

# RLI RISK MANAGEMENT: METAL THEFT - TOO COSTLY TO IGNORE

## PROTECT YOUR BUSINESS FROM METAL THEFT

Metal theft is on the rise. According to Insurance Journal, metal theft claims have increased 36% in the past three years. The top 10 states for metal theft claims are:

- Arkansas
- Connecticut
- Delaware
- Georgia
- Kentucky
- Maine
- Missouri
- North Carolina
- Ohio
- Rhode Island

Copper is the most common metal stolen across the nation. Between January 2010 and December 2012, the ISO ClaimsSearch database reported 33,775 insurance claims for metal theft—96% of them were for copper. The U.S. Department of Energy estimates that metal theft costs U.S. businesses about \$1 billion a year.

## WHY AND HOW IS COPPER BEING STOLEN?

Scrap metal dealers handled over \$40 billion worth of scrap metal in 2010, according to The Institute of Scrap Recycling Industries. Approximately 25% of this total inventory is believed to be stolen.

In 2011, copper prices were at an all time high. Thieves could get about \$4 a pound for scrap copper, up from 2009

when copper was approximately \$1.25 a pound. In 2013, the price for copper was about \$3 a pound.

Recyclers pay an average of \$200 for one commercial air conditioner coil. To get to the coil, thieves tear apart the whole A/C unit, which then has to be replaced.

## WHAT ARE RLI POLICYHOLDERS SEEING?

We've seen copper stolen from policyholders' A/C units. Some of these claims even involve damage to rooftop units, which are accessed by a ladder up the side of a building. In most of these situations, our insureds didn't have any controls in place to prevent the theft.

During the thefts, the units are sometimes completely torn apart and have to be replaced. Replacements can cost as much as \$30,000, depending on how many and what types of units are needed.

Whether the units have to be replaced or just repaired, a few days without air conditioning can be hazardous to your people - and your business.

## WHICH A/C UNITS ARE THE MOST ATTRACTIVE TO THIEVES?

Thefts typically occur at night, in dark, isolated areas. Because these A/C units are generally considered unattractive and intrusive, they're often placed in areas hidden from the public's view, which helps to invite theft.



## HOW CAN YOU MINIMIZE THE RISK?

There are a number of devices and systems available to help mitigate the risk of theft, including:

- **Paint the copper wire** – Doing this makes copper less valuable as scrap. Some scrap dealers may not accept painted copper if there's a chance that they'd be unable to sell it.
- **Use security screws** – This is one of the least expensive ways to protect A/C coils; screws often cost under \$20 for ground units and under \$50 for roof top units. The hex head screws normally found in the tops of A/C units can be replaced with one-way or tamper-resistant screws. This would make it more difficult to remove the cover and get to the copper inside.
- **Store extension ladders inside a locked building** – or remove fixed exterior ladders (other than fire escapes).
- **Mark the copper** – Small pieces of material encoded with serial numbers can be placed on the copper. This may not prevent the theft, but may help with recovery of the stolen items.
- **Build a cage or fence** – The cost for this option can vary significantly, but having a cage or fence will make it more difficult for a thief to get to the A/C unit, thus deterring the theft of your property.
- **Upgrade lighting** – Motion detecting lights or dusk-to-dawn lights can help deter theft.
- **Purchase an alarm** – Alarms or theft sensors can be installed inside the A/C's top cover or in other areas of the A/C unit. Audible alarms are usually more effective than silent alarms.
- **Install cameras** – This can help deter thieves since they know they could be caught on tape.
- **Equip your units with GPS** – This is likely the most expensive option because there's an annual monitoring fee, but for high risk locations and expensive units, the cost may be worth it.

## HOW CAN THESE CONTROLS HELP YOU?

A copper theft claim can have a significant negative impact on your business:

- An inoperable A/C unit may lead to an interruption in your day-to-day business operations, resulting in a potential loss of revenues.
- If the A/C unit is out of commission, employees and their productivity may suffer due to uncomfortable work conditions.
- It can be a hassle to take the time away from your important business activities to deal with air conditioning serviceman to get the system back up and working at their convenience (whether the A/C unit is replaced or repaired).
- A claim will likely result in increased insurance premiums.

## HOW IS RLI RESPONDING?

We're finding that the majority of our insureds currently do not have any controls in place. We are trying to raise awareness of the dramatic increase in metal theft across the country and encourage our insureds to reduce the likelihood that they will be a victim of this growing problem. For those insureds who implement and document controls to prevent copper theft, we would provide the following:

- Lower property deductibles
- Preferred property insurance rates

Many metal theft claims are preventable, and managing preventable losses is what keeps premiums down for everyone.