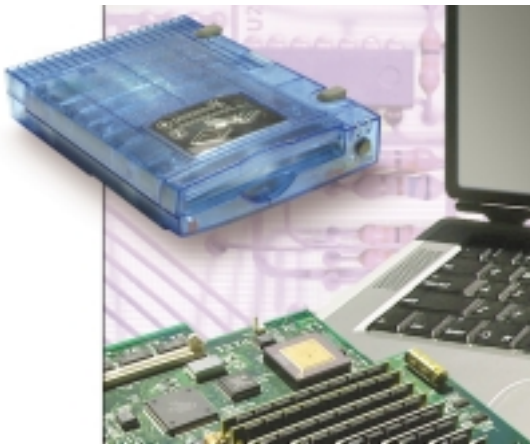


Mitigating High Tech Transit Losses



The costs of high tech theft are staggering. A recent RAND study estimates that hardware theft alone costs the industry more than \$250 million annually. Indirect costs (such as lost sales and the implementation of theft deterrents) could propel total industry losses above \$5 billion each year.

Theft of valuable electronic equipment and components can be costly to any company, but especially for information and technology firms that regularly ship highly valued servers, hardware components and software to clients or vendors. These highly attractive, high-priced items are very susceptible to theft in transit.

Transit does not only mean the time during which goods are traveling down an interstate highway or moving at hundreds of miles per hour in the air. Most shipments will be stored for periods of time, waiting to be loaded onto the truck or aircraft. These are the times when the cargo is most vulnerable.

High tech equipment such as computer memory chips and wafers, laptops, servers, zip drives, video cards, peripherals, software and other components are the most common targets for thieves. These goods are especially desirable because they:

- have high value for their size
- are easily transportable
- are easily sold at a high price

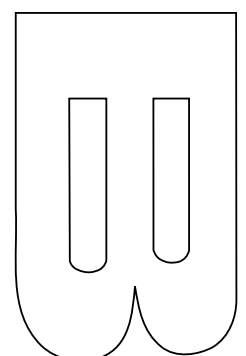
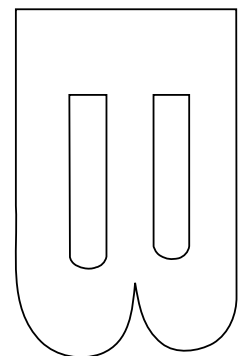
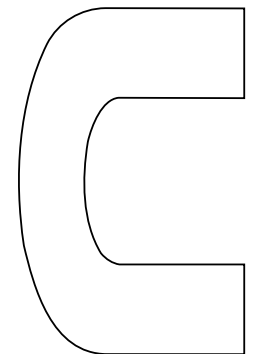
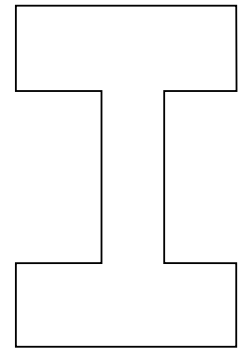
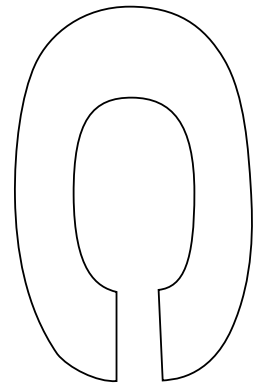
While Chubb's hallmark *Customary* package policy helps protect against the financial impact of such a loss, the disruption to your business, as well as your payment of the deductible, can make a significant impact on your valuable cash reserves. In fact, the RAND study estimates that for every \$1 of direct costs covered by insurance, \$5 is lost to inefficiencies caused by the theft. Included in these nonreimbursable costs are missed shipments, customer ill will, paperwork, driver injury and vehicle damage.

There are steps you can take to reduce your company's exposure to theft of property in transit.

Transportation Carrier Selection and Management

- Select a transportation carrier who is reputable, experienced in handling high tech cargo, has appropriate equipment and procedures, and maintains an excellent loss history.
- Choose a transportation carrier who performs preemployment background checks of all employees, obtaining detailed employment applications, positive proof of identification, a recent photograph and a comprehensive work history.

(continued)



- Where possible, use a transportation carrier who is certified by the Transportation Asset Protection Association (TAPA).
- Avoid transportation carriers who subcontract transportation to others without prior approval from shippers.
- Prior to entering any agreement, meet with the transportation provider to establish cargo handling and transportation procedures. Recommended requirements include direct routing from origin to destination, minimizing or eliminating transfers or stoppages; securing the truck after loading with a high-quality lock or security seal; and real-time tracing of shipments through documentation and electronic or satellite tracking.
- Select a transportation carrier with a specific protocol for the use of armed escort vehicles.
- Include contractual obligations that address unauthorized activities such as unscheduled stops, subcontracted shipments, improper storage during shipments and unacceptable delivery times.
- Ensure the transportation carrier has a set practice for immediately reporting and following up on missing shipments.
- Monitor the transportation provider's performance carefully and continuously throughout the contract period.

Packaging

- Use only new, well-constructed packaging materials absent of any prominent display of corporate names, trademarks or logos that would identify the contents as valuable electronic equipment.
- Select multiwalled corrugated cartons that have a bursting test strength of at least 275 pounds per square inch and will stand up to the normal rigors of handling and transit.
- Consolidate multiple carton shipments to take advantage of economy and added security.
- Introduce as many tamper-evident measures as practical to the package. Examples include carton tape, unique banding strips and security seals. While these measures do not prevent theft or pilferage, they will indicate if tampering has occurred.
- Apply high-quality, barrier-type locks or seals to trailers or containers - ones that require a special tool to remove.
- Use opaque shrink-wrap to secure and obscure boxes on pallets.
- Place impenetrable metal plates under boxes on pallets to reduce entry from underneath.

Transit Strategies

- Set limits on the size and value of shipments.
- Limit the information provided on shipping documents. Be as generic as possible.
- Ship cargo "door-to-door" using the most direct routing possible, eschewing transfers, transshipments and intermediate stops.
- Use time-definite service whenever it is available and make use of technology to obtain real-time shipment tracking and tracing.
- Avoid making shipments late in the week, especially on Friday, as goods will likely sit in a large sort center or hub terminal during the weekend, a time when less supervision and security are on hand.
- Avoid Saturday and Sunday deliveries, unless special security and cargo delivery procedures are in place.
- Ensure that the carrier takes delivery and responsibility for the shipment when and where it is picked up, not at the first terminal or hub.
- Control access to company computer systems that contain information on shipment dates, bills of lading, shipping invoices, customer requirements, carriers to be used and values.
- Carefully screen job applicants and present employees who have access to critical shipping, accounting, billing and carrier information.
- If shipping via truck, make the trucker responsible for the full value of the goods by requesting a full-value bill of lading. Be sure to keep documentation of this in the event that the shipment is damaged, lost or stolen while in transit. Such documentation may assist your insurer in subrogation proceedings against the trucker and help return to you part of your deductible.

While these suggestions are intended to help mitigate your high tech transit losses, they are not intended to be a complete source of transit loss prevention. For additional information or assistance, please contact your local agent, broker or Chubb underwriter.



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This literature is descriptive only. It is offered as a resource to be used together with your professional insurance advisors in maintaining a loss prevention program. No liability is assumed by reason of the information this document contains. Actual coverage is subject to the language of the policies issued.

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