

# National Underwriter

THE WEEK IN PROPERTY & CASUALTY

## INLAND MARINE: EQUIPMENT THEFT

### Combating The Contractors Equipment Theft Epidemic

BY L. PAT STOIK

**H**IDING WORK TRAILERS, tractors, graders, skid steer loaders, bulldozers and other types of construction equipment is like trying to hide a six-ton elephant. Yet plenty of thieves are up for the challenge, including a man who reportedly stashed away \$1 million in stolen equipment until the Georgia police were tipped off and discovered the items hidden adjacent to a house he was building.

Theft of contractors equipment is a national epidemic. Local police blotters are filled with reports of equipment theft. It's a scenario that plays itself out hundreds of times per year across America's construction sites. The construction site foreman leaves bulldozers, graders, generators and other equipment on a Friday night ready for the Monday morning crew. Sometime over the weekend, a tractor pulling an empty flatbed trailer pulls on to the job site. The driver has been watching the site for several days now and knows where the newest grader is parked. Within minutes the grader is moved onto the flatbed truck, tarped for concealment and driven down the highway. It will

shortly be in a container and ready for shipment to a new owner.

Whether it is a \$250,000 grader or a \$10,000 generator, as much as \$1 billion a year of construction equipment and tools are lost nationwide due to theft, according to the National Insurance Crime Bureau, and 90 percent is taken directly from the work site. Theft is the number one cause of heavy equipment insurance claims, according to the Insurance Services Office, and accounted for 55 percent of all equipment claims in 2002.

With losses for heavy equipment thefts increasing by 64 percent between 1995 and 2001, it's a trend that insurance industry professionals can't ignore.

Some of the cumulative effects of equipment theft may be difficult to quantify. For instance, when equipment is stolen, businesses lose money due to short-term rental costs and project delay penalties. Contractors must also spend valuable time dealing with police and insurers.

Equipment theft also drives up the cost of insurance premiums. Equipment owners with poor loss records may even find it difficult to locate an insurance carrier that is willing to insure their business.

While it may be nearly impossible to totally eliminate heavy equipment theft, agents and brokers are in a position to help

their customers control the threat of such a loss. Most equipment is stolen by professionals who understand the value of these items and how easy it is to sell. A recent police raid near Colorado Springs, Colo., uncovered an estimated \$350,000 to \$500,000 worth of suspected stolen heavy equipment, tools and other construction equipment—the work of a major burglary and theft ring, according to local press reports.

Working in tandem with loss control professionals, agents and brokers can help their customers uncover ways to make construction sites less vulnerable targets.

By sharing the following best practice tips with clients who are serious about protecting their heavy equipment from theft, agents and brokers can get a jump start on the process:

- ▶ Provide specific security measures such as fencing, off-hours security patrols and indoor storage arrangements for high-valued items such as cranes, large earth moving equipment, mining and road construction equipment.
- ▶ Consider equipping each piece of valued equipment with a satellite-tracking device such as LoJack for Heavy Equipment.

Insurance carriers may offer incentives such as premium discounts or waived deductibles to clients who install these units on their equipment. The recovery rates with

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these tracking devices are quite high, proving them to be quite effective.

In 2002, some 87 percent of LoJack-equipped construction equipment was recovered in less than 24 hours after being reported to the police and 95 percent of that equipment was undamaged, according to LoJack Corporation in Westwood, Mass.

▶ Equip self-propelled mobile equipment with an ignition system disabling device and/or a transmission immobilization device.

▶ Install locking hardware on caps for fuel tanks and supplies to resist tampering or the introduction of foreign substances.

▶ Equip all wheeled equipment with movement prevention devices such as locks, chains, removable wheels and removable trailer hitches.

Certain packing arrangements can be effective in limiting movement as well, though this may increase the hazard from other perils such as fire and/or flood.

▶ Establish and follow a series of “end-of-shift” security inspection protocols that address and reinforce general company guidelines and site-specific practices such as battery removal, ignition key removal, locking of housings and compartments.

▶ Take photographs of all pieces of equipment. Catalog these photos and update as equipment is purchased and sold. All lists should be segregated and maintained by job site.

Monthly inventories should be reconciled to ensure that the physical location of all equipment can be assured. Individual equipment records should include serial numbers and any identifying markings.

▶ Consider implementing the introduction of company serial numbers that are placed in an inconspicuous location on the equipment.

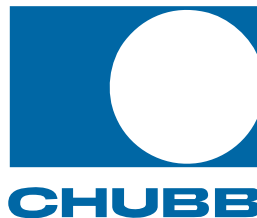
Professional thieves often remove the equipment’s VIN number, making it difficult to pinpoint the original source of the item. Photographs of these personalized numbers

can be helpful in police recovery if a theft occurs.

Equipment owners may also want to register their equipment with the National Equipment Register to further assist in tracking stolen equipment.

While no method is foolproof, those who take an active role in preventing equipment theft are less likely to incur needless losses that affect their company’s bottom line. Project delays, decreased productivity, increased insurance premiums and hard-to-find equipment rentals all contribute to the impact of equipment theft.

Agents and brokers, along with loss control professionals, can help stem this national epidemic by encouraging equipment owners to develop a tailored loss control plan and follow best practices to reduce their vulnerability to theft and avoid having their equipment become another statistic. ■



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