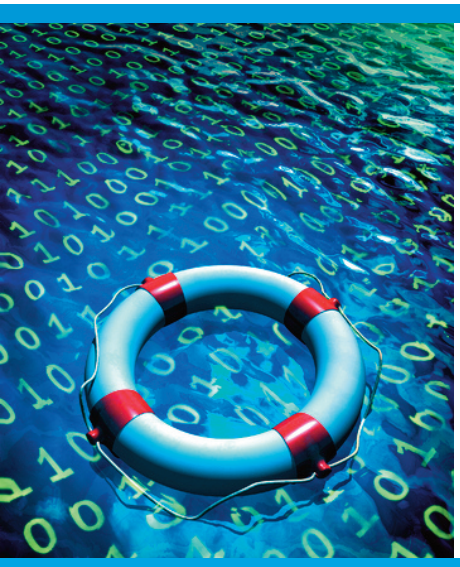

b(PREPARED!)

[the business interruption e-source]

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BUSINESS INTERRUPTION CONSULTANTS, INC.

PROTECT AGAINST SHIPMENT THEFTS

Tractor trailer thefts are on the rise. Truckloads containing $487 million of goods were stolen in the United States in 2009, a 67% increase over the $290 million of products taken a year earlier. The latest wave of thefts is different from a run of tractor trailer hijackings that occurred in the 1960s, when organized crime rings forced drivers out at gunpoint and took their trucks. According to industry officials and police, the current thefts are generally nonviolent and typically happen at rest stops when the driver is away from the truck eating or showering. Thieves often know what cargo a truck is carrying because they are usually followed from the plant.

Theoretically, once the goods are shipped, risk of loss is transferred from the manufacturer to the customer through Free On Board Plant (F.O.B.). This means the customer becomes responsible for the cargo when it leaves the shipping area. However, several executives have stated that it did not matter who was responsible for the cargo, they had to replace it in order to keep their customers happy. This raises two important issues—property and business income coverage.

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Thinking they are protecting their property, many shippers purchase the freight company's insurance for their cargo without checking the valuation method. Ask up front if the replacement is based on weight. If you are shipping light goods such as electronics, they will not be valued at their true replacement cost. If this is the case, then ask that the valuation be based on invoice or true replacement cost.

On the other hand, the business interruption component is business interruption due to loss or delay of incoming parts or machinery. For example, a printer burned down and ordered a new press. Just as the truck was coming into town, it caught on fire and the press was destroyed. The printer had to reorder another press. Six weeks later the second press was delivered, but business was interrupted for an additional six weeks. Considering that all the property damage had been repaired when the first press was due to arrive, the period of restoration was extended another six weeks.

Business owners need to talk to their insurance professionals if they have this risk in order to determine the right management tool for them. At a minimum, they need extended period of restoration and cargo coverage on their insurance policy. Being prepared is key to being protected.

Our thanks for parts of this article to Jennifer Levitz of *The Wall Street Journal*.

[Send us your insurance jokes for a chance to be in our next newsletter at info@bisimplified.com]

bi(FUNNY!)

[a little insurance humor]

An insurance agent was trying to teach his wife to drive when the brakes suddenly failed on a steep, downhill grade. "I can't stop!" she shrilled. "What should I do?"

"Brace yourself," advised her husband, "and try to hit something cheap."

Two agents are talking business one day and one of them asked, "How long have you been working for the company?"

Replied the other agent, "Ever since they threatened to fire me."

"You ought to feel highly honored," said the businessman to the life insurance agent. "So far today, I have had my secretary turn away seven insurance agents."

"Yes, I know," replied the agent. "I'm them."