

# Cargo in Peril

Economic pressures are leading to thieves becoming more innovative, particularly in the theft of food and beverage cargos.

By Alex Wright



Cargo theft by organized gangs is increasing inland marine losses.

**W**ith an ever-expanding U.S. population, the demand for goods has never been higher.

Neither has the number of commercial freight trucks carrying highly valuable loads on America's roads.

This has brought its own set of problems, the worst of which is cargo theft by organized criminal gangs.

In the third quarter of 2018 alone, losses from cargo theft were \$13.9 million, with 188 incidents reported across the U.S. and Canada, according to CargoNet.

But that is just the tip of the iceberg. Many thefts go unreported because firms don't want to bring attention to themselves; or they don't want to file a claim, fearing doing so will increase their premium, experts said.

Among the hot spots for cargo theft are states with ports, such as California, Texas and Florida.

Warehouses and truck stops are also the most targeted locations, with thieves staking out a site for weeks or even months, or using a tracking device to follow the vehicle.

Food and beverage, household products and electronics are the most common types of stolen goods because they are most in demand on the black market.

At the same time that trucking companies have worked to improve the security of their drivers and cargo, thieves have become increasingly more sophisticated in their methods.

These include social engineering, spoofing technologies, identity theft and fictitious pickups where they impersonate legitimate drivers, companies using bogus documents, as well as covert, organized surveillance and intelligence gathering to plan a heist.

"Many thieves are using cyber tactics like Trojan viruses to gain access to load information and documentation from shipping companies, allowing them to create legitimate looking documents for pickups with illegitimate carriers that steal the loads," said Nick Erdmann, business development manager for Transport Security Inc.

"These fictitious pickups are becoming a large problem for shipping and trucking companies."

However, new technologies and risk mitigation strategies have emerged that can help in the fight against cargo theft.

## PILFERAGE THEFT ON THE RISE

Scott Cornell, transportation business lead and crime and theft specialist at



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— **Scott Cornell**, transportation business lead and crime and theft specialist, Travelers

Travelers, said that the biggest increase was in pilferage theft where thieves steal part of the load.

Pilferage accounted for 15 percent of thefts in 2017, the highest on record for Incident Information System (IIS) data reported by the Transport Asset Protection Association (TAPA) for the Americas. This represents a 40 percent increase over 2016 and a 107 percent increase since 2013.

He added that pilferage theft is also much harder to detect because often drivers don't realize something has been stolen until they get to their delivery point.

"Unless they do a walkaround inspection of the tractor and trailer every time they stop en route, often they won't realize that it's missing until they arrive at the client," he said.

"By that stage it will probably have been sold on the black market anyway."

The No. 1 stolen commodity, according to Cornell, remains food and beverage. Since 2010, he said that it has become the most in demand product, as people are more desperate to survive.

"It is easy to sell because everyone needs to eat," he said.

## SUMMARY

- **Technology cuts both ways.** Thieves can use jamming devices to render vital cargo tracking devices useless.
- **With increased economic disparity,** food and beverage theft remains prominent.
- **"Strategic theft" which** can involve identify theft, is a growing problem.

"It's also less traceable and easy to hide because once it is consumed it's gone.

"Another popular item last year was building supplies and materials, and household goods, which was exacerbated by the floods, fires and hurricanes that decimated large parts of the U.S. By contrast, there's a much shorter window in which to offload

electronics and the warranty is easier to activate."

Among the top states for theft, said Cornell, are California, Texas, Florida, Georgia, New Jersey, Illinois and Tennessee, because they have the largest ports, rail depots and interstate highways. They also have a large population density among which the goods can be quickly distributed, he added.

David Lee, director of inland marine at Tokio Marine America and transportation committee chair for the national Inland Marine Underwriters Association, said that organized theft rings in these areas are increasingly using temporary 'cooling off' sites to store their stolen goods, as well as stealing cargo offloaded onto container ships.

Added to that, the problem has been

exacerbated by often overstretched and underfunded law enforcement that has to prioritize more violent crimes, he said.

#### **THIEVES ARE SMARTER THAN EVER**

Cornell breaks cargo theft down into two main areas: straight and strategic. Straight theft involves the physical theft of a load; strategic is when thieves trick an individual or company into giving them their cargo using tactics such as identity theft, fictitious pickups and double broking scams, he said.

"Straight cargo theft is traditionally the No.1 method," he said.

"But if one particular type of theft is clamped down on by law enforcement, then the thieves tend to migrate towards the other.

"Double broking scams involve stealing a trucking company's identity and posing as them, going on the loadboards and obtaining the load.

Fictitious pickups are when the thieves intercept the load at the pickup point before the legitimate company gets there."

Thieves are also becoming increasingly more clever in their techniques, said Cornell. Since 2014, he said that there has been a rise in the use of devices such as sniffers and jammers: a sniffer detects covert tracking devices in the cargo or vehicle, while a jammer blocks its signal.

Joe Darby, director, safety and risk control, Aon Risk Solutions, said that one of the biggest problems is surveillance, where thieves monitor vehicle movements from and to warehouses.

They also use insiders to send them information about loads and delivery times, he said.

#### **The Use of New Technology in the Fight Against Cargo Theft**

IBM has been at the forefront of cutting-edge technology used to mitigate against cargo theft.

Craig Bedell, Global Insurance Industry Executive within IBM's Insurance Industry Executive Leadership Team, said that the company has developed computer processing units or crypto-anchors that are smaller than a grain of salt, have global positioning system (GPS) capabilities and can be installed in products such as electronics.

If a tagged product is stolen, the shipper will be able to track and locate it using the GPS, he said.

Used alongside blockchain



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“With the increased capability to send instant messages from devices, this has opened up a greater opportunity for the thieves,” he said.

“Thanks to technology, thieves can now track exactly where a vehicle is going and the load it is carrying.”

A sharp rise in drivers’ liability claims from cargo theft has also resulted in a spike in large jury awards and settlements, forcing some major insurers to pull out of the market altogether. It has also increased the pressure on trucking companies that are being made to take on higher levels of liability.

“Shippers are often expecting carriers to accept greater levels of liability for loss/damage to cargo,” said Matthew Yeshin, managing director, marine, logistics and transportation, at Marsh.

“This liability may be established under contract that overrides the bill of lading, but we are also seeing a general expectation of greater liability, even if it has not been specifically contracted.”

#### INSURED ARE FIGHTING BACK

So what can trucking companies do to protect their loads? Improved fleet management, driver awareness and communication, allied to tighter security policies and procedures, as well as the use of high-security padlocks, GPS and radio-frequency identification tagging, driver cameras, and electronic locking devices that can disable a vehicle are a good start.

Daniel Bancroft, transportation practice leader, North America, at Willis Towers Watson, said that trucking companies are winning the fight against cargo thieves thanks to improved risk mitigation techniques.

That extends to the use of

professionally qualified drivers and trucks equipped with the latest security technologies, he said.

“It all goes back to the investment in the proper selection and training of drivers,” he said.

“By carrying out thorough background checks and psychometric tests and hiring the best candidate, who is then subjected to training on their loss

mitigation programs, they can go a long way toward improving their losses.”

Added to that is improved warehousing techniques, said Bancroft. That includes stronger security fences, as well as the installation of cameras and the use security guards, he said.

Cornell added that it was important to find a broker or carrier that provides more than just insurance coverage, but

also a dedicated claims and risk control team.

Beyond that, he said that they need to have a broader strategy that helps improve driver and cargo safety and security, including only parking in secure areas and avoiding high-risk routes. &

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## MODERN INSURANCE FOR THE AFFLUENT

technology, Bedell said that they can also ensure the traceability and authenticity of a shipment of goods from the point of origin to delivery to the end user and help to crack down on counterfeits.

“These crypto-anchors will be of great benefit, not just from a law enforcement perspective, but also from an insurance and risk management one,” said Bedell.

“The thief is much more likely to be deterred from taking goods if they know that they have been fitted with these type of devices.”



**Craig Bedell**



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