

Mitigating Transit Losses



Theft of goods in transit is a costly business. Worldwide, cargo theft losses total \$30 billion a year, according to the International Chamber of Commerce. In the United States, the National Cargo Security Council reports an annual cost of \$10 to \$12 billion. Some types of goods are especially hard-hit. A recent RAND study estimates that computer hardware theft alone costs the industry more than \$250 million annually. Other highly attractive goods such as name-brand apparel are equally susceptible to theft while in transit.

Transit does not only refer to the time goods are traveling down an interstate highway, moving at hundreds of miles per hour in the air or thousands of miles over the ocean. Most shipments will be stored for periods of time, waiting to be loaded onto the truck, aircraft or vessel. This is when the cargo is most vulnerable.

While designer apparel and accessories, high tech equipment (such as memory chips, laptops and software), wines and foods, and consumer electronics are among the most common targets for thieves, all cargo is susceptible to theft. Goods that are especially desirable:

- have high value for their size
- are easily transportable
- are easily sold at a high profit

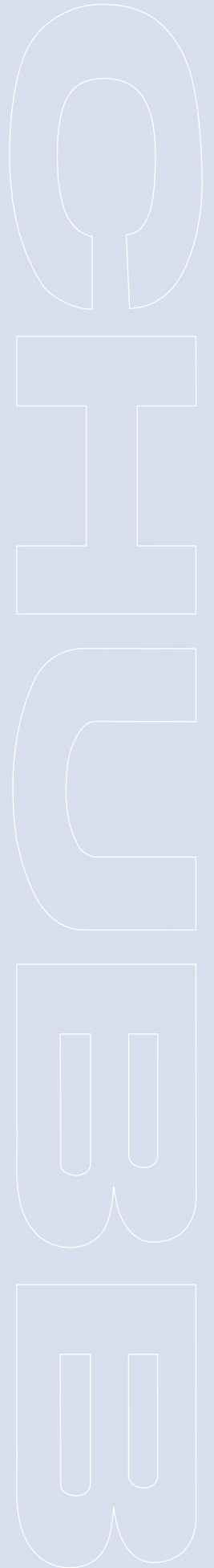
While Chubb's ocean cargo and domestic transit insurance help protect against the financial impact of such a loss, the disruption to your business, as well as your payment of the deductible, can have a significant impact on your valuable cash reserves. In fact, the RAND study estimates that for every \$1 of direct costs covered by insurance, another \$4 is lost to nonreimbursable indirect costs such as lost sales, missed shipments, customer ill will and the implementation of theft deterrents.

There are steps you can take to help reduce your company's exposure to theft of property in transit.

Transportation Carrier Selection and Management

- Select a transportation carrier that is reputable, experienced in handling highly attractive cargo, has appropriate equipment and procedures, and maintains an excellent loss history.
- Choose a transportation carrier that performs pre-employment background checks of all employees, obtaining detailed employment applications, positive proof of identification, a recent photograph and a comprehensive work history.
- Where possible, use a transportation carrier that is certified by the Transportation Asset Protection Association (TAPA).

(continued)



- Avoid transportation carriers that subcontract transportation to others without prior approval from shippers.
- Prior to entering any agreement, meet with the transportation provider to establish cargo handling and transportation procedures. Recommended requirements include direct routing from origin to destination, minimizing or eliminating transfers or stoppages; securing the truck after loading, using a high-quality lock or security seal; and real-time tracing of shipments through documentation and electronic or satellite tracking.
- Select a transportation carrier with a specific protocol for the use of armed escort vehicles.
- Include contractual obligations that address unauthorized activities such as unscheduled stops, subcontracted shipments, improper storage during shipments and unacceptable delivery times.
- Ensure the transportation carrier has a set practice for immediately reporting and following up on missing shipments.
- Monitor the transportation provider's performance carefully and continuously throughout the contract period.

Packaging

- Use only new, well-constructed packaging materials absent of any prominent display of corporate names, trademarks or logos that would identify the contents as valuable goods.
- Select multiwalled corrugated cartons that have a bursting test strength of at least 275 pounds per square inch and will stand up to the normal rigors of handling and transit.
- Consolidate multiple carton shipments to take advantage of economy and added security.
- Introduce as many tamper-evident measures to the package as practical. Examples include carton tape, unique banding strips and security seals. While these measures do not prevent theft or pilferage, they will indicate if tampering has occurred.
- Apply high-quality, barrier-type locks or seals to trailers or containers—ones that require a special tool to remove.
- Use opaque shrink-wrap to secure and obscure boxes on pallets.
- Place impenetrable metal plates under boxes on pallets to reduce entry from underneath.

Transit Strategies

- Set limits on the size and value of shipments.
- Limit the information provided on shipping documents. Be as generic as possible.
- Ship cargo “door-to-door” using the most direct routing possible, eschewing transfers, transshipments and intermediate stops.
- Use time-definite service whenever it is available, and use technology to obtain real-time shipment tracking.
- Avoid making shipments late in the week, especially on Friday, as goods will likely sit in a large sort center or hub terminal during the weekend—a time when less supervision and security are on hand.
- Avoid Saturday and Sunday deliveries unless special security and cargo delivery procedures are in place.
- Ensure that the carrier takes delivery and responsibility for the shipment when and where it is picked up, not at the first terminal or hub.
- Control access to company computer systems that contain information on shipment dates, bills of lading, shipping invoices, customer requirements, carriers to be used and values.
- Carefully screen job applicants and employees who have access to critical shipping, accounting, billing and carrier information.
- If shipping via truck, make the trucker responsible for the full value of the goods by requesting a full-value bill of lading. Be sure to keep documentation of this in the event the shipment is damaged, lost or stolen while in transit. Such documentation may assist your insurer in subrogation proceedings against the trucker and help return part of your deductible.

While these suggestions are intended to help mitigate your transit losses, they are not a complete source of loss prevention. For additional information or assistance, please contact your local agent, broker or Chubb underwriter.



Chubb Group of Insurance Companies
 Whitehouse Station, New Jersey 08889
www.chubb.com

Chubb refers to the insurers of the Chubb Group of Insurance Companies: Federal Insurance Company, Great Northern Insurance Company, Northwestern Pacific Indemnity, Pacific Indemnity Company, Texas Pacific Indemnity Company, Vigilant Insurance Company, Chubb Indemnity Insurance Company, Chubb Insurance Company of New Jersey, Chubb National Insurance Company. Not all insurers do business in all jurisdictions.

This literature is descriptive only. It is offered as a resource to be used together with your professional insurance advisors in maintaining a loss prevention program. No liability is assumed by reason of the information this document contains. Actual coverage is subject to the language of the policies issued.

Form: 12-01-0038 (Ed. 11/02)