

Freight crime in Chilean supply chains

TT Club, BSI and ALOG Chile

2023



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Introduction

TT Club, BSI and Alog Chile identified a spike in freight crime activity through 2022 in Chile. The increased frequency of incident was highlighted in the data collated by all three organisations for the year. This joint industry report is intended to raise awareness of the current elevated threat, providing insight from all three organisations, with the aspiration of empowering freight and logistics operators with valuable information from which risk mitigation strategies can be developed.

Freight crime continues to adversely affect those responsible for maintaining security through national and international supply chains. The risks identified through this report are diverse, as with other countries and regions, the criminals behind freight crime activity are agile, reacting quickly to changes in market forces and opportunities from emerging weaknesses in the supply chain.

Recognising that the associated risk landscape is dynamic, the three organisations have compiled risk mitigation guidance that operators can consider when assessing their own respective risk profile.

Risk Landscape

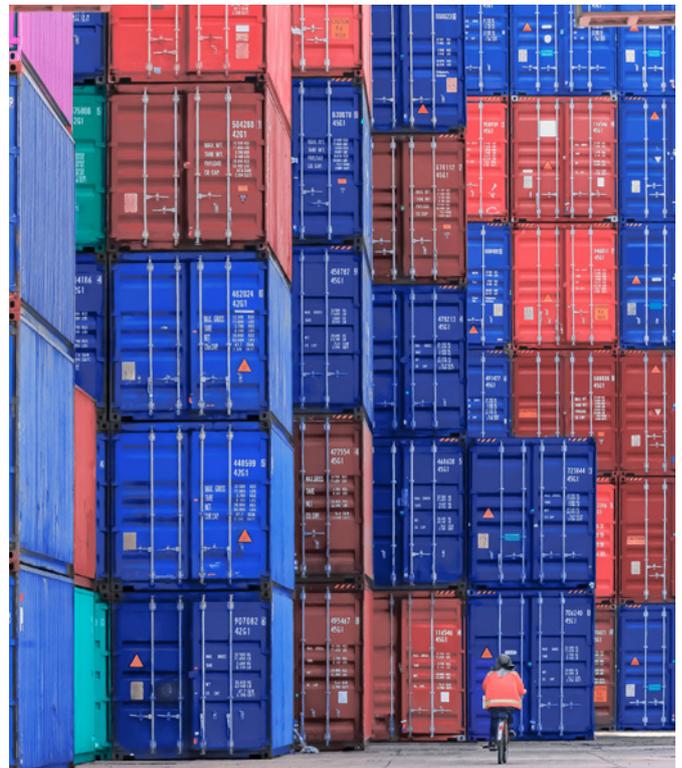
Measures taken throughout the pandemic period such as quarantine, restriction of movement, sanitary customs, curfews and the reduction of the third transport shift, positively impacted freight crime statistics in Chile through the second half of 2020 and 2021. However, statistics for 2022 suggest that freight crime activity has returned to levels beyond those recorded pre-pandemic, an increase of around 27% according to data collated by ALOG Chile.

The underlying causes of this increase in freight crime activity appear in part to be influenced by a variety of local social and economic factors. High levels of inflation and associated increased cost of living factors serve to create shadow markets where consumers seek lower priced alternative products and the criminals (both opportunistic and organised) are agile enough to respond to market demands.

For many years it has been apparent that cargo throughout the supply chain is at greatest risk when at rest, whether during daily rest periods on the road or accumulating in depots and container yards. One component of social unrest likely linked to increased cost of living, are labour strikes. In the context of supply chain security, labour strikes can be problematic, affecting the usual smooth flow of goods through the supply chain. Trucker, rail and dock worker strikes can quickly create pinch points in the supply chain where cargo backs up and remains stationary for prolonged periods, potentially to levels exceeding a depot's ability to contain all securely.

Operators should not underestimate the sophistication of criminals to identify and take advantage of such circumstances. Freight crime is typically highly organised activity, often goods are stolen to order and

sold pre-theft. Once stolen the goods are split and distributed in much smaller volumes to avoid attracting attention and avoiding apprehension and detection.



Freight Crime Statistical Analysis

Top Commodities Stolen

(ALOG Chile data)



25%

Electronics



20%

Foods



11%

Footwear and Clothing



7%

Drinks and Liquors



6%

Auto Parts



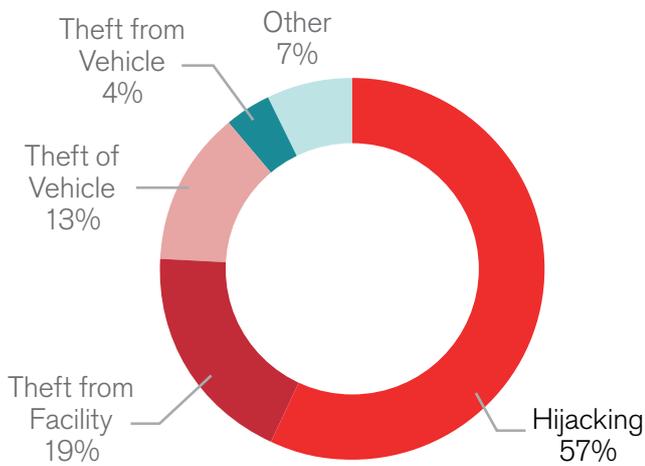
Other

31%

Other Products

Types of Cargo Theft in Chile

(bsi data)



By frequency of claim 2021 to 2022

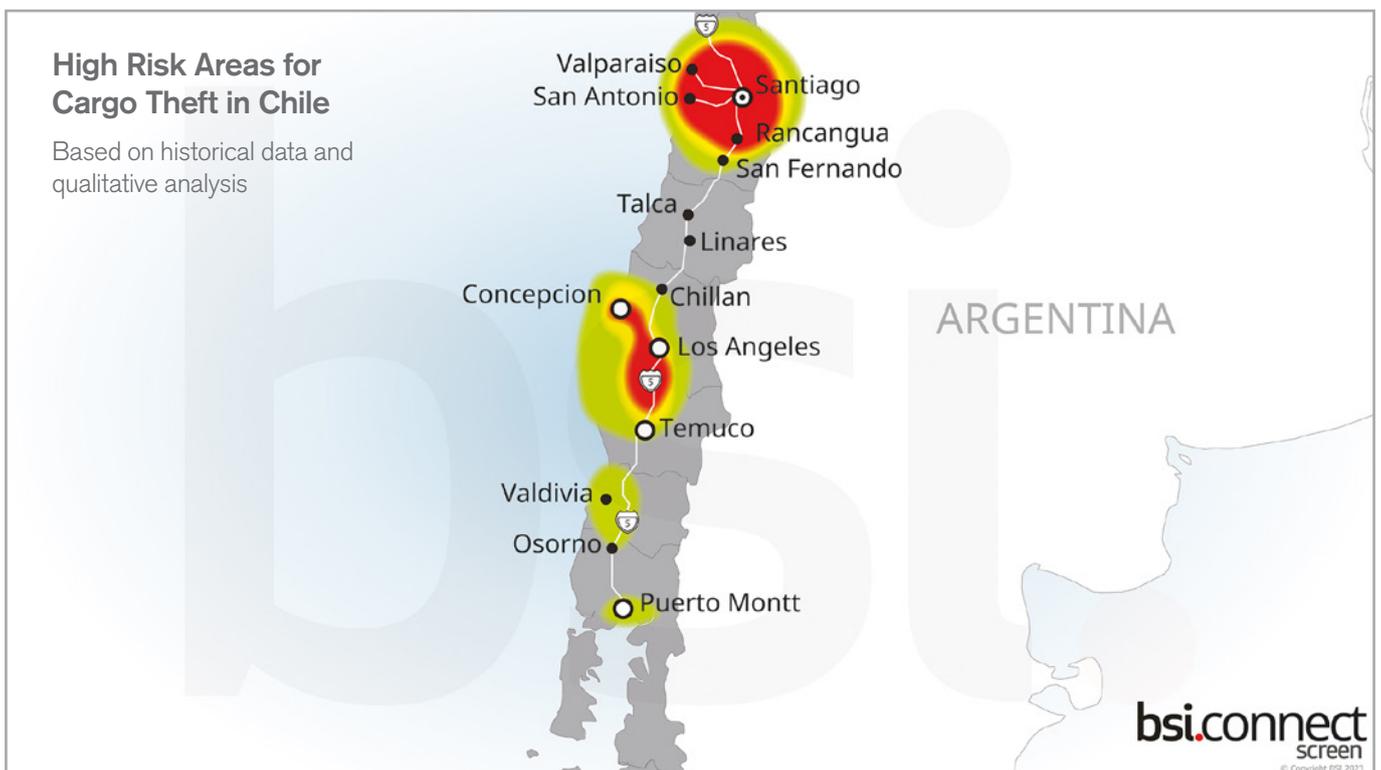
450% increase

(TT Club data)

By value of claim 2021 to 2022

820% increase

(TT Club data)



Analysis continued

Cargo thieves in Chile are typically opportunistic individuals and gangs seeking to access unsecured cargo. However, some targeted thefts also occur, such as at logistics facilities or depots targeting specific high value commodities.

In terms of commodities most frequently targeted in Chile, the trend through 2022 suggests that fast moving consumer goods and daily essentials are most attractive to the criminals. In an economic environment where the cost of these everyday essentials has escalated, shadow markets emerge where consumers seek lower priced alternatives. Food and beverage goods accounted for approximately 27% by frequency, with electronics 25%, footwear and clothing 11% ranking as the top targeted products.

Modalities targeted were much in line with global statistics and include road at 79% by frequency of incident, facilities and depots at 10%, followed by rail at 8%. For 2022, the theft types most commonly seen in Chile included hijacking, theft from container/trailer, theft of vehicle, and theft from facilities.

Primary Strategies Adopted by Criminals

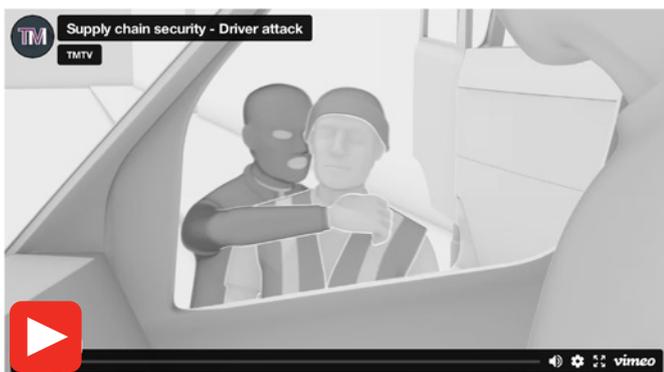
Hijacking Exposure

There is a significant threat of hijacking in Chile. During theft operations, thieves in Chile tend to begin by following targeted cargo trucks close to their point of departure. While thieves do use weapons during hijackings, the weapons are typically used for intimidation rather than physical harm. However, this trend may be changing, as one trucking industry group stated that the rate of hijackings in Santiago involving violence and intimidation appeared to be growing based off their experience. This suggests that there is an increasing chance that cargo truck drivers may be injured during hijacking incidents. According to 2020 data, violent cargo thefts in Chile increased by over 100 percent compared to 2019.

Thieves in Chile often take truck drivers hostage during hijackings, occasionally for extended periods of time, to delay the response of authorities.



How do thieves access cargo in practice?



Assessing the Risk – ALOG Chile

ALOG Chile have long recognised the threat that theft poses to its Members nationally, but also to those international operators whose goods transit in and out of Chile.

Raising awareness of these crimes has long been a focus for ALOG Chile, empowering those responsible for managing security through the supply chain with invaluable data and information so that risk mitigation steps can be taken, to reduce the frequency of loss.

ALOG Chile actively work with law enforcement to monitor and collate freight crime data and the subsequent trends and communicate this information back to their respective Members.

Urgent measures against theft are required in relation to the increasingly frequent and large thefts that have affected port and extra-port facilities, cargo transportation and various logistics facilities.

Logistics Association of Chile A.G. present our deep concern regarding the negative effects that this type of event represents not only for the foreign trade operations of the companies, but also for the logistics competitiveness and the image of our country.

It should be noted that these criminal acts, of extreme violence, pose a constant risk to the integrity of the workers in the field and their families, without taking into account the costs associated with this type of theft, which not only affect the victim companies, since they translate into an increase in the cost of products, with the consequent rise in the cost of living for all Chileans.

It is important to note that the companies that are victims of these crimes have made significant investments in security systems and implemented various protocols to prevent this type of incident, however, given the current scenario of insecurity that affects the country, these initiatives are not enough to deal with the high level of violence, planning and resources that criminal gangs possess to carry out their criminal activities.

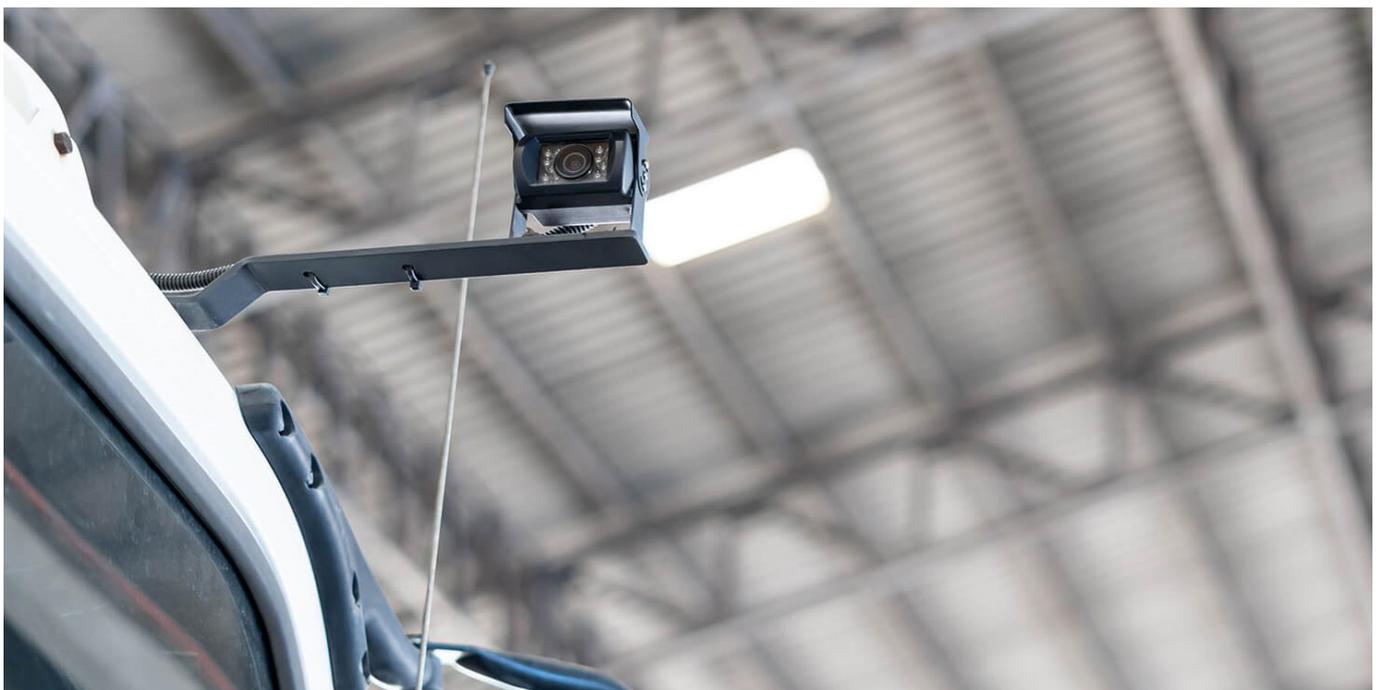
ALOG Chile wish to point out that this type of criminal acts, carried out by organized crime gangs, are not isolated events and must be faced through joint work between public and private actors in an urgent and decisive manner, which aims not only at prevention but also to the prosecution of these crimes.



alog  **chile**
asociación logística A.G.

Neil Taylor
President of the Board of Directors
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[ALOG Chile](#)



Information Security – Signum Services

Signum Services responded to and investigated a series of cargo theft incidents in Chile through 2022 on behalf of TT Club. One factor determined through investigation was that criminals appeared to be accessing vital data that enabled them to access cargo at will. Part of the strategy was then arranging collections by unwitting or fictitious trucking companies.

David Thompson of Signum Services recommends that all operators review their information management processes with a view to identifying and closing out any identified loopholes. A first step can be considering the data you are handling and then risk assessing how this might be used to facilitate crime in the wrong hands.

Developing and then constantly monitoring management controls should serve to identify weaknesses and afford opportunities to target harden operations. Once processes are established, training and refresher training are prudent steps to ensuring that individuals remain aware of their importance.

Verifying the identification of individuals collecting cargo was another weakness that criminals were able to expose in several theft cases. Due diligence strategies around identification should be reviewed and audited regularly, to ensure that they remain adequate and importantly are being implemented. Close engagement with individuals responsible for undertaking these checks can be useful in identifying potential issues experienced, that might result in short cuts being taken.

Some operators had invested in additional technology solutions that appeared to be extremely effective. Using a hand held tablet, it was possible to record finger print data from the collecting driver to assist with identification verification against the expected driver.

Criminals are agile and constantly monitoring for weaknesses... Chile is no exception to this rule, take your eye off security for a moment, they will identify opportunities and strike.



SIGNUM
David Thompson
Signum Services

[Signum Services | Loss Prevention | UK P&I Club \(ukpandi.com\)](#)



Case Study: Role of Criminal Organisations in Infiltrating the Supply Chain in Latin America

In 2022, South America experienced labour strikes, rising social unrest, and inflation. These compounding factors created an environment ripe for shifting cargo theft trends within the region, including a decrease in the top theft type of hijacking due to a decrease in cargo movement, from 62 percent in 2021 to 45 percent in 2022, and an increase in thefts from facilities, from 7 percent in 2021 to 25 percent in 2022.

Chile, in particular, experienced a steep rise in cargo theft from 8 percent in 2021 to 18 percent in 2022. BSI and TT Club tracked the country's rising theft throughout the year, including thefts of basic goods, rising facility thefts, and violent copper hijackings. Incidents were seen in the greatest concentration in the northern and central areas of Chile, with the regions of Metropolitana, Valparaíso, Antofagasta, Biobío, and Araucanía experiencing the highest percentage of thefts throughout the year.

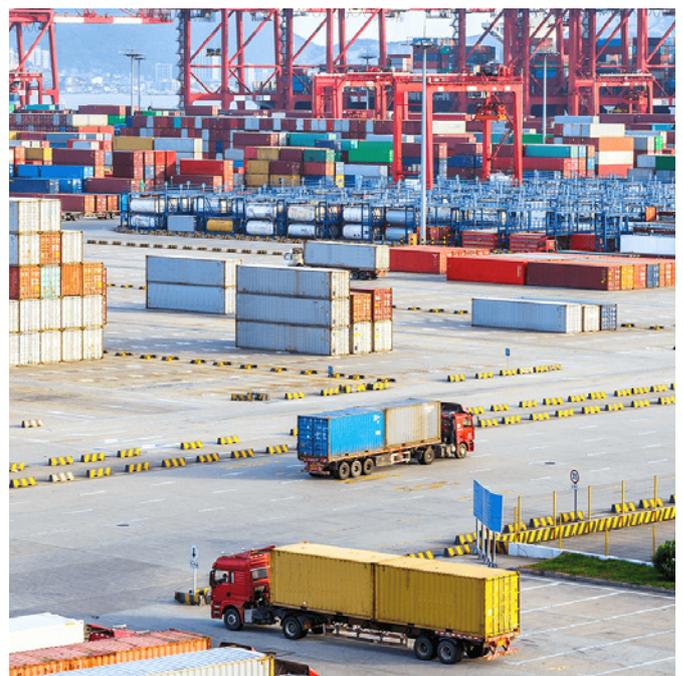
The tactics and trends of Chile's cargo theft landscape shifted, as thieves targeted the facility modality at a greater rate, increasing from 7 percent to 25 percent from 2021 to 2022. In line with this shift, we saw the truck modality decrease in percentage by 30 percent from the previous year, with 2022 truck thefts accounting for 65 percent. Additionally, rail thefts increased to 8 percent for the year, with notable heists occurring along freight lines in northern Chile.

Chile experienced significant hijackings along freight lines in the northern regions, with sophisticated gangs of cargo thieves halting freight lines to steal large copper cargos with boom trucks and violent tactics. These thefts were often violent and generated significant concern for rail employees, transporters, and the mining sector. Copper transports along the railways were halted for a period, and a state of exemption was enacted in Antofagasta, where rail thefts most often occurred. A major mining railway operator reported over 70 cargo thefts along the railways in the past three years alone. Safety and police forces increased security in the region and along the cargo lines, including air support in areas where trains have limited communications.

In addition to violent rail thefts, BSI and TT Club reported increased thefts from facilities in central Chile, including transit depots and container terminals. Theft included fraudulent pickups with basic goods targeted, including food and beverages, as well as apparel, and

electronics. Many of these thefts became increasingly volatile and violent throughout the second half of 2022, leading ports and logistics centers to proactively close during the third shift. Although halting the transport of cargo daily would hinder the continued movement of trade within the country's supply chain and slow the export of goods into the global market, logistics facilities felt the need to prevent bad actors from accessing cargo during vulnerable times.

Looking ahead in the short to medium term, cargo theft gangs will likely continue to target logistics facilities in Chile. A predictive example is the most recent armed theft at the San Antonio Port in Chile's central region. In January 2023, armed thieves cut cameras before ambushing employees and security personnel to steal 13 shipping containers containing copper from the facility. Additionally, an incident at the end of January reported a group of suspects disguised as employees kidnap a security guard from a warehouse in Talcahuano before stealing three containers of salmon.



Pro-Active Government Response

Recognising the economic and societal threat presented by freight crime, the Chilean Ministry of the Interior and Public Security have taken recent positive action to modify regulation with the aspiration of altering the theft attractiveness of certain goods in Chile.

On the 28 December 2022, an agreement was reached to modify RESOLUTION N° 1,068 EXEMPT, OF 2013, WHICH REGULATES THE BLOCKADE OF EQUIPMENT MOBILE TERMINALS OF SERVICES TELECOMMUNICATIONS IN SPECIAL SITUATIONS.

The modification to the regulation came into effect in February 2023.

Mobile devices, in particular smart phones, have typically been a high value theft product. Historically, theft of such items was typically restricted to individual cases whereby products would be “snatched” while in use. The value of these items however has seen theft activity spread into the supply chain, into retail outlets and warehouses where organised criminals are able to access much larger volumes of such devices.

The theft of mobile electronic equipment has become a serious problem in Chile, affecting not only individual owners and operators but more recently logistics companies who handle, store and distribute these goods to retailers. In recognition that the threat extends beyond the actual loss of goods to include bodily harm where violent thefts are concerned modifications have been made to resolution No. 1068 EXEMPT of 2013.

Pro-active steps are being taken by government departments to reduce the frequency of these crimes, incorporating measures that contribute to the reduction

of crimes and other illegal activities, effectively limiting the illegal secondary market for these goods.

Recognising that the value in stolen goods is that they are sold to other secondary purchasers for normal use, it was considered that there was no current means to block mobile devices once reported stolen. Nor were operators able to block the activation or continued use of stolen devices once reported.

Developing such a provision, restricts the secondary market, protects people, the economy and importantly, aspires to reduce the frequency of theft incidents involving mobile devices. It is recognised that thieves typically react to market forces and demands, where these devices cannot be used by secondary purchasers, they become immediately less theft attractive.

The amendment to Resolution no. 1068 of 2013, prescribes a transparent procedure for the reporting of the theft, including personal credentials, evidence of ownership, details of the device and the time, date and location of the theft.

Concessionaires must create a centralized information system with access for all, they must also proceed to block mobile equipment when requested to do so and the required criteria is met.



Risk Mitigation Strategies

BSI, TT Club and ALOG Chile collaborated on this report to analyse threats faced by supply chains throughout 2022 and beyond. We offer the following risk mitigation techniques so organizations can proactively understand their risk exposure and build a resilient supply chain that is ahead of the criminal tactics, trends and emerging threats detailed in this report.

Recommended Mitigation to counter Fictitious Pick-up Threat:

- Implement a secure verification process to confirm the identity of drivers and other personnel involved in picking up and transporting goods from your facilities. If possible, set up pre-alerts in advance to get the driver's name, trailer number, and license plate number before each pickup
- Check driver IDs and record information about drivers – take pictures/copies of IDs if that is allowed. Check to make sure the ID is not expired and matches the actual driver transporting the goods
- Work to verify the trucking company by calling the phone number they have listed, visit the website, and checking to make sure the number they are using is not for a company that recently went out of business
- Use tamper-evident seals or other anti-tampering devices to ensure that goods cannot be removed or replaced during transport.
- Conduct regular background checks on employees and third-party suppliers involved in the supply chain to identify potential security risks. Make sure all carriers undertake employee background screening, including criminal history where possible.
- Monitor the supply chain using GPS or other tracking technology to ensure that goods are transported to their intended destination and not diverted to unauthorized locations.
- Implement a two-factor authentication policy for all shipments, requiring confirmation from the shipping and receiving parties.
- Train employees and contractors to recognize and report any suspicious activity or behaviour that may indicate attempted theft or other security breaches.
- Train people in the dispatch/shipping office to recognize suspicious behaviour - if the driver looks suspicious, shows up far too early, is wearing sunglasses/hoodie/etc. inside, something is probably wrong
- Use data analytics and machine learning to identify patterns of fraudulent online activity or behaviour in the supply chain and flag potential risks.
- Conduct regular security audits of your supply chain to identify vulnerabilities and areas for improvement.
- Implement a robust incident response plan that outlines procedures for reporting and responding to security incidents, such as suspected theft or tampering.
- Establish partnerships and collaboration with law enforcement agencies, industry associations, and other stakeholders to share information and best practices and promote greater transparency and accountability in the supply chain.

Recommended mitigation to counter the “Insider Threat” risk in the supply chain:

- Conduct thorough background checks on all employees and third-party vendors involved in the supply chain to identify potential insider threats.
- Develop a comprehensive access control policy that limits access to sensitive areas of the supply chain to authorized personnel only.
- Implement a policy of least privilege, granting employees and contractors access to only the information and systems they need to perform their job functions.
- Establish a security awareness and training culture among all employees and contractors, emphasizing the importance of vigilance and reporting suspicious behaviour.
- Regularly monitor and audit employee and contractor activity in the supply chain to identify anomalous behavior and potential threats.
- Implement a whistleblower protection program to encourage employees and contractors to report potential insider threats without fear of retaliation.
- Implement technical controls such as firewalls, intrusion detection systems, and access controls to prevent unauthorized access to systems and data.
- Conduct regular security awareness training and simulations to help employees and contractors recognize and respond to potential insider threats.
- Establish strong communication and collaboration channels with suppliers and customers to share information and best practices related to supply chain security.
- Implement a robust incident response plan that outlines procedures for reporting and responding to security incidents involving insider threats, including measures to prevent further damage and limit the impact on the supply chain.

These mitigation actions can help to reduce the risk of insider threats and enhance the overall security and resilience of the supply chain. However, it's important to recognize that there is no one-size-fits-all approach to supply chain security, and that each organization must develop a tailored risk management plan based on its specific risks and circumstances.

TT Club is the established market-leading independent provider of mutual insurance and related risk management services to the international transport and logistics industry. TT Club's primary objective is to help make the industry safer, more secure and sustainable. TT Club's Loss Prevention function is committed to the ongoing development of advice and information underpinning this objective.



This includes:

- Providing support to reduce the risk of claims occurrence
- Promoting 'best practice' opportunities
- Helping to improve risk assessment, mitigation, and control

Theft remains a top five area of claims cost in TT Club's global claims analysis. Analysis of incidents, increased data sharing agreements, collaborations, and widespread dissemination of findings, all serve to improve understanding of the underlying risks. This report demonstrates TT Club and BSI's shared goal of educating the transportation and manufacturing sectors about the dynamic cargo theft risks present globally.

With enhanced awareness of cargo crime trends, the industry will be able to engage in a proactive approach in preventing cargo crime, while minimising the resulting financial loss and brand reputation damage.

Highlighting risk, reducing exposure. Advising insureds, serving the industry.



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Our Services: BSI Connect SCREEN

BSI Connect Screen is an integrated platform that employs a risk-based approach to supply chain risk management programs. It targets the biggest global supply chain threats to help organizations inspire trust and build resilience through data-driven insight. Our platform contains the largest proprietary global supply chain risk intelligence database that looks at more than 20 risk ratings in over 200 countries. BSI Connect Screen provides services and solutions to accelerate your understanding of supply chain risk and gain insight to empower decision making to build a more resilient supply chain.

These services include:

- Custom Intelligence Services
- Powerful, Interactive Risk Mapping
- Daily Updates and Notifications
- Custom Report Builder
- Supply Chain Incident Database
- Connect SCREEN Auditing System
- Advisory Services
- Training Services

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Our Services: ALOG Chile

The Logistics Association of Chile – ALOG Chile A.G., is the entity that brings together Logistics Operators, Freight Forwarders and Logistics Suppliers nationwide. ALOG Chile A. G., is made up of approximately 90 partner companies, segmented into Active partners, Collaborating partners and Independent Professional partners, thus concentrating 90% of the national market. In its spirit of multiunion work, ALOG Chile A.G. participates in the International Committee of the National Chamber of Commerce (CNC) as an active member. At the international level, meanwhile, it is a member of the International Federation of Cargo Agents and Logistics Operators (FIATA); At the same time, it has a joint work agreement with the Colombian Federation of Logistics Agents in International Trade (FITAC).

PURPOSE Strengthen and develop the Chilean logistics industry, favoring the conditions for a transparent logistics scenario, with clear and fair rules, and contributing to the growth of the country.

MISSION Our mission is aimed at promoting the development and competitiveness of the logistics activity in Chile, providing knowledge and standards, promoting the integration of national and international organizations, thus generating value for those they represent and for the country.

VISION To be a benchmark in the different instances of the logistics chain, promoting a logistics system with world standards.



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Our Services: Signum Services

Signum Services is the TT Club's in-house maritime crime investigation department. Its expert investigators are former senior police officers, and they conduct criminal investigations worldwide on behalf of Members of the UK Club and related Thomas Miller transport mutuals.

Signum was established in 1953 and its investigators have always been former senior police officers recruited from the detective branch of The Metropolitan Police at New Scotland Yard. They have a wealth of knowledge and experience in all aspects of criminal activity and will often travel the world investigating every conceivable type of criminal activity affecting Club Members.

Expertise & experience

The current investigators have over 60 years of policing skills having served on various specialised squads at the sharp end of modern day policing and are specialists in covert surveillance.

Their qualifications enable them to inquire into any incident which a Member may suspect has a criminal aspect. In the Maritime and Transport world they have been called upon to investigate murder, suspicious deaths (including suicides), assaults (including sexual assaults), arson, many forms of fraud / cybercrime, fraudulent personal injury claims, stowaway-related problems, people smuggling, drug smuggling, criminal damage, container and general cargo crime, port based organised crime and every conceivable type of theft.

Signum is a very unique asset to the Clubs in the world of maritime and transport cargo loss investigation.

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