

North American Cargo Theft 2Q 2009

Introduction:

This is the latest in our series of quarterly reports on cargo theft incidents in North America starting with the initial three month summary in January 2005. We continue to compile data from a number of open sources, including our own claims files.

Due to specific requests from several of our underwriters, in a separate internal document, we have started to identify carriers (transportation providers) or intermediaries (3PLs, freight forwarders) involved with the load. Although we cannot validate the accuracy of the information provided by outside entities we do have a high degree of confidence that these reports are factually correct since it is not unusual to hear about the same cargo theft from several disparate sources. On the other hand, we are limited to the details they provide.

Again we are able to highlight some discernable trends in several areas, specifically commodities affected, days and location of the occurrences as well as the modus operandi of these incidents.

Number- We gathered information on a total of 158 cargo thefts that took place during the 2nd Quarter of this year; this reverses the decrease noted from 4Q 2008 to 1Q 2009. As we suspected that drop appeared contrary to historical patterns (overall crime rates in the United States have risen during the past 5 recessions) and counter-intuitive given the economic conditions we are facing.

Value- We are only able to report on the extent of the loss in 65 thefts, representing well less than half of the recorded incidents. The accumulated value of the stolen goods was in excess of \$ 77 million, a significant increase from the previous period and one of the largest single quarterly amounts we have encountered. This total was heavily influenced by eight losses in excess of \$ 1 million. Two pharma thefts alone accounted for over one-half of the total amount reported.

Commodity- The types of cargo that were involved in these thefts are as follows:

- Food products, including non-alcoholic beverages- 24 losses
- Consumer electronics- 20 losses (mostly televisions)
- Apparel including footwear and accessories- 17 losses (shoes and handbags were prominently featured)
- Miscellaneous cargo/mixed loads- 15 losses

- Building materials – 10 losses
- Pharma- 10 losses
- Computer equipment- 8 losses
- Appliances- 7 losses
- Cellular telephones- 6 losses
- Auto parts- 5 losses
- Metals- 4 losses
- Tires- 4 losses
- Wine, spirits and beer- 4 losses
- Lawn & garden equipment- 3 losses
- Toiletries- 3 losses
- Bicycles- 2 losses
- Bottles- 2 losses
- Chemicals- 2 losses
- Contractors' equipment- 2 losses
- Paint- 2 losses
- Toys- 2 losses

No other category represented more than a single theft.

Months- This is a relatively new feature of these quarterly reports; designed to give more context as to the timing of the thefts. As noted the number of thefts in April and May were low based on historical data but the jump in June was unprecedented and hopefully does not signal a harbinger of things to come.

- 📅 April- 47 incidents
- 📅 May- 41 incidents
- 📅 June- 70 incidents

Days- Approximately fifty-six percent (56%) took place over the weekend (from Friday night through Sunday) however, you factor in the number of incidents reported on Monday, the percentage surpasses 70% assuming the theft took place over the weekend but was not discovered until Monday. Again this result is troubling given the amount of attention to the vulnerability of cargo in containers or trailers as well as that stored warehouses over weekends. On the other hand, shippers are still tendering goods to drivers on Friday for Monday deliveries so they are part of the problem. Also, there is no concerted effort by any group to develop safe havens where truckers can park their loaded trucks when they are idle.

The number of thefts taking place toward the middle of the week, i.e. Tuesday and Wednesday and Thursday, is in stark contrast; these are major drive and deliver days where the goods tend to be less at rest and thus less at risk. The actual day by day count is as follows:

- ⇒ Monday- 24 losses
- ⇒ Tuesday- 16 losses
- ⇒ Wednesday- 14 losses
- ⇒ Thursday- 15 losses
- ⇒ Friday- 18 losses
- ⇒ Saturday- 35 losses
- ⇒ Sunday- 36 losses

Location- Perennial problem state, Texas is joined, actually overtaken by Florida, long the nexus of cargo theft in America. These two states account for almost one-half of all the loss points in this quarter. Nonetheless, we have reports from 22 states as well as Canada and Mexico so cargo crime is truly a national as well as cross-border issue. Here are the numbers:

- Florida (35)
- Texas (34)
- New Jersey (14)
- Tennessee (14)
- California (10)
- Georgia (9)
- Pennsylvania (6)
- Canada (4)
- Illinois (4)
- Kentucky (4)
- Arkansas (3)
- Maryland (3)
- Mississippi (3)
- North Carolina (3)
- Arizona (2)
- Ohio (2)
- Indiana (1)
- Kansas (1)
- Louisiana (1)
- Mexico (1)
- Michigan (1)
- Missouri (1)
- Oregon (1)
- Wisconsin (1)

M.O. - For another 3-month period truck and rest stops (28 incidents reported) were not the most common areas for cargo theft. Losses from carrier facilities topped our list with 42 incidents. Theft from “unsecured” locations numbered 33 and occurred in drop lots, parking lots and other unspecified sites. We would note that while thieves gained entry into the carrier properties by cutting through gates and/or fences and were at times caught

on surveillance (cctv) cameras, it frankly is a stretch to consider these secure. A real secure truck or 3PL terminal would be in protected against these types of attacks.

Please note that a number of reports did not specify the exact location of the cargo crime but given the quantum of our “running” statistics are comfortable in stating that these too took place in the same venues in roughly the same proportion as those listed above.

SUMMARY:

The quarter started out fairly well with a relatively low number of incidents in the first two months but the quarter may have began as a lamb but June turned out to be a wolf in sheep’s clothing. There is not much positive news to report. The amount of cargo theft in dollar value is up and on a per event basis is staggering albeit skewed by the aforementioned pharma and other high profile thefts; nevertheless, not a good trend.

These reports also illustrate some anomalies and the 2Q 2009 edition is no different. Building materials are rising on the “hit” list as if those carrying out the crimes were looking to corner the market on roof shingles and other supplies coveted after storms. Food as a theft target has true staying power certainly in uneven economic times when “basics” are more than ever essential. Perhaps we can expand that grouping by lumping in the de rigueur accoutrements of modern society- cell phones, flat panel/high definition televisions and other high end appliances.

Pharma remains as a low frequency, high severity player even with the tremendously collaborative efforts by that industry logistics and security thought leaders

There is some hubbub surrounding collective cargo theft prevention efforts but most of it remains in the talking stages. Until something materializes, it is up to individual companies to take measures they deem appropriate to safeguard their goods, and the goods of others in their care, custody and control, in transit. Start by making informed decisions based on the data that are available.

We will continue to compile data and provide commentary as long as the information remains available to us. If you have any questions or have any suggestions to improve this work, let us know.

Chubb Marine Underwriters
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