Premier Provider of Innovative Insurance and Surety Solutions

FIATA HQ MEETING
ABLM RISK MANAGEMENT UPDATE

Michael S. Brown
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Topics We Will Cover

• Fraud and Theft Issues
• US W. Coast Port Strike
• Cybercrime
Fraud and Theft in Transportation
Overboard Container Average Loss = US$35,000

Non Delivery Average Loss = $39,000

* Avalon Data
Theft of Shipment (Average) = US$183,000

Deceptive Pickup Loss (Average) = US$408,000

Incidents are **Targeted** and **Based on Shipment Intelligence**
Fraud and Theft in Transportation

- Of Avalon’s 20 largest losses over past 2 years, 14 involved theft/deceptive pickup
- Year over Year, 20% decline in number of incidents, 100% increase in value in some quarters*
- Food, Drinks and Electronics most stolen*
- In US – CA, FL, TX, NJ, GA top states*

*Freightwatch
Fraud and Theft in Transportation

• When a forwarder is liable
  – US$400,000 Loss
  – 10% Profit Margin
  – US$4Mil in business for free
Fraud and Theft in Transportation

• Best Practices
  – Vet subcontractors
  – Independently verify identities
  – Caution when using load boards
  – Engage shippers
  – Obtain proper insurance
  – Advocate for more severe consequences
US West Coast Port Strike
West Coast Port Strike

- Labor issues – slowdowns, lockouts, closures
- US Labor Secretary (Perez) got involved
- Int’l Longshore & Warehouse Union (ILWU) and Pacific Maritime Association (PMA) agreed to deal
  - ILWU members need to ratify
  - Ports are open and cargo moving
  - Projected to take 3 months to clear backlog
Cargo at rest is cargo at risk

but…

“wolves will be waiting as droves of unsuspecting sheep exit the paddock and wander the prairie”*

*Freightwatch supply chain intelligence center
West Coast Port Strike

• In normal times...
  – CA tops list for cargo theft & deceptive pickups
  – 25% of recorded US cargo theft within 200mi of ports of LA/Long Beach, San Francisco & Seattle
  – Theft rate for clothing & electronics 1 ½ - 2 times national average
West Coast Port Strike

• Priority now on moving cargo
  – Forwarders may skip normal vetting procedures
  – Carriers will be rushed & let guard down

• Best Practices
  – Vigilance when selecting carriers
  – Ensure partners maintain security protocols
  – GPS tracking
  – Proper insurance for all parties
Cybercrime
Cybercrime

- PWC 2014 Annual Crime Survey – 49% of global CEOs worried about cybercrime’s impact on growth
- PWC 2014 Global Economic Crime Survey – 8% of global org’s lost US$50,000 - US$1Mil
  - 3% lost > US$1Mil
- In the US, ¾ of companies detected an event
Cybercrime

• Nation-States can and do sponsor cyber attacks, but...
  – cost to mount an attack is low
  – Opens the door for individual actors
  – This includes insiders/employees
• When employees are caught committing cybercrimes, common reasons given include
  – financial gain
  – curious, act of revenge, thrill seeking
Cybercrime

• Maritime sector not immune
  – USCG reports container w/ 2,000kg of cocaine & heroin diverted before release when company w/terminal computer access broken into
  – Arriving vessel had powerful Wi-Fi system & password hacker active
Cybercrime

• Mitigating the risk
  – Implement a cyber security program
  – Enforce procedures
  – Ask partners about their procedures
  – Use updated technology
  – Mobile device security
    • 3/4 of smartphones users don’t use security software
    • 1/2 don’t use a password
    • 1/3 of adults with a smartphone had one lost or stolen
Cybercrime

• Mitigating the risk
  – Enforce internal procedures
  – Employees who commit cybercrimes
    • 27% had prior IT security policy violations
    • 18% had previously misused company resources
    • 10% were disruptive in the workplace
    • 7% had poor performance reviews
Cybercrime

• Mitigating the risk
  – Obtain Cyber Insurance
  – Plan for “after the breach”

• Fire Eye Map
  – Real time attacks showing type, origin country, target country
  – >50,000 per day
Questions?
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THANK YOU!
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