

3PLAmericas™

THE MAGAZINE OF IWLA IN NORTH AMERICA • FALL 2013

**2014 IWLA CONVENTION
& EXPO — PAGE 8**

**INSIDE:
3PL Services for the Military
Chemical Council Roundtable
Federal Government Contracts**

PM 42128520

www.IWLA.com

Securing Cargo Has Never Been More Important, Both On Site and On the Road

By Sam Rizzitelli and Scott Cornell



Sam Rizzitelli



Scott Cornell

Business owners should not grow complacent or let their guard down because thieves are finding new ways to steal valuable cargo.

EVEN THOUGH the number of thefts occurring at warehouses and facilities has decreased over the last year, securing cargo remains an important priority given the impact theft can have on a business, especially those that manufacture or transport valuable goods.

According to LoJack Supply Chain Integrity (SC Integrity), theft from warehouses and facilities is at 5.1 percent in 2013, down from 9.2 percent in 2012. However, SC Integrity's 2013 mid-year report revealed that cargo thieves are now also stealing freight while in transit, making trucks and trailers just as prominent a target as the buildings where goods are stored.

Recent examples ripped from the headlines serve as a stark warning to businesses. *The Wall Street Journal* reported in 2010 that thieves cut a hole in a roof, slid down a rope and made off with approximately \$90 million worth of drugs from a pharmaceutical company's warehouse in Connecticut, marking "one of the biggest pharmaceutical heists ever." News reports revealed the thieves disabled the interior alarm system and spent hours inside the warehouse that stored antidepressant and antipsychotic drugs. Enfield, Conn. Police Chief Carl Sferrazza said the burglars likely loaded dozens of wooden crates of prescription pills onto a tractor-trailer.

Despite the slight decrease in the frequency of burglaries from warehouses and facilities, business owners should not grow complacent or let their guard down because thieves are finding new ways to steal valuable cargo.

There is a new, evolving method of cargo theft known as "Fictitious Pickup" or "The Imposter" that is growing across the country. Considered a form of strategic cargo theft, the crime involves thieves tricking someone into giving them cargo, rather than having to steal it outright by breaking into a facility.

Following are two hypothetical examples to show how each of these evolving threats may unfold.

Fictitious Pickup

A warehouse operator who coordinates outbound freight for ABC Shipping Co. hires a transportation broker, who arranges for ACME Trucking to pick up a load of valuable cargo at ABC's warehouse on Friday at 2:00 p.m. (Thieves often plan such events on Fridays because pursuit is more difficult over the weekend.)

However, at 11:00 a.m. on Friday a driver identifying himself as working for ACME Trucking arrives at the warehouse. In some cases, the thieves may even put a logo on their tractor to look legitimate, and they may have the paperwork regarding the scheduled load in hand. The driver explains to the warehouse worker that he unexpectedly made very good time getting to the warehouse, hence his early arrival. He asks that his trailer be loaded up now so that he can get an early start and head out before the Friday afternoon traffic starts.

The warehouse operator, thinking the driver is legitimate, loads up with the cargo and the driver is on his way. At 2:00 p.m., the official driver from ACME Trucking shows up and says he is there to pick up his assigned load. That's when ABC Shipping Co. realizes it has just become a victim of cargo theft.

Misdirected Loads

A warehouse operator hires a carrier, ACME Trucking, to haul outbound freight on behalf of ABC Shipping Co. ACME Trucking appears legitimate on paper. The carrier presents the warehouseman with Federal Motor Carrier Safety Administration authority, W-9 and an Acord Certificate of Insurance. Shortly after the ACME truck is loaded with the cargo and departs, ABC Shipping Co. receives a call explaining that a mechanical breakdown with ACME's truck is delaying the driver from reaching his destination and, once

repairs are completed, the cargo will be back on its way. ACME Trucking calls the shipping company a bit later to report that the cargo was stolen during the repair process. In some cases, the carrier even produces an invoice for the repair work and files an official police report to show the company was a victim. While all of this sounds like a straightforward theft scenario, ACME Trucking (like a wolf in sheep's clothing) has actually staged the crime, damaging its own equipment to necessitate the repairs and then stealing the cargo while the truck was supposedly in the repair shop.

How can shipping companies and warehouse operators guard against becoming victims? The process is a combination of preparing for the unexpected, and having the right resources and protections in place in the event a crime does occur.

Insurers such as Travelers offer risk-control consulting to help busi-

nesses identify and defend against these and other risks faced by transportation companies, including both on-site and on-the-road exposures. National insurance carriers should also have the expertise to respond effectively when theft does occur. This requires investigative and claim professionals with experience in the warehousing and transportation industry and the expertise to navigate the complexities of shipper, carrier and logistics-firm relationships and contractual obligations.

In the event of a theft, shippers and warehouses need to ensure they have the proper coverage in place to protect themselves against what could be a devastating financial loss. Having this protection also helps reduce potential strain on the relationship between a shipper and cargo-holder, ensuring they can both focus on running their businesses, rather than placing blame for the theft.

While hard work over the last few years to better secure warehouses has resulted in a reduced frequency of thefts, businesses must remain attentive. Sometimes a single act of theft can result in tens of millions of dollars in losses. While the warehouse industry will continue to develop new methods of prevention, it is important to be flexible and keep up with emerging trends, because thieves will continue to look for the next way around those defenses.

Sam Rizzitelli is with Travelers Inland Marine and Scott Cornell with Travelers Special Investigations Group.

A follow-up article focused on approaching security concerns from a legal perspective will be included in the winter 2014 issue of 3PL Americas.



IWLA In-Person & Webinar Events Calendar

- 🍁 **IWLA Canada — 2013 Fall Conference**
Productivity in the Warehouse
November 13 – Vaughan, Ont.
- ★ **What's New in the Warehouse**
November 28 – webinar
- ★ **IWLA Insurance Captive Meeting**
January 29 to 31 – Grand Cayman
- ★ **IWLA Winter Legislative Fly-in**
February 11 – Washington, D.C.
- ★ **2014 IWLA Convention & Expo**
March 23 to 25 – Phoenix, Ariz.
 - March 21 – IWLA Executive Committee Meeting and Board Dinner
 - March 22 – IWLA Board of Directors Meeting