

TransActions

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Cargo Security *No Longer Merely an Option*

BY MICHAEL NISCHAN, CDS, CCSP

Compliance, safety, accountability (CSA) has been a hot topic during the past year, but another equally hot topic is in the trucking headlines daily—cargo security. Cargo theft is defined as the “stealing of merchandise in transit,” but the crime also pertains to theft of a tractor and trailer, and it can happen anytime and anywhere.

It may surprise you that cargo and equipment theft has had a profound affect on our supply chain, to the

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extent that while the economy went downhill for most of us, business was good for cargo thieves. The good news is that a variety of considerations can help you manage these security risks.

VICTIMS OF CARGO THEFT

Everything we buy has made a trip somewhere along the way on a truck. Everything in our homes, offices, our clothing, our food, medical supplies, was brought by a truck. When you

continued on page 20



PAGE 6
INTERVIEW
Michael Nischan on Security Management



PAGE 8
COMMUNICATION
A Key to Achieving Results



PAGE 14
AIR TRAVEL
The Three Tenets of Safe Travel



PAGE 19
DISTRACTED DRIVING
Dangers of Texting While Driving

For a complete
Table of Contents,
see page 3

Security Management for Motor Carriers

MICHAEL NISCHAN IS RESPONSIBLE FOR THE TRANSPORTATION RISK CONTROL PRACTICE AT THE MCCART GROUP IN ATLANTA, GEORGIA

In this interview, Nischan explains the importance and benefits of security management in a motor carrier operation.



Michael Nischan

TPS: Please provide an overview of The McCart Group and your position in the risk control practice.

MN: The McCart Group, celebrating its 40th anniversary this year, is an independent insurance broker in Atlanta and a partner of Assurex Global, a privately held risk management and commercial insurance brokerage group. We offer risk control, safety,

claims management as well as property/casualty insurance solu-

tions. Additionally, our employer services division delivers benefits and payroll administration services.

We have seven consultants in our risk control practice, and we offer both value-added and outsourced services to address specific needs in the areas of occupational, environmental and transportation risk management. I am responsible for serving our clients with their motor

carrier compliance, safety and security needs.

TPS: Why should security be an important concern for motor carriers?

It is hard to believe, but it is true—while the economy went downhill for most of us, business was up for cargo thieves. The average loss per motor carrier is around \$471,000, not including theft of vehicle equipment. A theft can be a violent crime risk to employees, but it also costs a motor carrier in terms of business interruption, reputation, equipment repair and replacement, claims and increased insurance premiums.

TPS: Are consumers affected at all by a motor carrier's security efforts?

MN: Ultimately, yes. These losses affect us all since we are all consumers, and the consequences include:

- 1) Products that never arrive at their destination, so we are deprived from purchasing them.
- 2) Products that arrive late, damaged or in an otherwise unacceptable condition, so we are deprived from getting what we paid for.
- 3) Products that become more expensive over time.

TPS: What are the benefits of good security practices in a motor carrier operation?

It is important for any business to be mindful of barriers to success, and good security practices can address many costly risks to an operation. A motor carrier can reduce its risk to violent crime and theft of equipment and cargo, and this helps the company:

- 1) Reduce business interruption/loss of business, thus helping to maintain position in the supply chain.
- 2) Maintain affordable insurance premiums.
- 3) Maintain reputation in the community as a provider of jobs in the economy.

TPS: Not all motor carriers transport high-value commodities. Should they still invest in precautions?

MN: "Freight at rest is freight at risk," and even if you have a low-value commodity, rest assured that there is someone out there who will gladly steal your truck and trailer to commit other cargo crimes using your equipment. Even if a motor carrier has no products on board at the time of equipment theft, they are "feeding the crime" among others in the trucking industry due to failure to secure their own facility and equipment.

TPS: What can the trucking industry do to thwart cargo theft?

MN: Industry must continue to invest in itself. With a minimal investment, every motor carrier can raise its security efforts. Facilities can benefit from improved barriers and lighting, trucks can benefit from technology to track motion and to prevent theft while parked and drivers can be educated about situational awareness and observation skills.

TPS: What can the insurance industry do to thwart cargo theft?

MN: There is a greater need for the insurance community to work

"Freight at rest is freight at risk," and even if you have a low-value commodity, rest assured that there is someone out there who will gladly steal your truck and trailer to commit other cargo crimes using your equipment.

together in this area. Cargo security is constantly on my mind, but I do not hear it mentioned enough in insurance circles. I always hear discussions about hot topics, such as compliance/safety/accountability (CSA), driver qualification or hours of service, but I would like to see more emphasis on proactive security efforts. There should be greater emphasis on questioning prospective and existing clients, and renewals should be an opportunity to compare loss history to continuing security efforts.

TPS: *What are your top five suggestions for a motor carrier to begin managing its security risks?*

MIN: 1) Be very concerned. This is not “somebody else’s problem.” Eventually, this crime may affect you directly.

2) Contact your state trucking association to learn what law enforcement efforts are underway.

3) Join an association and get involved to stay informed about trends and solutions.

4) Get to know the law enforcement officers who are on the front lines against cargo theft. This way you can maintain a steady stream of knowledge to protect your company.

5) Seek guidance from a security professional who can review your practices and can provide recommendations to enhance your security.

TPS: *What do you believe are the greatest challenges to motor carriers today? What are the solutions?*

MIN: Aside from the driver shortage and a challenging economy, the two greatest challenges are CSA and security. CSA is merely a new way of doing enforcement. It is not a new regulation, but it is a better way of enforcing current regulations, and it will ultimately have many benefits to the overall posture of motor carriers. Security seems to be an “out of sight, out of mind” issue. Many motor carrier executives have decided (without validation) that their operation is at low risk and that is simply untrue. If you have at least one truck, you have a theft risk.

In terms of solutions, a motor carrier must have a dedicated management team in place to guide all transportation and security efforts. Secondly, if motor carriers do a good job in driver selection, they will hire better quality drivers and this will enhance their chances of faring better under CSA. Good driver selection aids in driver retention, and considering the average cost to hire and train a driver is \$6,000, it is time well-spent to focus on hiring the best driver rather than hiring a warm body to drive a truck. Thus, this type of motor carrier may not be as affected by the driver shortage and can better deal with a challenging economy. These same efforts can pay off in the security component of your operation because that same higher-quality driver is more likely to adhere to your security practices.

The motor carrier’s management team needs access to knowledgeable persons who can guide them with their security efforts, whether those persons are part of the organization or are hired from outside sources. ☺

Michael Nischan, CDS, CCSP, has nearly 20 years’ experience in transportation. He began his career in the radio and television industry, working both on the air and as technical engineer. He then worked in law enforcement, where he focused on traffic enforcement and accident investigation. He then moved into private industry, where he was responsible for the transportation operation for a manufacturer. He joined The McCart Group in 2000 to create the firm’s first transportation risk control practice.

In his role with The McCart Group, Nischan helps motor carriers achieve and exceed regulatory requirements, develops

management and training programs, implements operational controls to enhance efficiency and productivity and educates all members of an organization on compliance and security measures.

He is an instructor with the North American Transportation Management Institute (NATMI) and serves the Georgia Motor Trucking Association (GMTA) in providing professional certification and training courses for transportation managers. He teaches compliance, management, accident investigation and security principles. He is a member of the NATMI Certification Board and plays an active role in continuing enhancement of NATMI educational materials.

He is the only certified cargo security professional employed by an insurance or risk management firm in Georgia. He is a member of many organizations in addition to ASSE, including the GMTA, NATMI, South East Transportation Security Council and the Council on Litigation Management.

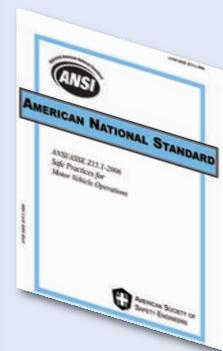
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Protect Your Drivers with Z15.1

The standard, Safe Practices for Motor Vehicle Operations (ANSI/ASSE Z15.1-2006), provides guidelines for the development of policies, procedure, and management processes to control risks associated with the operation of motor vehicles.

This standard is currently under revision, so stay tuned for more information! ☺



Cargo Security: No Longer Merely an Option*continued from page 1*

consider this, it becomes clear that cargo theft truly affects everyone, including the consumer. Trucks are an easy target, especially when parked at homes, warehouses, in unsecured areas or at truck stops. After a theft, the motor carrier suffers due to business interruption, the driver suffers due to injury and trauma (if not worse), and consumers suffer due to increased prices for commodities.

SCOPE OF THE PROBLEM

The top five states for cargo theft are California, New Jersey, Florida, Texas and Georgia. Targeted products include food and beverages, electronics, clothing,

pharmaceuticals and cigarettes. In 2010, cargo theft increased by 4%, reflecting an average of 75 cargo theft incidents per month according to FreightWatch International, a security management and consulting firm. That is the most ever recorded, and it is equivalent to one theft every 10 hours. Just over 80% of thefts in 2010 were truckload or container theft, and about 3.5% involved warehouse burglaries.

CARGO THEFT IS EXPENSIVE

The worldwide cargo theft cost approaches \$50 billion, but actual costs may be greater when indirect

costs are considered. Some businesses are reluctant to report thefts due to concern about reputation and insurance premiums, with the average loss per motor carrier theft valued at \$471,000 (not including theft of vehicle equipment).

Roughly 10% of cargo is recovered and returned to the motor carrier. It is the costliest crime in America, with costs exceeding all burglaries, robberies, cyber thefts and identity thefts combined. According to FreightWatch International, in 2010, the food and beverage industry was hit hardest, reflecting 21% of all cargo thefts, with an average loss of \$125,000 per incident. Electronics were the next hardest hit, reflecting 19% of all cargo thefts, with an average loss of \$512,000 per incident.

THEFT STRATEGIES

Criminals employ several strategies in cargo theft, but the most common method is to identify parked equipment. Unattended equipment can be found at truck stops—where drivers might leave a truck or tractor-trailer combination to refuel, eat or shower—and at truck terminals, warehouses and manufacturing plants, where trailers might be staged and preloaded for delivery. Equipped with their own/recently stolen power units, thieves know which carriers haul high-value goods and can steal a trailer within a minute.

If you think your rig might be safe because your tractor is equipped with GPS, think again. When they steal a full rig, the crooks will dump the tractor after a few miles; often at a truck stop so that it blends in with other tractors and is harder for law enforcement to locate. The company decals on the trailer are removed, painted over or otherwise changed to conceal the identity so law enforcement has a difficult time locating it.

Using another tractor, the trailer may be taken somewhere for observation to ensure that it is not being tracked by a hidden tracking device. During this time, they are also watching the trailer against theft by other cargo thieves. When confident that the cargo is not being tracked, they will take the trailer to a location for unloading and distribution of stolen goods.

A second strategy is for a thief to locate an unhappy driver at a truck stop and to offer to exchange the whole rig for money or fuel, then the driver falsely reports the rig as stolen. However, it does not take long until the facts are revealed to law enforcement and the driver is arrested, but your equipment and cargo are still gone, and your customer is deprived of its shipment.

A third strategy also occurs at truck stops, and involves cargo thieves who scout these areas for drivers who are sleeping or away from their equipment. They will gain entry into the cargo area to see whether there is anything worth stealing; once they find something they want, they quickly load the cargo onto another truck and your cargo is gone.

The fourth strategy involves organized crime conducting surveillance of facilities. They may plant a person as an employee at the targeted company, and this person provides details on facility layout and security practices. Information is provided on the whereabouts of a high-value load so it can be stolen later.

An emerging trend is for criminals to steal several pieces of equipment during one incident because they know the payoff will be greater and the risk of being caught is the same whether they steal one rig or five rigs, according to FreightWatch International. Hijacking is rare, with most crimes involving nonviolent truckload thefts during weekend hours. However, at least 10 incidents in 2010 involved the use of a weapon, and it is suspected that this trend may continue.

About half of all thefts involve theft of trailers only; often from company property, and about half of all thefts involve theft of the whole rig; often from truck stops. Even if your commodity is not high-value, if you have a straight truck or rig, you still have a theft risk because the equipment can be stolen and used to transport cargo stolen from other companies.

WHO FIGHTS CARGO THEFT?

Most people think crime-fighting is the exclusive realm of law enforcement, but nothing could be further from the truth. We are all in this together, like it or not, and that means we all have a responsibility to maintain situational

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awareness of our surroundings. Regardless of the type of crime, law enforcement relies on information for the investigation, and this information can be gathered from evidence left at the scene of a crime as well as from information gathered by victims and eyewitnesses. Without information, the investigation becomes extremely difficult.

DO NOT ASSUME IT CANNOT HAPPEN TO YOU

You should be very concerned about cargo and equipment theft because eventually you may become a victim. If you have never had a security survey, seek guidance from a security professional from within your organization, from an outside consulting firm, or from your insurance agency or carrier. A professional will be able to provide you with a security evaluation along with recommendations for improvement. A plan of action should be created to ensure correction of any concerns and should include development of a written program along with any training materials. Conduct these surveys at least annually or whenever a significant change occurs in your facility or in your operations. Additionally, security checks should be conducted daily.

STRATEGIC ALLIANCES

Identify an organization that works to combat cargo theft and get involved. There are many to choose from, including your state's cargo theft task force, ATA's Supply Chain Security and Loss Prevention Council, CargoNet, National Insurance Crime Bureau, National Commercial Vehicle and Cargo Theft Prevention Task Force and the Technology Asset Protection Association. You will obtain a significant benefit if you can join an association that has members comprised of both trucking and law enforcement members.

GET TO KNOW LAW ENFORCEMENT

Hopefully, you will be able to meet law enforcement officers in any cargo security association you join. If this is not the case, contact your state trucking association to find out whom to contact to develop a relationship. This will afford you the chance to learn what efforts are underway with local law enforcement, and you can learn more about local trends, subscribe to crime alerts and maintain a steady stream of knowledge that will help protect your operation.

This also gives you the opportunity to give feedback to officers about changing business practices, questionable vehicles and unknown persons observed in the area. This information-sharing process, achieved by working together with law enforcement, helps increase recoveries of stolen cargo and deters future theft. The opportunity may also arise for you to provide useful information about a theft that you can help resolve.

COMMUNICATE

Involve all layers of your organization in security



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efforts and in training on evolving security practices, recent incidents and crime alerts. You will need to limit specific types of security information based on job descriptions on a need-to-know basis.

THE DRIVER

The driver is a key figure in the prevention of cargo theft because this person is in a great position to quickly identify any evidence of attempted or actual theft. Opportunities for observation occur during the pre-trip vehicle inspection, loading, cargo securement, upon departure, while in transit, at truck stops, upon arrival at destination, while unloading and during the post-trip vehicle inspection. Train your drivers on the observational skills that should be used during these stages of a shipment. Additionally, drivers should never discuss their cargo, destination or trip details with people they do not know or in public places.

THE ROLE OF TECHNOLOGY

The three principles of cargo security are 1) secure the truck; 2) secure the facility; and 3) the fewer who know, the better. A layered approach is what works when implementing a security program, one that includes ele-

ments, such as written procedures, good hiring practices, employee training and the use of technology components for your facility and vehicles.

To protect a facility, you can use perimeter fencing, lighting, locks, a security system, a surveillance system, limited access areas and a protected computer network. To protect the truck and cargo, drivers can make use of air cuff locks, kingpin locks, tamper detection devices and tracking devices.

However, technology has its limitations. It is merely an ingredient, not the ultimate solution, in the battle against theft. Relying on GPS truck tracking or hiding a tracking device inside the cargo does not prevent a theft, and none of these tools are effective if not used consistently. The one day that a driver forgets to use an air cuff and kingpin lock will be the day you lose a \$500,000 load—along with the tractor and trailer.

COPING WITH THE RISK

Cargo security is no longer merely an option, but managing a good program is about asking good questions now rather than having to answer hard questions later. Motor carriers have enough to deal with these days aside from fulfilling demanding business needs in a challenging economy. If you have trucks and cargo, you have a theft risk, because anything worth delivering is worth stealing. Review your security practices and determine what is needed to protect your current assets and future earnings—and beat the cargo thieves at their game. ☪

Cargo security is no longer merely an option, but managing a good program is about asking good questions now rather than having to answer hard questions later.

REFERENCE

FreightWatch International. U.S. cargo theft: A 2009 review; U.S. cargo theft: A 2010 review.

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Safety Compliance Alternatives

A study released by the American Transportation Research Institute articulates strategies for improving the trucking industry's safety record through alternative compliance.

The report proposes innovative safety tools and approaches, including onboard safety technologies, employer notification systems and new drug testing methods as surrogates for existing regulatory compliance activities. The report's genesis derives from government data, which suggest that many safety benefits are beginning to plateau.

To determine the efficacy of existing compliance, the research evaluated carrier safety before and after compliance reviews. While crash rates were notably lower following compliance reviews

for small fleets, this benefit diminished and even disappeared as fleet size increased.

The study outlines a framework for a pilot test of alternative compliance activities that are validated within the report as having the most impact. Companies can test these tools and determine which they want to implement and embrace to constantly improve their safety program.

To review the report, [click here](#). ☪



Cargo Security: No Longer Merely an Option

It's easy to forget that everything was delivered by a truck. That's right – everything in our homes and offices, everything we eat, and everything we wear – was at some point delivered by a truck. Unfortunately many of these products don't make it to their destination, thanks to cargo thieves who readily steal trucks and cargo. But this great expense to companies and consumers can be thwarted with a little preparation.

I wrote this article in an effort to educate motor carriers about this serious and expensive risk to our economy. I hope it helped you to realize that we can fight this battle and help you protect your current assets and future earnings.

Please contact me if I may ever be of assistance.



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