



TT Club Loss Prevention

May 2023

Supply chain security bulletin



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TT claims data for 2022

Economic instability influences freight crime

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Cargo theft incidents in Mexico

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Supply chain security bulletin

This bulletin considers all aspects of supply chain security. It highlights TT Club claims statistics along with a range of other industry data and provides an invaluable insight into the current risks facing those tasked with managing security through the supply chain. The Club has produced a number of reports and guidance documents related to this area of risk across numerous media platforms.

This bulletin gathers a selection of TT content and publications as well as highlighting collaborative work undertaken with other like-minded organisations in this space.

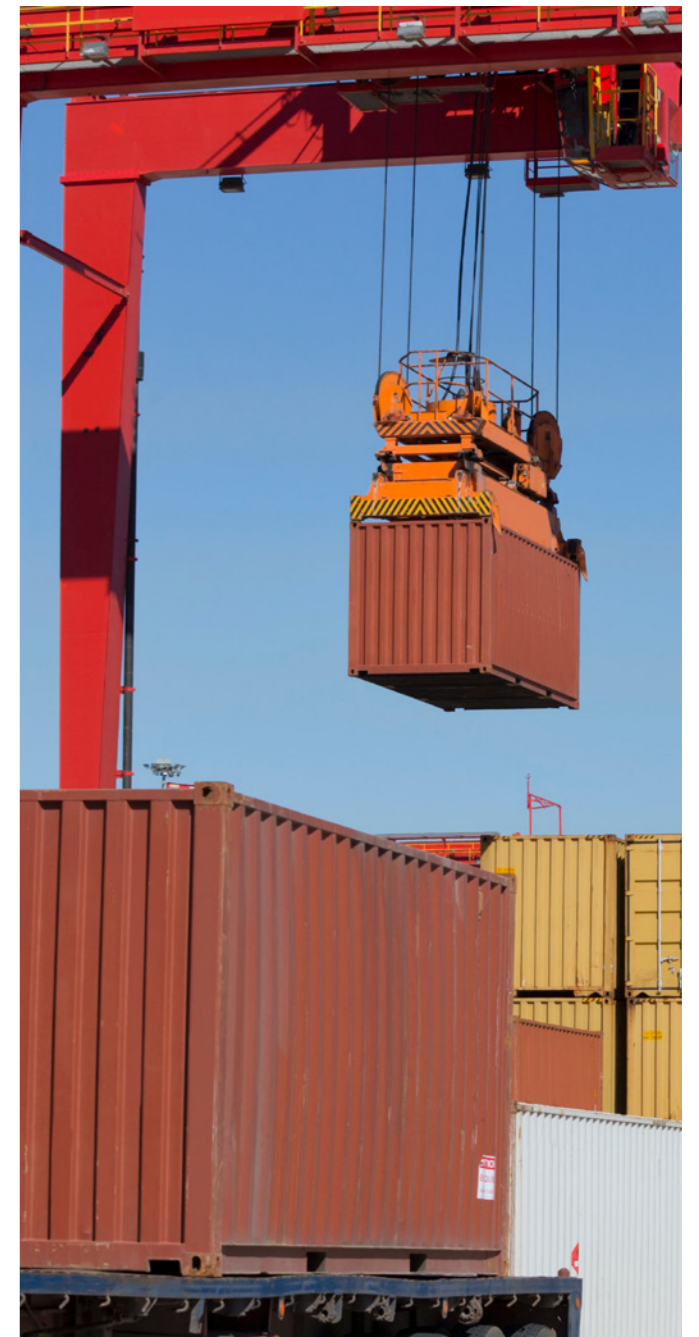
The entire library of TT's loss prevention guidance can be found at www.ttclub.com/loss-prevention and you are invited to email us at riskmanagement@ttclub.com or get in touch with your usual contact should you have any queries, ideas or suggestions.

Foreword

As most countries emerge from the COVID pandemic, markets have normalised. The end of 2022 and the start of 2023 witnessed fewer incidents of congestion through ports, terminals and other key hubs in the global supply chain resulting in a generally reduced security risk.

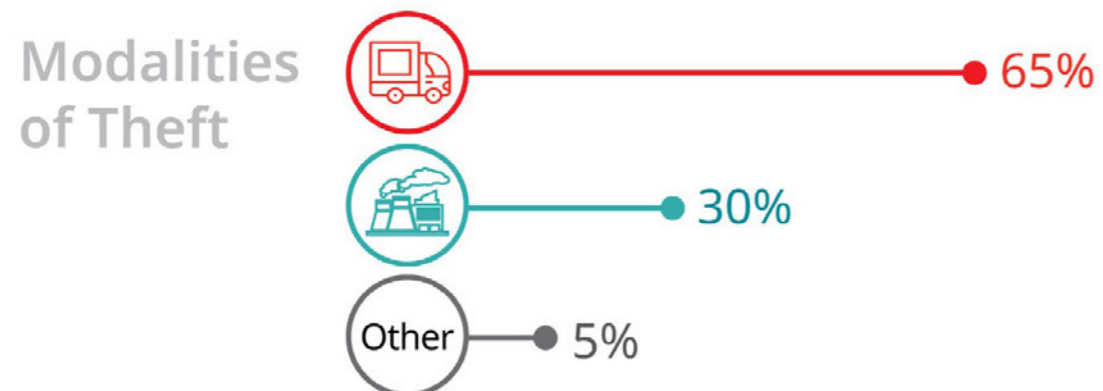
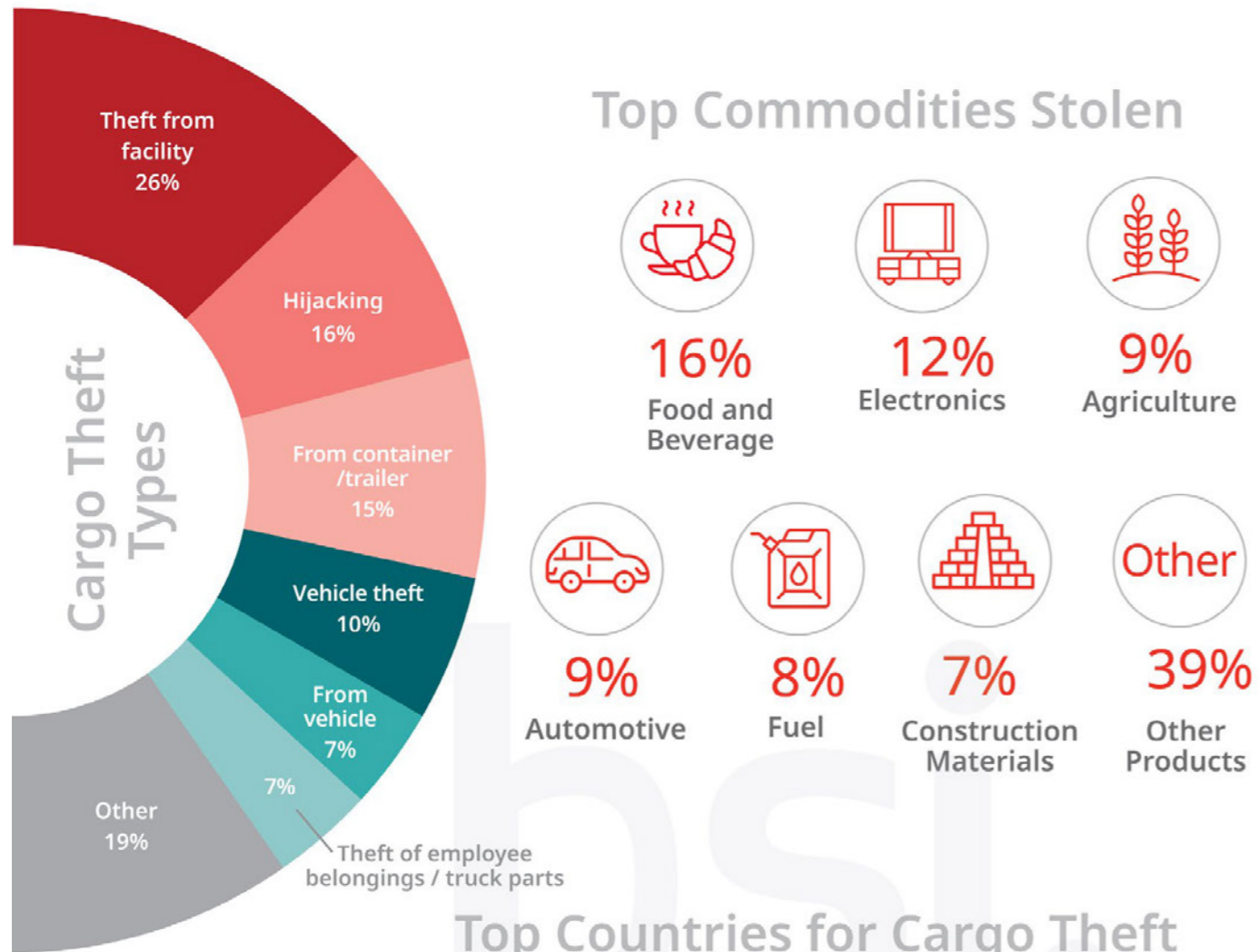
As is typically the case where crime is concerned however, as one potential risk diminishes, others are established. There is an increasing recognition that criminal activity around freight crime is closely correlated with natural market forces – supply and demand. As criminals become ever more sophisticated, they are able to target particular vehicles and goods, often those for which they have a known market.

In part influenced by the impact of the pandemic, other economic factors that are impacting freight crime trends are inflation and the associated increased cost of living. In many countries, inflation is at its highest level in decades and many citizens are facing significant increases in their cost of living. Both these economic factors have the potential to give rise to shadow markets that influence natural market forces; agile criminals have been quick to exploit these opportunities.



Global cargo theft trends 2022

Based on recent incident data via collaboration and partnerships with law enforcement, government, non-government, commercial partners, trade associations, open-source media reports, and input from BSI advisors and expert consultants.



Economic instability influences freight crime

The latest BSI and TT Club study of [freight crime](#) statistics highlights the direct influence of current global economic instability on criminal activity. Various geopolitical situations and the macro-economic impact of inflation around the globe have driven a series of trends through 2022 that are likely to continue in the foreseeable future. The global logistics industry need to be alert to the changing threat landscape.

Looking at freight crime in its simplest form, there are three primary factors that drive criminal activity: motivation, opportunity and ability. In this article we explore these factors and how current circumstances influence crime trends.

Motivation

Ordinarily, criminal motivation is realising funds from the sale of stolen goods. The 2021 report highlighted this fact and the direct influence of market forces on freight crime; the goods stolen are often those in high demand and low in supply, those that are easy to sell for a high price. For example, the [2021 report](#) evidenced a shift towards the theft of medical supplies and anti-bacterial products at the start of the pandemic.

In many mature economies, inflation is at its highest level in decades. While it varies by country and region, the general increase in the cost of living for many populations translates to diminishing purchasing power. As the price of everyday essential items spikes, families contend with purchasing decisions they have typically not faced for decades; these families may need to defer luxury or indulgent purchases to ensure their incoming funds stretch to cover the daily essentials.

“criminal motivation is realising funds from the sale of stolen goods”

Criminals will face these exact same constraints, but are acutely alert to recognise opportunities for easy markets. The 2022 analysis demonstrates a targeting of essential commodities, including food and beverage (16%), agricultural (9%), automotive and fuel (17%), almost certainly on the basis that shadow markets develop to satisfy consumers seeking ‘bargain’ prices for essential goods.

Nevertheless, electronics (12%) remain attractive to those behind freight crime, displaying resilience in such high-value goods despite economic downturn.

Opportunity

Vulnerability factors highlighted previously in the [2020](#) and [2021](#) Cargo Theft Reports, such as increased dwell times for cargo, eased through 2022 as global trade generally rebounded. However, [cargo at rest](#) remains at greatest risk with 2022 data confirming that the [road modality](#) presents the highest threat. Theft from [facilities](#) continues to increase.

“cargo at rest remains at greatest risk”

Where businesses have strategically moved away from ‘just in time’ (JIT) logistics models towards ‘just in case’ (JIC) stocking, greater storage requirements are generated, particularly in the destination country. While this increases supply resilience, managing adequate [storage requirements](#) at destination presents longer

term headaches. The inability to find storage capacity at or near destination has presented [security](#) challenges, such as storing cargo temporarily in trailers and in containers, for example.

In the 2022 data, the frequency of ‘theft from facility’ incidents accounted for 26%. There have been multiple recorded incidents where criminals have stolen loaded containers or trailers from depots or facilities through 2022, on occasion in large number. This suggests highly organised activity, requiring insider knowledge, equipment, skilled labour and opportunity to access the facility.

Of course, breaking and entering a facility or depot to access cargo presents greater risks for the criminals and they would often need to contend with established security measures, such as fences, CCTV and ANPR equipment. If caught, the crime categorisation in many jurisdictions is more serious than cutting the curtain of a trailer and stealing cargo at the roadside. However, the potential rewards are much greater too; rather than being satisfied stealing several pallets of goods from a truck at the roadside, there is opportunity to steal several truckloads of goods at a depot facility.

Ability

The greatest challenge for those responsible for managing security through the global supply chain is criminals’ ability to access cargo. Trends in this regard vary by country and region and include sophisticated methods as well as pure opportunism.

“Information security remains a key threat for the supply chain”

Information security remains a key threat for the supply chain. Digitalisation can, if not carefully managed, create vulnerabilities. The process must be twinned with robust management controls across all types of user to ensure that access rights remain appropriate at all times, including revoking where necessary. The threat landscape for physical and technological access is vast, including apps and personal devices, for example.

[Fraud](#) is a strategy that TT has highlighted regularly through 2020 and 2021; the data for 2022 suggest that there is no decrease in this aspect of risk. While [fictitious collections](#) remain a relatively small proportion overall, such incidents continue to occur and the apparent ease with which the criminals are able to exploit the supply chain to access goods in this way remains concerning.

The 2022 analysis evidences that [insider risk](#) is increasing and evolving, with [insider](#) involvement in 21% of incidents globally. Examples include payments to truck drivers to [deviate](#) from their planned route so that criminals can steal the cargo, whilst other instances involve granting access to a closed facility or vital information regarding site security provisions.

The principles of Know Your Customer/Counterparty (KYC) and [due diligence](#) remain of great importance in mitigating

“Cargo at rest remains at greatest risk with 2022 data confirming that the road modality presents the highest threat.”

freight crime threats. [Vetting](#) potential sub-contractors and your own workforce, evaluating carefully the potential [risks](#) and understanding how to identify threats are all crucial steps.

Of course, motivation, opportunity and ability are intrinsically linked. Where, for example, the cost of living increases to uncomfortable levels, not only is there greater potential for a shadow market to develop (motivation), there are changes to supply chain strategies (opportunity) and it arguably becomes easier for criminals to access cargo (ability).



Mike Yarwood
Managing Director Loss Prevention,
TT Club, London

Mike Yarwood is a Chartered Fellow of the Institute of Logistics and Transport, a Technical Specialist Member of the Institute of Risk Management and a Member of the Chartered Insurance Institute.

SecureSystem

As the global economy becomes more interconnected, the transportation of goods across borders has become a vital component of international trade. Ensuring integrity is difficult, particularly when it comes to preventing criminal threat (theft, replacement, smuggling etc.) but also with regard to maintaining appropriate conditions within the container (temperature, humidity, etc.). Here, Heinz Klein, Managing Director & CCO of SecureSystem, talks about how his innovative solution could help.

Cargo integrity, including delays, replacement and theft, is a growing concern in the transportation industry, resulting in significant financial losses for all parties involved: the shipper, the receiver and their insurers. To ensure cargo integrity and tracking, new technologies, such as SecureSystem Container Monitoring, help by providing real-time information on the location of the cargo and its condition.

The solution turns ordinary shipping containers into smart, connected assets by applying IoT devices to the container door and using the AWS hosted data platform to process this data accordingly. The platform integrates, analyzes, provides access to the unique data generated by the devices. These devices are connected using mobile networks and sometimes backed up with satellite connectivity, like SecureSystem, to ensure real-time data transmission. They use GPS to track the location, and sensors to measure temperature, humidity, shock, intrusion attempts and more. Thanks to real-time data transmission, these devices can help to detect interruptions as they happen, allowing for early mitigation, which could save time and money. Of course, the ability to detect unauthorized door openings not only helps to prevent cargo theft, but also mitigates the risk of both people and drug traffickers accessing the unit.

These high-end, real-time monitoring systems can also help improve supply chain efficiency and increase transparency, optimizing cargo routes and reducing unnecessary transportation thereby minimizing an operation's carbon footprint. Furthermore, by ensuring that perishable goods are transported in suitable conditions, the technology helps to prevent spoilage and waste, which is not only beneficial for the environment but also for the economy. This leads to improved asset utilization, working capital reduction and contributes to reaching ESG compliance.



Use cases

1. Swiss chocolate

Swiss ESG reporting standards require raw material importers to prove that they are in control of the entire supply chain, including transportation. E.g., when cocoa beans are imported from Honduras, they must be certified when loaded in to the container in Honduras and then reinspected on arrival in Europe to ensure that the beans have not been switched out, contaminated or stolen during the transit. This is often a process that can take about a week and cost thousands of Euros. Cargo integrity monitoring, such as SecureSystem's solution, can provide indisputable proof that the beans that reach Europe are those that were loaded in Honduras.

2. European wine maker shipping to UK

In recent years, the global supply chain has suffered from widespread disruption and congestion in ports and terminals. This congestion and ensuing delays have left cargo waiting idly throughout the supply chain where it is at greatest risk of theft or damage. While using smaller ports might help this congestion seen in the UK's largest ports, few have the customs facilities to process the shipments. Solutions like SecureSystem Container Monitoring seek to facilitate remote customs clearance by providing the real-time proof to customs that the container has not been compromised from the moment of sealing until it reaches UK soil.

There are high potential savings for all parties with use of remote container monitoring systems. Ensuring cargo integrity and mitigating theft risks is advantageous for shippers, beneficial cargo owners and insurers. The widespread adoption may require reorganization and rethinking of processes but, eventually, it will create a safer, more resilient supply chain.



To find out more about the SecureSystem Container Monitoring solution, visit www.securesystem.net



Heinz Klein
Managing Director & Chief
Commercial Officer

Heinz Klein is an experienced professional and entrepreneur in the field of industrial IoT, supply chain as well as commercialization of data-driven technologies.



Real-time supply chain visibility and integrity monitoring – revolutionizing ESG compliance, customs processing, insurance design and claims management through an independent view on cargo integrity.



Cargo theft incidents in Mexico

Theft trends vary globally. Unfortunately, in some countries such as Mexico, thefts are often violent with truck drivers exposed to risk of harm. Here, George Radu, Claims Executive for TT Club based in San Francisco, takes an in-depth look at cargo theft trends in Mexico.

Truck hijackings are not uncommon in Mexico and are one strategy adopted by criminals to access cargo in the supply chain. These hijackings typically occur when the flow of traffic slows. Multiple persons approach the truck on foot and intercept the truck at gunpoint, threatening the driver with violence should they not comply with their demands. Criminals will often pull the driver by force from the truck, take their cell phone, blindfold them and place them in another vehicle nearby while the criminals drive the truck away. It is frequently the case that the initial slow in traffic has been caused by the criminals themselves, who will release the flow of traffic when they have successfully taken control of the truck.

The criminals will then drive the truck to a designated location where the cargo is stolen from the trailer or container. By this time, having been left by the roadside without means of communication, the driver might have failed to check in within agreed time limits, or the GPS signal from the truck might show an unexpected deviation from the route, alerting the driver's supervisor.

Typically, the truck itself is not a target for thieves, so they will often abandon it once the cargo has been removed. Often, any supervisor dispatched to the GPS location of the truck will find the vehicle empty but undamaged.

Mitigating the risks: due diligence

It is always prudent to subcontract road shipment to approved contractors only. Where long-term business relationships do not exist, pre-employment checks to verify credentials are critical to ensure that a road carrier is not unreasonably exposed to this type of crime. A documented process that includes maintaining records and consistent verification checklists will assist. These checklists should include questions such as:

- How long have they been established?
- What are their security protocols (physical and procedural)?
- How are their drivers trained?
- What experience do they have of transporting goods along the required routes?

Security measures should be assessed and implemented proportionally. It would be prudent to document risk assessments and the measures taken and formalise any agreements made between contracting partners. While not exhaustive, further guidance includes:

- Conduct thorough risk assessments and agree approved travel routes prohibiting unplanned deviations
- Install GPS devices on all trucks and trailers ensure constant remote monitoring
- Maintain awareness of criminal activity and trends and adjust security procedures accordingly
- Consider regular driver check-ins with dispatch
- Ensure that carriers' trucks and trailers are not branded

Defence

Should you fall victim to an incidence of hijacking, it is prudent to contact the police and file a report obtaining a report number. Depending on the exact circumstances, it is often valuable to provide all available information, including details of the GPS reports illustrating where the truck was taken over and abandoned.

Provided that the trucker has exercised due diligence, particularly in the context of sub-contracting and driver employment, and has taken appropriate security measures, they should have a reasonable defence to any associated cargo claim.

An exculpatory defense of force majeure is available based on article 2111 of the Mexican Federal Civil Code, 588 FIV of our Code of Commerce and section 66.V of the Roads, Bridges and Inland Transport Federal Law. It should be noted, however, that a driver's statement in support of this exculpatory defence must be presented.

It is good practice not to accept any liability, even in the presence of force majeure, as this might later affect your ability to defend such a claim.



George Radu
Claims Executive

George Radu joined TMA in 2007 after spending 19 years at a major container shipping line including 10 years as Claims Manager. He handles cargo related claims and is the America's Loss Prevention officer.



Often, any supervisor dispatched to the GPS location of the truck will find the vehicle empty but undamaged.



The importance of information management

Signum Services responded to and investigated a series of cargo theft incidents throughout 2022 on behalf of TT Club. One factor determined through investigation was that criminals were accessing vital data that enabled them to access and steal cargo held in terminals. Part of the strategy was then arranging collections by unwitting or fictitious trucking companies.

David Thompson of Signum Services recommends that all operators review their information management processes with a view to identifying and closing any identified loopholes. A first step can be considering the data you are handling and then assessing how this might be used to facilitate crime should it fall into the wrong hands. It is especially important when adopting new technologies such as mobile phone apps.

Developing and constantly monitoring management controls should serve to identify weaknesses and afford opportunities to harden operations in a targeted manner. Once processes are established, training and refresher training are prudent steps to ensuring that individuals remain aware of their importance.

In several theft cases analysed, Signum noted flaws in the measures used to verify the identity of individuals collecting cargo, which the thieves gladly used to their advantage. Due diligence strategies around identification should be reviewed and audited regularly to ensure that they remain adequate and, more importantly, are being implemented. Close engagement with individuals responsible for undertaking these checks can be useful in identifying potential issues experienced, which might result in short cuts being taken.

It is prudent to maintain contact lists regularly, particularly around approved contractors, to identify any contacts who are inactive for a short, defined period. Removing these contacts from your database will assist in reducing risk connected to

companies that cease to trade and are purchased by criminal organisations.

Signum found that some operators had invested in additional technology solutions that appeared to be extremely effective. Using a tablet, they recorded fingerprint data from drivers to assist with identity verification.

Organised crime groups are agile and constantly searching for operational weaknesses. Take your eye off security for a moment and they will identify opportunities and strike.



Signum Services | Loss Prevention | UK P&I Club (ukpandi.com)



David Thompson joined Signum Services in January 2013 following his retirement from the Metropolitan Police. Signum Services is the in-house investigative team that conducts criminal investigations on behalf of the Members of the TT Club, UK P&I Club, the UK Defence Club and ITIC. David most recently participated in the second season of TT's podcast "TT Live" discussing supply chain security.



ENTRIES NOW CLOSED – Young Supply Chain Resilience Professional of the Year

As part of TAPA EMEA's aim to promote careers in cargo security and supply chain resilience, the Association is launching a new award sponsored by TT Club, the leading provider of insurance and related risk management services to the international transport and logistics industry, to help identify outstanding individuals excelling in the profession.

The 'Young Supply Chain Resilience Professional of the Year' Award is open to all supply chain security stakeholder members of TAPA EMEA. To enter, applicants must produce an up to 1,500-words submission on an innovative cargo security or supply chain resilience initiative they have developed or contributed significantly to.

Entries will be judged on their originality, complexity, innovative solutions, and success in improving supply chain resilience for the applicants' companies or clients. All entries will be judged by members of the TAPA EMEA and TT Club leadership teams and the winner will be invited to receive their award at TAPA EMEA's RESILIENCE@RISK Conference in Amsterdam on 14 & 15 June 2023.

Potential areas of focus can be:

- a project outlining an innovative approach to supply chain security concerns;
- a particular supply chain security/cargo loss challenge that you have faced and overcome with an innovative solution;
- an innovative solution you have developed and deployed to address a new or emerging supply chain security risk.

Rules of entry

- Applicants must be 35 years or younger in 2023.
- You must be based in the Europe, Middle East & Africa (EMEA) region.
- Your employer must be a member of TAPA EMEA.
- You must gain your employer's permission to enter.
- You must agree to the publication of your winning entry by TAPA EMEA and TT Club.
- The judges' decision is final.

Mike Yarwood, Managing Director Loss Prevention at TT Club, added: "TT Club are proud to partner with TAPA EMEA in sponsoring this new award. In doing so, TT Club aspires to identify, inspire, and reward young talent in the industry, encouraging them to continue to innovate, communicate with their peers, and strive for ever greater levels of security throughout the supply chain sector."



Join us at the TAPA EMEA RESILIENCE@RISK conference in Amsterdam on 14 & 15 June where the 2023 competition winner will be announced.



MOTORWAY BUDDY

20:39

MOTORWAY BUDDY

MotorwayBuddy.com

Motorwaybuddy is the first and only complete guide to all of the truckstops that operate in the UK

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An application that has evolved from truckstop locator to complete freight crime solution, Motorwaybuddy takes cleansed data from UK police forces to assist UK and European hauliers remain vigilant and make educated decisions when considering their overnight parking.

ttclub.com

Help prevent cargo crime

NaVCIS Freight | Membership

TT Discounts for TT Club Members

NaVCIS Freight members receive:

- 26 fortnightly bulletins
- 12 monthly reports
- Four quarterly reports
- Our annual freight crime bulletin

Annual fees* based on size of your organisation:

- Small business £700
- Medium business £2,500
- Large business £4,500

*Size of organisation determined according to published annual revenue. Fees correct as of September 2021. NaVCIS hopes to reduce the cost of fees in the future, as membership numbers increase.

For further details, contact us: freight@navcis.pnn.police.uk | 07388 859423

NaVCIS NATIONAL VEHICLE CRIME INTELLIGENCE SERVICE

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