

▶ *Hanover Risk Solutions*

## Cargo Loss Reporting System

Due mainly to exposures in the transportation system, the shipment of cargo involves an inherent risk of the cargo being lost, stolen, or damaged. To help prevent and limit these losses, a carrier (e.g., a trucking company) must establish an audit trail to follow the shipment, and a cargo loss reporting system that will provide specific information as to the cause of the loss. This information will lead to the development of recommendations to protect future cargo.

This report addresses the development of a cargo loss reporting system, including organizational considerations and procedures, and the completion and review of loss reports. The degree of complexity of the loss reporting system will depend on the size of the operation. Timely, accurate, and definitive information regarding the loss is essential to a successful cargo loss prevention program.

### Organization

For a cargo loss reporting system to be effective, detailed procedures for identifying and handling over, short, and damaged (OS&D) cargo should be developed. The system should provide the most effective means possible to report all shipment discrepancies, to minimize claims exposure, and to provide better service to the customer. All supervisory and management personnel should fully understand the loss reporting system and train employees as to its objectives, procedures to follow, and who to contact in the event a discrepancy is discovered.

An OS&D clerk, who may also be in charge of claims handling activities, should be designated at each terminal. Where more than one terminal is involved, a central clearing office, preferably located in company headquarters

as part of the claims department, should serve as the clearing house for all reports of shipment discrepancies.

The OS&D clerk should be familiar with freight movement, company routes, customer identity, and commodities shipped and should also possess knowledge of claims handling, security, packaging requirements, customer service, tracing, and related activities. This person should also be able to detect problems and recommend corrective action in handling and checking procedures, security measures, and identification of problems relating to cargo claims handling.

The central clearing office should be responsible for clearing reports on discrepancies, matching overages and shortages, issuing disposition instructions to terminals, and developing advisory instructions as necessary.

## Procedures

The loss reporting procedures should be implemented immediately upon discovery of OS&D cargo in a shipment. Effectiveness of the procedures depends on detailed facts and taking prompt action. Proper exceptions on the delivery receipt, in respect to all losses or damage existing at the time of delivery, should be noted. A copy of the delivery receipt should be retained.

A shortage can usually be traced to one of the following:

- Billing error.
- The driver failed to pick up or deliver the entire shipment.
- Pilferage, theft, or fraud.
- The seal numbers on containers do not match the document numbers.
- The freight was loaded on the wrong unit at the shipper's dock.
- Another carrier picked up the freight in error.

If the shortage was part of a shipment, the balance of the shipment should be moved to its destination with a shortage report attached. If a complete shipment is missing, a report should be prepared immediately for the central clearing office.

If the shortage is from an interline carrier, a signed and dated exception should be noted by the checker on the connecting carrier's freight bill and, if at an intermediate terminal, it should be recorded by the checker, who should then notify the supervisor. The central clearing office should be notified, as well as the origin and destination terminal.

The consignee should promptly notify the carrier as soon as loss or damage is discovered.

When a shortage is discovered, the following actions should be taken:

- Check for a billing or typographical error on the bill of lading.
- Review the situation with the checker and crew that unloaded the pickup unit.
- Check the dock area for the missing freight.
- Interview the pickup driver promptly, by telephone if necessary, for the driver's recollection of facts surrounding the pickup and count.
- Contact the shipper for a possible billing error and request a check of their loading dock for the missing freight.
- Obtain the names of other carriers who made pickups that day at the shipper's dock and call the other carriers and request they check for the missing freight.
- Check with the consignee to find out if the freight was delivered by another carrier.
- Provide a full description to the central clearing office so other terminals can be advised to look for the missing freight. Include photographs, when applicable.
- If theft is indicated, notify all appropriate law enforcement authorities. If it is an interstate shipment, the Federal Bureau of Investigation (FBI) should be notified.

If the missing freight is subsequently located as a complete shipment, it should be shipped promptly to the destination on the original waybill, free-astray bill, or forced billing, depending on the circumstances. If the recovered freight is only part of the shipment and the balance has already moved to destination, the carrier should prepare a free-astray waybill and deliver the remaining freight. If a partial load is refused by the consignee, the undelivered freight should be held at the carrier's terminal, awaiting further instructions from the shipper.

## OS&D Reports

A daily schedule should be established for reporting all shortages and overages. Each carrier, based on experience, length of haul, and other factors, should establish a period within which discrepancies are reported to the central clearing office and to other terminals to resolve discrepancies while there is still an audit trail.

Each carrier should develop forms for recording shipment discrepancies that best suit the company's needs. The data on the form should be tailored to the company's loss reporting system, so that information can be readily retrieved. Overages found in the carrier's system should be reported in the same manner as shortages, for an overage can well mean a shortage elsewhere. The OS&D report should contain the following information:

- Name of shipper
- Name of consignee
- Waybill number
- Date of shipment
- Commodity
- Weight and/or number of pieces
- Type of shipment (e.g., container, truckload, or pallet)
- Name of driver making pickup
- Names of dockworkers involved in freight transfer
- Name of driver making delivery
- Description of cargo that is over or short
- Description of cargo that is damaged
- C.O.D. or order notices
- Prepaid/collect
- Where checked and by whom
- The terminal of origin

- The break-bulk terminal
- The destination terminal
- If loss, the type of loss (e.g., theft, hijack, pilferage, or unknown)
- Location where loss was detected
- Condition of seals and, if changed, where, when, why, and by whom

The central clearing office should maintain a daily follow-up with its terminals on outstanding shortages to encourage those involved to intensify the search for facts regarding the shortage. Liaison should be established with all law enforcement agencies, and all theft losses and break-ins, or attempted break-ins, of facilities should be reported.

Shipments found without identification should be segregated and placed in a security crib while a search is made, by an authorized person, for packing slips or invoices to determine ownership. If identification is made, the freight should be recaptured and proper markings should be applied to each shipping container, to allow prompt movement to destination.

All damaged freight should be reported to the central office and secured promptly, to prevent further damage or loss. Dry freight containers (e.g., cartons and bags) should be secured with sealing tape, banding wire, or other material to prevent further loss of contents or damage. Waybills should be marked to indicate that the shipment was damaged.

The central office should have final authority in advising terminals on disposition of shipments involved in discrepancies and possible claims to assure that all overages are promptly forwarded to their proper destination. Daily written records of all events relating to OS&D freight should be reviewed. The central office should maintain a cross-reference file

of OS&D freight that is updated daily for accurate reference and should compile discrepancy data on shippers (such as failure to mark shipments properly and use of poor quality containers). This information should be brought to the shipper's attention for correction.

## Review and Analysis

Periodic reports should be prepared that include information on value of lost commodities, trends, geographic areas where losses are occurring, specific freight difficulties, billing errors, ongoing shipper errors, and poor procedures that have been identified. Proposed corrective action should be included in these reports.

The loss reporting system's purpose is loss prevention through detailed management of freight handling activities. The information developed can assist management in identifying problem areas within the system and implementing prompt corrective action.

## Uniform Crime Reporting Cargo Theft

When the U.S. Congress passed the *USA PATRIOT Improvement and Reauthorization Act of 2005*, a provision was included requiring the Attorney General of the United States to take the steps necessary to ensure that reports of cargo theft collected by federal, state, and local officials are reflected as a separate category in the FBI Uniform Crime Reporting (UCR) System.

When law enforcement agencies report cargo theft, they include at least one of 13 offenses to specifically describe the incident. For instance, if the cargo was taken by threat or force, it is a robbery. If an entire truck is stolen, it is reported as a motor vehicle theft. If the

situation involves fraud, an offense such as impersonation or embezzlement would be noted. Some of the other details that agencies can report include the location of the cargo theft, the type of weapon used (if any), the monetary value and a description of the property stolen, whether the property is recovered, as well as victim and offender information.

Quality data concerning cargo theft can help us understand a threat to the nation's economy and national security. As more agencies choose to report their incidents, the FBI's UCR Program will be able to provide more complete information about cargo theft on a national scale. According to the Federal Bureau of Investigation (FBI) Criminal Justice Information Services Division, Crime Statistics Management Unit, as of April 2015, there were 189 incidents reported with a total property value stolen of \$11,967,310.00. According to the authorities, \$2,135,610 of this total was recovered. More information is available at <https://www.fbi.gov/about-us/cjis/ucr/cargo-theft-update>.

## Additional Information

CargoNet is a member of the Verisk Analytics family. It is designed to provide a multi-layered solution to the cargo theft problem. CargoNet helps prevent cargo theft and increases recovery rates by facilitating secure information sharing among theft victims, their business partners, and law enforcement. CargoNet is a cargo theft prevention and recovery network developed by insurers and initially to communicate with law enforcement. One of the features is a 24/7 Command Center that becomes an extension of a cargo security program. Additional information is available at <http://www.cargonet.com/>.

## References

1. Federal Bureau of Investigation. *Cargo Theft Update*. Washington, DC: U.S. Department of Justice, 2015. Retrieved September 10, 2015. <https://www.fbi.gov/about-us/cjis/ucr/cargo-theft-update>.
2. John A. Volpe National Transportation Systems Center. *Intermodal Cargo Transportation: Industry Best Security Practices*. Cambridge, MA: U.S. Department of Transportation (DOT), 1999.

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