Cargo Theft Trends: Hijacking, Double Brokering Scams & Industry Best Practices

Marine Insurance Day Seminar
October 5, 2023
Today’s Presenters

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US Cargo Theft Trends

- Accurate reporting of cargo theft continues to plague the U.S.
- The cargo theft heat maps for the U.S. have changed very little over the past 20 years
- Average value of thefts by organized criminal crews have increased to nearly 500K, which is more than doubled from historical trends
- Pharm thefts continue to be low compared to historical rates
- All products with black market appeal and load values over 100K are being targeted
Large Scale Pilferage Crews

- Multiple crews, organized around pilferage
  - Two main M.O.’s
    - Follow from origin
    - Identify at origin, call ahead to accomplices
  - Strike across I-10 and I-40 in AZ as well as central CA.
  - At least one crew has resorted to confrontational hijacking if target is not left unattended
Shell Game Gangs

• SoCal based strategic theft crews
  – Major bust in CA in May 2023
  – Criminal carriers removing freight and editing the BOL – realization of the theft sometimes takes months
  – Double and triple brokering the load and having it delivered to a different location
  – Members and tactics have spread
    • Georgia
    • Illinois
    • Indiana
    • Kentucky
    • NJ/NY/PA
South Florida FTL Crews and Spinoffs

• Multiple traditional (straight theft) FTL theft crews
  – FTL Pharma theft in June
  – Operate nationwide practicing straight theft tactics
  – Target products bases on fence orders or market trends
Local Pilferage Crews

- Local criminals who have discovered that there is easy money to be made in container and trailer pilferage
  - Unconcerned with introducing violence into cargo theft
  - Target rail yards and DCs of known desirable merchandise
  - Prevalent in areas of intermodal density
    - Atlanta
    - Chicago
    - Detroit
    - Los Angeles
    - Memphis
México Theft Trends

- Overhaul recorded over 20,000 cargo thefts in Mexico in 2022
- Like the US the hot spots have not changed significantly in the past 20 years
- The most significant change in the past several months is thefts are becoming more violent with drivers becoming more at risk of being injured or worse
- Overhaul has forecasted an 8% increase in cargo theft for 2023 compared to 2022
- 75%-85% of thefts in Mexico are hijackings
Mexico Trends

Graph 7: Cargo Theft by Product Type 2022

Source: Own development with data from Overhaul Intelligence Center
Strategic theft, or theft using deceptive means such as stolen identities instead of force or the threat of force, is primarily to blame for the increase in cargo thefts over the last 18 months. Much of the increase is due to ongoing shipment misdirection attacks, a kind of “strategic” cargo theft in which actors use stolen motor carrier and logistics broker identities to obtain freight and misdirect it from the intended receiver - so they can steal it.

The explosion in strategic theft is largely due to thieves taking advantage of the same tools that have, for years, made doing business in the supply chain easier for everyone else - load boards and the internet. Through these means, we are increasingly seeing a combination of identity theft and “double brokering”.

Criminals operating a fictitious carrier might pick up a load from a broker before turning around and double-brokering that load to a legitimate carrier. The thieves might instruct that legitimate carrier (who is completely unwitting) to take the load to a cross-dock (under the perpetrator’s influence) where it could be picked up and taken to its final destination.
Initiatives To Address

DOT OIG responds to lawmakers’ broker fraud letter

AUGUST 25, 2023 • Mark Schremmer

In response to a letter from several senators and members of Congress, the U.S. Department of Transportation’s Office of Inspector General says it is committed to investigating double-brokering among freight carriers.

Sen. Mike Braun, R-Ind., Rep. Mike Bost, R-Ill., and several other lawmakers wrote to the U.S. Department of Transportation’s Office of Inspector General on May 22 to address the problems of broker fraud and other supply chain thefts.

“We write to share concerns regarding an area of increasing supply chain fraud and theft” the lawmakers wrote in the letter. Specifically, “unlawful truck loads and funding fraud schemes, when truckers drop off their loads but do not get paid, are disrupting freight hauling by truck and brokerings.”

FBI Cargo Theft Familiarization Training
Washington DC August 29. 2023

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<thead>
<tr>
<th>Training</th>
<th>Speaker</th>
<th>Time</th>
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<tbody>
<tr>
<td>Trucking 101</td>
<td>Keith Lewis-Cargonet</td>
<td>9:00-10:00am</td>
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<tr>
<td>Cargo Theft Trends &amp; Methods</td>
<td>Scott Cornell-Travelers</td>
<td>10:00-11:00am</td>
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<td>Broker 101 &amp; Strategic Theft</td>
<td>Zak Bowyer TQL &amp; Cornell Heldenbrand, JB Hunt</td>
<td>11:00am-12pm</td>
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<td>Lunch</td>
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<td>12-12:45pm</td>
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<tr>
<td>Cargo Theft &amp; Pharma Industry</td>
<td>Chuck Forsyth HDA</td>
<td>12:45pm-1:45pm</td>
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<td>Cargo Theft Case Studies</td>
<td>John Cannon-Overhaul &amp; Keith Lewis-Cargonet</td>
<td>1:45pm-3pm</td>
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<tr>
<td>Investigate Techniques for Cargo Theft</td>
<td>Graham Rusk Georgia Bureau of Investigations</td>
<td>3pm-4pm</td>
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Marine and Insurance Claims Association
MICA
[Marine Industry Claims Association, Inc.]
[Not-for-profit Corporation]

August 21, 2023
Dear [Member],

Thank you for your leadership on the Combating Organized Retail Crime Act (CORCA) of 2023. We write to you today in support of adding “cargo theft” to this important legislation.

The Healthcare Distribution Alliance (HDA) represents primary pharmaceutical distributors — the vital link between the nation’s pharmaceutical manufacturers and pharmacies, hospitals, long-term care facilities, clinics, and others nationwide. HDA’s Pharmaceutical Cargo Security Coalition (PCSC) offers supply chain security intelligence; access to contacts from industry, government, and vendor trade disciplines; physical and supply chain security assessments; a reference library of supply chain security publications, articles, and related documents; as well as opportunities to attend educational events.

Cargo theft has grown dramatically over the past several decades. The mitigation of cargo theft, reduction in high-value theft, and the recovery of stolen assets continue to be a top priority for HDA. Recognizing the nationwide challenges facing us in a global economy, our association strongly urges the inclusion of “cargo theft” in the Combating Organized Retail Crime Act of 2023. This bill will improve the federal response to organized retail crime, including cargo theft, and establish new tools to recover goods and illicit proceeds.

The inclusion of cargo theft in CORCA will provide greater assistance in the federal investigation and prosecution of criminal organizations that often use cargo theft to fund illicit activity and breach the trust and security of our nation’s supply chains. Thank you for your consideration and we look forward to working with you on this issue.

Sincerely,

Patrick Kelly
Executive Vice President, Government Affairs
“Scoring” Prospective Carriers

Carrier Assure: Carrier Assure was essentially the first “performance scoring” software that anticipates how a carrier will transport your goods. Uses such things as DOT Authority monitoring, CSA scoring, MSC Insurance Ratings, and other member’s reviews and reports. Millions of data points are analyzed daily, sometimes hourly, to ensure a real-time score when you need to make a carrier selection decision. [https://www.carrierassure.com/](https://www.carrierassure.com/)

Highway: Concentrates moreso on actual carrier identity. Automate your compliance with an all-new framework for risk management. Reduce your exposure with real-time enforcement of never-before-used data points and carrier requirements. [https://gohighway.com/](https://gohighway.com/)

Convoy: Proprietary to only Convoy customers, they have built a proprietary real-time transportation fraud detection system using machine learning and carrier behavioral data and cargo theft solutions providers to identify potential transportation deception and crime. [https://convoy.com/](https://convoy.com/)

Verified Carrier: Claims to utilize a unique verification engine to analyze exclusive data collected directly from carriers, not found in public sources. [https://www.verifiedcarrier.com/](https://www.verifiedcarrier.com/)

AI-Powered Identity-Verification Solution to Combat Fraud: DAT Freight & Analytics partnered with Verosint to create what is said to be the first AI-powered identity verification solution designed to help prevent the unauthorized use of customer login credentials and combat identity theft in logistics and trucking. This new technology allows DAT to leverage AI and machine learning to validate user identities and scrutinize suspicious accounts - blocking fraud in real-time. [https://www.sdexec.com/transportation/fleet-management/news/22873796/dat-solutions-aipowered-identityverification-solution-to-combat-fraud](https://www.sdexec.com/transportation/fleet-management/news/22873796/dat-solutions-aipowered-identityverification-solution-to-combat-fraud)
1. Stay away from “owner-operator” scenarios for high risk/high value shipments – specifically demand they only use known, established companies with verifiable track records
2. Don’t “post” high risk/high value shipments on Load Boards – call transportation options direct
3. Conduct a web search for intelligence on the company being researched
4. Communicate only through company phone numbers listed in the web search – not via any individual’s cell telephone numbers
5. Scrutinize ALL the emails/communication received (look for odd addresses, odd phone #’s, inconsistencies, etc...)
6. Request driver(s) names in advance, as well as vehicle description, to pass on to shipper

**As the Shipper:**

1. Upon arrival at pick up site, verify driver/vehicle information the broker provided (no match – nix the shipment)
2. Examine/copies and retain copies of driver’s license and truck/trailer registration (if he/they refuse to provide them, nix the shipment)
3. Photograph all driver(s) as well as the truck/trailer (if he/they refuse – nix the shipment)
4. Examine the truck/trailer for permanency of signage/logos/vin plates, etc... (if not permanent – nix the shipment)
Important to Remember

Supply Chain Security requirements shippers negotiate, and get vendors to agree to contractually:

- Look great on paper
- Sound (to senior leadership) like the company really cares about supply chain security
- Show that the company is holding their transportation vendor’s “feet to the fire”

**BUT:**

If the only people that actually saw those requirements were the lawyers in the board room, when the contracts were signed, they aren’t worth much more than the paper they are printed on.

**Lawyers and Procurement people don’t drive commercial trucks, fly cargo planes, operate freight trains, sail container ships, or run warehouses**
There Simply Isn’t Any Acceptable/Reasonable Excuse For Not Using Some Form of Shipment Tracking Technology Today

- The price points are now much more reasonable than they’ve ever been
- The devices are much easier to conceal and are far more efficient
- The devices themselves and the programs that support them are much more user-friendly than they’ve ever been
- The program options for those services now are “vast” and include such things as also monitoring driver behavior, environmental conditions of the shipment, overall shipment efficiency, etc... (this makes the “sell” to those in disciplines like logistics, much easier)
- Certain technologies offer direct links to law enforcement entities – in the event something were to go wrong
Are You Prepared??

If I Asked You To Name the Top Security Official For Your Three Most Prominent Business Partners/Service Providing Vendors You Have…

Could You Do It?

Do You Have an Internal “Security Escalation Contact List” in the Event of an Emergency?

Is the list constantly checked to be sure it is up-to-date?
Is it in the hands of the right people?

Do You Have an Up-to-date List of Law Enforcement and Regulatory Agency Contacts?

Is that list constantly checked to be sure it is up-to-date?
Is it in the hands of the right people?

Have You Practiced *(Table-Top)* Supply Chain Disruption Scenarios?

If You Aren’t Self-Insured – Who is Your Cargo Insurer?

*How Often Do You Communicate With Them?*
Does The Client Make Any Attempt To Collect Supply Chain Security Intelligence?

How Can You Defend Your Company Against Threats You Don’t Know About?

Does The Client Share “Basic” Cargo Theft Intelligence With Its Business Partners/Vendors?

How Can They Defend Against What The Shipper May Know - But They Don’t?
Risk Management and Mitigation

- **Short-term**
  - Surveyors, investigators, insurers

- **Long-term**
  - Raising awareness
  - Working on prevention
  - Building long term relationships with industry experts for transport, storage, and distribution

- **Running a tight warehouse**
  - Stringent security processes and procedures
  - Security and loss prevention training/awareness programs
  - Robust hiring practices for employees and third-party partners

- **Secure Facilities**
  - Access control systems
  - Surveillance cameras/systems
  - Well lit surrounding areas
  - Work with industry professionals, trade associations, law enforcement, etc.
• Technology and security devices
  ➢ Front and rear facing cameras on trucks
  ➢ Tracking devices (GPS and/or Radio Frequency Identification RFID)
  ➢ High security seals and locks
    - landing gear locks
    - king pin locks
    - air-cuff locks
    - truck immobilizers
• Transit security measures
  ➢ Educate drivers on how to recognize threats
  ➢ Have team drivers, one person always with the truck
  ➢ Robust route plans highlighting hotspots
  ➢ Keep cargo moving
  ➢ Avoid leaving loaded trailers unattended, park in secured locations
  ➢ Use geofencing trackers to create virtual perimeter of a location
Transported Asset Protection Association
- Governed by a volunteer board of Directors including Chuck Forsaith!
- Main goal is to tackle the multi-billion dollar problem of cargo thefts from supply chains
- Robust representation of members from all types of companies and organizations
- TSR-Trucking Security Requirements
- FSR-Facility Security Requirements
- Trade Schools
- Annual conferences
- Story time!
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