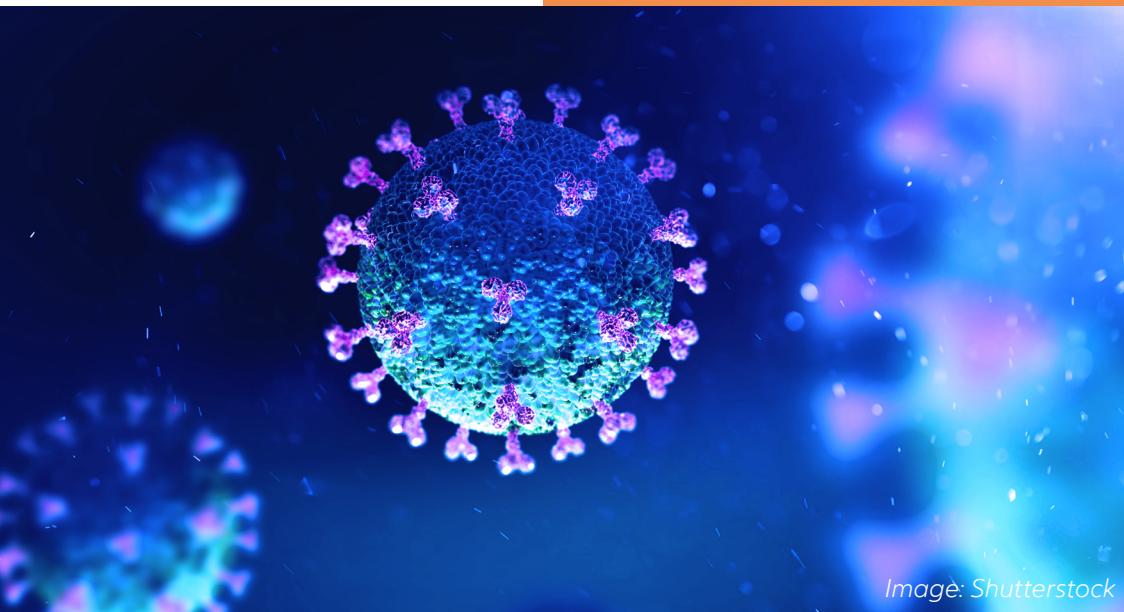


CORONAVIRUS: LOSS PREVENTION MEASURES FOR CARGO STORAGE AND TRANSPORTATION

ALLIANZ RISK CONSULTING



The coronavirus pandemic has brought about sudden changes for cargo transportation, impacting shippers and transport companies around the world. In many of these cases, immediate loss prevention actions are required. Allianz Global Corporate & Specialty (AGCS)' Allianz Marine Risk Consulting (ARC Marine) has produced the following overview of possible loss control measures to support our customers in these uncertain times. These practices are for beneficial cargo owners (BCOs) to consider when developing coronavirus contingency plans.

While in most cases initial government directives have established cargo transportation as an essential activity, permitted during any quarantine period, a large number of companies are shutting down operations and are currently unable to handle cargo. News of business closure does not always reach transportation providers for goods in transit until after arrival at the intended destination. This developing situation can result in unintended cargo storage in high-risk areas without appropriate security

controls or protective safeguards and increased inventory levels at static locations. It may also result in cargo damage to perishable or temperature sensitive goods.

Damaged goods, including containers, is one of the most frequent generator of insurance industry claims in the shipping industry, analysis by AGCS shows¹, accounting for more than one in five claims.

LOSS PREVENTION MEASURES

All of the recommendations are technical advisory in nature from a risk management perspective and may not apply to your specific operations. Please review recommendations carefully and determine how they can best apply to your specific needs prior to implementation. Any queries relating to insurance cover should be made with your local contact in underwriting, agent and/or broker.

THE FOLLOWING RECOMMENDATIONS CONSIDER DEVELOPING RISKS FOR CARGO STORAGE LOCATIONS:

STRENGTHEN WAREHOUSE SECURITY AND CHECK ALARM FUNCTIONALITY

The accumulation of unattended cargo in warehouses brings the added threat of theft and organized crime. Where possible, and appropriate, install electronic supervision prior to prolonged shutdown. ARC recommends CCTV coverage and 24/7 monitoring by a central station. Properly managed, this technology can reduce the impacts of staffing shortages by supplementing existing programs. During “shutdown” installation of more traditional systems may not be possible. Consumer Internet of Things (IoT) products, like self-installed security cameras, motion detectors and alarms and in person security services should be considered if installation is not possible.

For occupancies with existing alarms, property owners should verify that their central station will remain open during “shutdown” periods. Occupants should verify that alarms and transmission devices are functioning as expected prior to business closure.

A surge in telecommunication traffic has impacted internet services and not all devices may function as intended. To verify functionality, property owners should conduct a “walk test” to see if alarms respond when manually triggered. Confirm response protocols with alarm companies and implement manual responses for all “Alarm” and “Com Fail” conditions during the “shutdown” period.

MINIMIZE PRELOADING OF TRAILERS

Check whether prolonged staging of loaded trailers outside of warehouse locations can be avoided. Cargo staged in loaded trailers is more susceptible to cargo theft and physical damage. In situations where trailers are preloaded to accommodate sanitary conditions, check whether you can define pickup times with carriers and schedule loading operations as close as practical to the established pickup. Preloading at facilities which are unattended overnight or over weekend periods is not recommended.

IDENTIFY ALTERNATIVE STORAGE LOCATIONS

The coronavirus outbreak has the potential to cause prolonged disruption in normal supply chain operations. Inventory turn times will increase and capacity in warehousing spaces will be limited. Companies should identify alternative warehouse capacity in the event occupied spaces can no longer safely receive cargo.

Consider additional security requirements when identifying temporary storage locations. Criminal activity will become an increasingly pertinent factor during prolonged “shutdown”. One strategy to mitigate crime risk is to consider locations that are compliant with the Transported Asset Protection Association (TAPA). TAPA's Facility Security Requirements (FSR) can be used as a benchmark for assessing security at fixed locations. [*https://www.tapa-global.org/standards/fsr/tapa-fsr-2020-standard.html](https://www.tapa-global.org/standards/fsr/tapa-fsr-2020-standard.html)

THE FOLLOWING RECOMMENDATIONS CONSIDER DEVELOPING RISKS FOR GOODS IN TRANSIT:

SEEK GUIDANCE FROM SUPPLY CHAIN PROFESSIONALS

Seek guidance from parties involved directly and indirectly in the transport chain, such as carriers, shippers, third party logistic specialists, warehouses, brokers, risk management companies and insurance companies about pandemic-related developments. Updates from this community, in conjunction with major news updates, will provide a more complete understanding of potential supply chain challenges and facilitate proactive solutions.

SCHEDULE DELIVERY TIMES WITH CONSIGNEES

Whenever you can obtain confirmation that the final destination is able to receive cargo prior to beginning the shipment. If necessary, prepare for the possible non-receipt of cargo at the final destination. An increasing number of organizations are electing to cease operations as a preventative measure. In some instances, temporary closures begin with little to no advanced notice. Remain in contact with key customers and request frequent updates on delivery capacity.

The sooner delivery restrictions are identified the easier it will be to make a decision on the new destination of the cargo. Obtain a formal delivery confirmation and acknowledgement. If necessary, predetermine suitable alternatives like no contact delivery with carriers and customers prior to shipment arrival at final destination.

IDENTIFY GOODS IN-TRANSIT AND POTENTIAL DELAYS

Identify the amount of cargo in transit and obtain status updates from carriers. If the intended destination is unable to receive a shipment, check whether you can seek alternative destinations for staging. Closely monitor border and seaport closures so current information can be disseminated to carriers.

Pedestrian restrictions can cause major delays for permissible trade-related travel. Locations operating at limited capacity or staffing may cause extended turn times. Improvised parking locations such as driver residencies may not be as secure as professional parking areas.

STAY IN TOUCH: GIVE CARRIERS CLEAR INSTRUCTIONS

When prudent, prohibit the drivers from stopping in high risk areas. Whenever possible, identify safe parking locations near the intended destination for carriers to await further instruction. Ensure drivers have functional means of communication prior to dispatch. Provide contact numbers and contingency plans to drivers prior to departure. Require mandatory escalation to designated persons of authority should schedule deviations occur.

BE “SMART”: TRACK YOUR GOODS SECURELY

Apply security standards for all conveyances during “shutdown”. TAPA Trucking Security Requirements (TSR) Standards can be used to benchmark carriers' ability to provide in-transit security. [*https://www.tapa-global.org/standards/tsr/tapa-tsr-2020-standard.html](https://www.tapa-global.org/standards/tsr/tapa-tsr-2020-standard.html)

At minimum, require drivers to check seal integrity after each stop and prior to resuming conveyance. Curtain wall trailers should be inspected for signs of damage or tampering.

Utilize tractor/trailers that have integrated GPS technology whenever possible. Consider integrating IoT monitoring devices into cargo packaging to enhance shipment visibility. These devices are capable of providing GPS tracking of goods in transit and can provide real time location in the event of shipment deviation or delay.

REVIEW REQUIREMENTS FOR PERISHABLE CARGOES

Review the excursion thresholds and stability requirements for perishable cargo. Food and pharmaceutical products associated with the response to the coronavirus outbreak have been given priority for temperature-controlled capacity. Non-critical perishables will be subject to increased transit time as temperature-controlled capacity is stretched. Consider to review packaging design to ensure applied schemes are able to maintain required product temperature for an extended period of time.

Goods may be moved by alternative or nontraditional conveyances such as passenger aircraft cabins or dry van trailers. Consider whether repackaging solutions can be developed for applicable products. Additional packaging or storage configurations should be considered for just in time perishable products not deemed critical under the latest guidance.

MONITOR THE DEVELOPING SITUATION

The coronavirus response remains a developing situation subject to rapid change. The above guidance has considered developments as of March 30, 2020, and is subject to modification as more information is made available.

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