the loss would not have happened but for the misconduct or negligence of the master or crew;

[22] Au MIA and NZMIA Schedule 2, Rules for Construction of Policies, para 7 The term 'perils of the seas' refers only to fortuitous accidents or casualties of the seas. It does not include the ordinary action of the winds and waves.

crew, without the owners consent, whilst still not a peril of the sea may be covered as an insured risk of barratry[23].

A claim presented by an insured for a 'missing vessel' does not obviate the need to prove that the proximate cause arose from an insured peril. In practice, insurers accept that after an appreciable period of time a 'missing vessel' has been lost as a result of a marine peril. If, however, insurers ascertain evidence to support that the 'missing vessel' sailed in an unseaworthy condition, then they may elect to argue that the proximate cause of the 'missing vessel' was her unseaworthy condition.

The burden of proof on an insured, to show that the loss claimed arose as a result of an insured peril, provides marine insurers (and especially hull insurers) with a significant advantage especially when a vessel is lost in circumstances suggesting fraud may be a factor.

Illustrative of how this burden of proof changes is the example of a ship that sails out of a port and is never heard of again. In the absence of any cause as to the loss there is an initial inference, in favour of the insured, that there has been a loss by a 'peril of the seas'. This inference holds unless the insurer presents, and seeks to prove, an alternative explanation or cause against which the ship was not insured; such an alternative explanation may involve adducing evidence as to the unseaworthy condition of the ship prior to her leaving port. Without the insured refuting an insurer's alternative explanation, it may be held that the insured has not discharged their overall onus of proving that the loss of their ship was caused by an insured peril.

**Conduct of Claims where Fraud suspected**

As with their underwriting counterparts, those involved in handling marine claims, whether 'in-house' (claims managers, adjusters, legal advisers and their support staff) or 'external service providers' (marine surveyors, investigators, consulting engineers, adjusters and externally instructed legal advisers) all need to act in good faith, with integrity and to the highest standards befitting their respective roles and professions.

Reputable marine insurers recognise that, for many of their customers, their 'Claims Department' represents their 'shop window'. The manner in which an insurer responds and manages the claims process is ultimately pivotal to an insurers long-term relationship with clients and their brokers.

All marine insurance policies require insureds to promptly notify their insurer when circumstances arise, which may give rise to a claim.

There are certain basics that are fundamental to successfully handling claims. If these are implemented, communicated and followed from the outset then the

[23] Au MIA and NZMIA Schedule 2, Rules for Construction of Policies, para 11 The term 'barratry' includes every wrongful act wilfully committed by the master or crew to the prejudice of the owner or, as the case may be, the charterer.

claims process will progress smoothly. Similarly, the inevitable 'inconvenience' placed on an insured, associated with any insurance claim, will be kept to a minimum.

To this end it is in the best interests of both insured and insurer, following notification of a loss, for them to immediately address and agree what resources are required to attend to the claim. To a large measure the nature of the response will depend greatly on the individual circumstances of the loss presented. Such a response can range from: -

(a) an insured notifying and providing details of a 'small' claim with the insurer deciding no investigation is called for. Here the insured may be instructed by the insurer to affect their own repairs/replacement and simply forward receipted accounts for reimbursement.

(b) Alternatively, if a substantial maritime casualty, possibly involving a vessel with cargo in distress, arises an immediate and in-depth investigation is likely to be called for. Here insurers need to be able to immediately appoint marine surveyors, engineers, adjusters and others to assist in mitigating the loss, investigate the circumstances giving rise to the casualty and ultimately determining the quantum of the resulting insured loss.

The duty and obligations on an insured, when it comes to claims, are invariably specifically addressed within the policy of marine insurance issued. Typical of these duties, as expressed within a marine hull policy, would be the following: -

**CLAIMS – DUTIES OF INSURED**

1.1 The Inured shall, upon request and at their own expense, provide the Insurer with all relevant documents and information that they might reasonably require to consider any claim.

1.2 Upon reasonable request, the Insured shall also assist the Insurer or their authorised agents in the investigation of any claim, including but not limited to

1.2.1 Interview(s) of any employee, ex-employee or agent of the Insured

1.2.2 Interview(s) any third party whom the Insurer consider may have knowledge of matters relevant to the claim

1.2.3 Survey(s) of the subject-matter insured

1.2.4 Inspection(s) of the classification records of the vessel

1.3 It shall be a condition precedent to the liability of the Insurer that the Insured shall not at any stage (whether legal proceedings be commenced or not) knowingly or recklessly

1.3.1 Mislead or attempt to mislead the Underwriters in the proper consideration of a claim or the settlement thereof by relying in the presentation or maintenance of such claim on any evidence which is false

1.3.2 Conceal any circumstance or matter from the Insurer which might be material to the proper consideration of a claim or a defence to such a claim.

Where the circumstances of a loss, or the initial enquiries made, suggest possible fraud then it is imperative for the insurer's claims department to immediately 'flag' the claim for closer attention and investigation. Time is of the essence in any resulting investigation.

**Insurers Response to Insurance Fraud**

Historically, insurers have shied away from tackling fraud, fearing possible scandal, defamation and the burden associated with proving fraud. For some it may be considered easier and cheaper to simply pay up.

Today, most major insurers in Australia and New Zealand have an increased awareness of fraud. Many have recognised the need to devote greater resources to investigating, detecting and implementing measures to counter insurance fraud.

Almost all insurance companies in Australia are members and contribute to Insurance Reference Services (IRS)[24]. IRS's database provides detailed and continually updated information from its insurer members, including insurance claims. IRS is the industry's largest single source of insurance information, containing 18 million insurance claims made by Australian individuals and companies dating back over 10 years. The insurance database is supplemented with access to commercial credit and public record information. This includes commercial default listings and individual bankruptcies as supplied by its parent company Baycorp Advantage.

Additionally most large insurers have recruited former law enforcement / crime prevention officers and/or contracted other experienced fraud investigators in order to establish in-house fraud units. These specialist fraud units assist in providing greater awareness and appropriate training to an insurer's claims staff. This has directly assisted insurers in developing practices to both prevent and detect fraud. Coupled with this has been an increase in the cooperation between the insurance industry and law enforcement agencies. Some insurers in-house fraud units are sufficiently well resourced to enable them to prepare and present comprehensive briefs to law enforcement agencies for prosecution.

Anecdotal evidence suggests that, based on the total number of insurance claims handled by the industry in Australia and New Zealand, the proportion refused on the basis of fraud remains minor. The decision to refuse an insurance claim on the grounds of fraud are usually only taken by the most senior management of an insurance company following thorough and extensive investigations. Once taken, insurers usually rigorously maintain and defend their decision.

Increasingly, many insurers realise the need to vigilantly identify, investigate and prosecute insurance fraud offenders. This, coupled with media coverage of successful prosecutions, sends the clear and all-important deterrent message; namely, insurance fraud is a crime and its offenders will be detected and prosecuted.

[24] Insurance Reference Services part of Baycorp Advantage www.baycorpadvantage.com

## Conclusion

Maritime fraud and marine insurance fraud will continue to be ever present. That said, all involved in the different aspects of international maritime trade, including insurers, should not lose sight that in comparison to the sheer volume of contracts entered into the instances of fraud remains numerically small although the consequences, if successful, certainly larger.

For most maritime organisations the best prevention against the perpetration of fraud remains knowing and understanding their customers. This, coupled with 'best practice' procedures, systems and documentation of their 'day to day' dealings, remains their first and best 'insurance'.

These same sentiments are equally and particularly relevant to marine insurers. Applied in conjunction with constant vigilance towards the potential for fraud this remains an underwriters best guard to, if not avoid, then at least minimise their potential exposure to fraud; whether in underwriting or in conjunction with claims presented.