

# Cargo Tips: Managing Storage Risks

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Storing cargo can be just as risky as transporting it. From its initial arrival at the facility, throughout the storage period, and up to the point of dispatch, merchandise in warehouses and other storage facilities can easily be misplaced or damaged – and is often a prime target for theft. In fact, warehouses and carrier terminals are two of the leading locations where cargo theft takes place.

Chubb Commercial Marine's loss control specialists are pleased to provide these guidelines to help ensure the proper storage and handling of your merchandise. While physical attributes and procedural operations will vary slightly by storage site, proactively ensuring that these key areas are addressed and maintained can be an important factor in managing future losses.

### Receiving Cargo

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- Cover receiving/shipping dock with a roof overhang or install a weather seal on cargo bay doors to protect the cargo from inclement weather during the unloading/loading process.
- Equip loading docks with adjustable dock pads, known as dock levelers, to facilitate a level path between the container, trailer, or rail car and the loading dock. Security controls should be consistent with the value of the cargo handled, including the possible use of door alarms, motion detectors and video surveillance.
- Provide adequate dock lights (150 watt or better) to illuminate the interior of containers, trailers and rail cars and to facilitate loading/unloading operations.
- Verify the driver's documentation during receiving and immediately inspect, weigh and count the cargo. Document and reconcile discrepancies before accepting. If the discrepancy

cannot be reconciled, annotate the problem on the bill of lading, the truck delivery receipt and the warehouse receiving report.

- Issue a warehouse receiving report (see sample in sidebar), and keep it on file for both inventory purposes and to provide proof of received condition of the cargo. At the same time, assign a lot number to identify the shipment and its location within the warehouse.
- Palletize cargo immediately upon receipt, subsequent to inspection, weighing, labeling/marketing and counting.
- Move cargo away from the receiving doors and stage it well into the confines of the facility. If the facility handles bonded goods, separate storage and handling procedures for such items must be maintained.

### Cargo Transfer, Handling and Storage Operations

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- Evaluate materials handling equipment that is permanently attached to the building to determine if it is in satisfactory operating condition and suitable for the commodity types and container sizes regularly handled. This includes but is not limited to dock levelers, rack storage, roller systems, elevators, reefers/freezers and machinery and ramps.
- Regularly check portable cargo handling equipment that is used to transport, lift and load/unload cargo from containers, trailers, rail cars and rack storage to confirm suitability and to ensure it is in satisfactory operating condition for the types, sizes and weights of shipments regularly handled.
- Check forklifts to confirm ladder frame structures are intact. Inspect the tires, forks, hydraulic hoses/fittings etc., and note/report the condition.



generally not be stacked more than four tiers high and must, under all circumstances, maintain the required clearance to sprinklers, which is 18 inches or more.

### Warehouse Storage Concerns

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- Confirm freight elevators were recently inspected and are so posted. Check cargo cranes, jacks, pallet loaders and dollies for condition and suitability to handle the cargo observed in the facility.
  - Observe the operation of all equipment and the manual lifting, loading/unloading and transportation of cargo to determine if personnel are providing an acceptable level of handling, and to determine if the assigned number of personnel is adequate to safely handle the daily volume of freight.
  - Look for obvious signs of poor handling, such as throwing, dropping or kicking freight, as well as problems such as excessive speed by forklift operators, poor distribution of weight across forklift tines, etc.
  - Following inspection and receipt, palletize shipments and move to an assigned storage location within the facility. Palletized cargo should
- Maintain clear aisle spaces of 8 feet or more and separate storage by aisles so piles are not more than 50 feet wide, or 25 feet wide if they abut a wall. Main and cross aisles should be located opposite window or door openings in exterior walls.
  - Verify storage racks are properly bolted in place and inspect the structure to determine that it is sound and will support the weight of imposed loads.
  - Cold storage requires additional consideration based on the type of freezer/cooler system in place (e.g., ammonia/ brine solution, Freon, etc.). Inspect all machinery, such as compressors and evaporators, and meet with the building engineer to verify that regular maintenance is performed and that the machinery is alarmed in the event of a system or power failure.
  - For fire risk management, warehouses should have sprinkler protection designed, installed and maintained in accordance with National Fire Protection Association (NFPA) standards:
    - There are many types of sprinkler systems and sprinklers; the type used will depend on both the building and the occupancy. It is important to match your sprinkler system with the hazard and occupancy being protected.
    - The design of the installed sprinkler system depends on the types of commodities being stored, the storage configurations, methods and arrangements. Elements such as aisle

width, storage height vs building height, etc. should be taken into consideration.

- Testing and maintenance procedures are required for all fire protection equipment.
- Complete main drain and alarm testing on a regular basis per NFPA 25, Inspection, Testing and Maintenance of Water Based Fire Protection Systems, and NFPA 13. These standards outline the specific requirements for each available system design (e.g., wet pipe systems, dry pipe systems, etc.), as well as the required impairment procedures and more specific details on testing, maintenance and impairment handling procedures for these systems. These procedures are crucial to maintaining your sprinkler system's reliability.
- Storing idle pallets and similar combustibles can also present a significant fire hazard. The use and storage of pallets essential to managing fire loading should be addressed to minimize the potential spread of a fire. Idle pallet storage requirements are outlined in NFPA 231 and should be closely adhered to by the warehouse operator.
- Evaluate public fire protection capabilities to determine whether they are composed of volunteers or paid members. When evaluating, pay particular interest to the distance of the responding station(s) to the facility to determine the estimated response time.
- Train employees on the control of ignition sources, the storage of flammables and how to operate fire extinguishers as a first aid to minimize fire spread.

### **Cargo Characteristics**

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- Evaluate commodities received, handled and stored, with an eye towards the susceptibilities to damage and theft. Provide a complete description of the insured commodity(s) observed during the course of any reviews, including but not limited to:
  - Any special packaging and handling requirements presented by the nature of the commodity, such as moisture susceptibility or fragile or delicate items
  - Any characteristics suggesting an inherent vice(s) of the commodities in storage
  - Temperature sensitivity(s)
  - Whether the cargo is hazardous and, if so, what it is and how it's classified, since special handling, storage and protection are required Intended use of any raw or unfinished goods, and implications of special handling and protection as mandated by regulatory authorities
  - Theft potential and any special security requirements

### **Warehouse Security**

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- Personnel: Follow proven employee selection and hiring practices. Conduct background checks on all prospective employees in compliance of local laws and established EEOC requirements as applicable; background checks can include a five year criminal history, former employment verification and up-to-date financial status. Establish termination procedures to ensure identification badges, access cards, keys and other sensitive information are recovered from terminated employees. Provide all employees with a copy of the facility's security policy.
- Procedural: Establish procedures for manifesting/receiving/shipping,

packing/packaging, managing cargo discrepancies, monitoring/controlling visitors, preventing collusion and screening vendors. Identify, report and track all incidents.

- Security and threat awareness training: Train employees on security practices and establish an awareness and reporting system to manage suspicious activity.
- Information Technology (IT) security: Establish user access restriction, system/ data back-up and recovery plans.
- Emergency preparedness/disaster recovery: Develop a thorough, written plan to effectively manage reasonably anticipated emergency situations, and ensure personnel are familiar with the plan.
- Carriers: Identify the carriers used and the storage site operator's vetting processes for truckers
- Local security: Ascertain the source of public police protection for the town/city, county and/or state and make note of the name and location of the department. If the facility uses a private/owned security force, document the number of guards (if known), the location of guard posts and the days/ hours when they are on duty. Verify whether the facility or property is patrolled.
- Alarms/surveillance: A central station burglar alarm system is recommended. At a minimum, it must provide magnetic, mercury or activated relay alarms on all perimeter doors, and glass breaks or vibration alarms on all outside windows. The system should also provide microwave and/or Passive Infrared (PIR) sensors on the cargo floor across all walls with perimeter doors or windows. Video surveillance is also recommended, particularly where highly theft susceptible products are handled. Such equipment has proven itself as an effective deterrent to crime and, in the event

of an intrusion, can be used to help identify and apprehend suspects.

- Cold storage: For freezer/refrigerated/air conditioned warehouse operations, connect the central station burglar alarm system to the refrigeration machinery and/or a thermostat in the temperature controlled areas. This will sound an alarm at a prescribed high or low temperature, or when machinery malfunctions.
- Exterior lighting: Adequately illuminate the perimeter of the facility in accordance with the ANSI/IESNA Standards (to meet or exceed the greater of the two).
- Fencing: Perimeter fencing constitutes the first barrier against intrusion by helping to slow the progress of an intruder and making the intrusion efforts more visible to security/police forces. Fencing should be chain link with a barbed wire top guard. The chain should be at least 9 gauge or heavier, and not less than 8' in height plus a top guard.
- Locks: Install deadbolt locks on all perimeter personnel/customer doors, and sliding hasps and padlocks on cargo bay doors. Establish key control protocols to avoid misappropriation of keys.
- Controlled areas: These are areas in which access is governed by special restrictions, such as high value cages and bond rooms. Describe the arrangement and construction of controlled areas, if any are noted.
- Parking and traffic control: Employee and visitor parking areas should be located away from the cargo loading area.
- Trash: Trash handling is an often overlooked area where pilferage and theft can occur. All trash should be placed in clear plastic bags, cardboard should be broken down, and trash deposited and picked up at standardized times.

## **Recordkeeping**

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- Identify the types of inventory records maintained by the warehouse operator. Most are now computerized, but at the very least a card file should be kept, identifying the following:
  - Name of the shipper and date the shipment was received
  - Receiving report number/date and, in the case of a public warehouse, the name of the account for whom it was received
  - Product description marks and lot number
  - Product count and weight
  - Location in the warehouse
  - Date released, showing the number of pieces and weight
  - Name and signature of the receiver
- Determine how shipments are released to customers. Initial verbal authorizations should be followed up that same business day by a written authorization (release) via fax or email. Check existing files to confirm written release orders are actually used.
- Determine how often a physical inventory is completed, and who completes it. Identify the type of report generated as a result of the inventory and who receives a copy of it. Insureds must complete the inventory process, especially if they are not the warehouse operator.
- Ascertain what steps are followed if there is a discrepancy between the physical inventory and the card or computer files (i.e., overage or shortage).

## **Disaster Planning**

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Hurricanes and other severe storms can be deadly forces that can strike a business at any time. Establish a written plan with the objective of protecting employees, property and data at all points before, during and after a storm. A disaster plan is just one of several plans that a business should develop to handle emergency situations. <https://www2.chubb.com/us-en/business-insurance/Marine.aspx>.

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