Virtual robbery

***Robert Hodge**, Senior Account Executive with International Transport Intermediaries Club (ITIC), explains why ship managers should beware the potential cost of cyber fraud*

It is a fact that violent crime has significantly reduced over the last 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 cyber space than robbing a bank in the real world.

Shipping will always be an attractive target for fraudsters because of its international focus. ITIC has seen a continuing increase in this trend of cyber fraud, particularly in cases involving fraudulent emails. The average cost of these frauds is $120,000.

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. Fraudsters - either through insider knowledge or by hacking into a ship manager's network or that of its contractor - will learn that a transfer of funds is to be made. They will set up a new email, very similar to the one the ship manager was previously responding to. For example, the suffix of the email address will change from .com to .uk or .eu

The difference is subtle and can easily be missed when many emails are being received daily. 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. The excuse given is that the bank account has changed or is under audit.

In truth, businesses very rarely change an account, nor do they close an account when under audit.

Ship managers deal with large sums of owners' money to service and keep a vessel running. In one case, a ship manager instructed a company to carry out the annual service of its lifeboats. The correct invoice was sent by email to the ship manager, but was intercepted en route (in cyber space) and a different email was received. In this instance the domain name of the service company contained the word 'lifeboat'. The fraudsters simply changed the lower case 'l' for an upper case 'i' (I) - almost impossible to distinguish.

ITIC's advice in such instances is not to make a payment to an email address advising of a change of bank details before taking separate steps to verify those instructions. One of the best available resources is the telephone – use it!

A further scenario involves the theft of 'cash to master' funds. In one case a ship manager received a message asking if 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. The manager's member of staff queried the instruction, replying to the email, 'As we don't know broker, would it be possible to remit CTM to your bank account as usual?' Of course the manager received confirmation of the new arrangement from the same email address. Again, it is essential to verify the instructions - don't use the reply button as it will be the fraudster you are communicating with!

ITIC's professional indemnity cover will respond to situations where a ship manager has been negligent. For instance, in the above claims examples, the ship manager had seen the message and may have been negligent by failing to spot the fraudulent address.

The situation is different, however, if the message was created by fraudsters accessing a ship manager's own computer system and sending a message to a third party. The difficulty in this scenario is that the ship manager has not seen the message and is unaware that a fraud is happening. Any loss or harm caused by this fraud does not arise from the ship manager's negligence.

ITIC has therefore developed a new additional cover that will insure ship managers either for acts by people who gain access to their computer network without their permission or by those who were granted access for a legitimate purpose but misused that access to cause loss or harm to a third party.

ITIC recommends that, if there is anything unusual about payment instructions, ship managers should call their counterparty to discuss and verify. ●