

# ***INVENTORIES, INDEMNITY & INSURANCE***

*BY HARLOCKS PTY LIMITED*

Insurance Consultant and Risk Managers of World Wide Multiple Cover Insurance Scheme on behalf of Commonwealth Public Servants and Defence Personnel

For over a quarter of a century we have been administering an insurance scheme which involves Foreign Affairs employees on long-term overseas Postings.

Whilst we appreciate the time, effort and tedious task involved in preparing inventories to be submitted to your Department for both storage and overseas, we would like to point out that these inventories are an important and integral part of both Commonwealth Indemnity (for goods in store) and overseas cover, particularly in relation to transit losses. The inventory forms the basis of the indemnity which the Commonwealth and/or the Insurers will pay in the event of total loss or the misplacement of the effects.

From the insurance point of view, it is important in major transit losses where recovery from the carrier is to be sought. Should the losses be for non-delivery of items, and these items do not appear on the inventory, the carrier simply states that as the items are not on the inventory, then the insurers cannot recover these losses. The same can be said where a sum insured is equal to or less than the inventory. The Insurers can claim that as the item does not appear on the inventory, then no insurance claim is recoverable.

It has amazed us over the years to note that members will list all items of kitchen appliances, down to items such as egg rings, paper placemats etc, with a value placed against these items in some cases of \$1, \$2 or \$5, however they will list their Wedgwood dinner service as '48 piece - \$500'. This would mean that they are basically stating that each piece of that dinner service is worth \$10.42. It is obvious that a large dinnerplate is more expensive than a saucer or sideplate, but by setting out the inventory in the manner mentioned above, Insurers will simply settle under the Pairs and Sets Clause by dividing the amount insured by the number of pieces which make up the set. If the inventory had shown the same set at \$1,000, it is still only allowing approximately \$21 per piece.

Another common inventory item is crystal wineglasses, which would be listed as '12 for \$200', which would arrive at approximately \$17 per glass - it is difficult to replace a crystal wineglass for \$17.

The above examples are only two of many where we strongly suggest that members consider the sums placed against each item on the inventory, approaching it from the point of view of what they would wish to receive in the event of a claim for loss or damage.

A similar situation arises with the Commonwealth Indemnity for goods placed in long-term storage. Again, many members place low figures on some of their older appliances such as a second hand bar fridge, or an old washing machine or clothes dryer, without taking into account that whilst the Department has requested that you supply an inventory for current-day value, that inventory should be based upon the replacement cost of the item, less an allowance for its age. However, we would point out that if the value placed on each item is too low, then the Department will only be responsible for the amount placed on the inventory against each item, and one must consider the cost of service and/or repairs should the items not operate correctly when delivered from store.

To summarise the above, both the Commonwealth Indemnity and the Insurers will settle to you the amount the item is worth, or the amount of the inventory, whichever is the least. By way of example, should you place 10 crystal glasses on either inventory for a sum of \$2,000 (\$200 per glass), the maximum you could obtain should a glass be broken or lost, would be the \$200 or the replacement cost of the item or its current value. Should you be able to purchase the item for \$75, then obviously this is the amount you would receive. Unfortunately, should the glass be part of a pair or a set, and the item cannot be replaced separately from the set, then the indemnity will still only provide for the value of the one item, and not the entire set.

Another area of concern with inventories is the 'guesstimate' made in relation to clothing. Quite often we see '10 portarobes of clothes \$1,000'. Again this would give \$100 per portarobe. Whilst we are not suggesting that every item of clothing should be singularly listed, they can certainly be broken up into men's, lady's, suits, casuals, shoes etc.

It would be our advice that you should insure for a figure higher than the inventory value, to allow for items which do not appear on the inventory and for purchases made in transit or at the Post. As mentioned above, should you elect to insure for the value of the inventory, then the responsibility of the Insurers is for the items which appear on the inventory, and the value stated. This additional insurance section only applies to goods overseas, and is not applicable to the storage of effects, as under those circumstances you are strictly limited to the inventory as submitted.

Having completed the inventory, we further recommend that you do not waste the considerable effort expended, and that you continually update the inventory by way of amendment on your own records, as well as keeping your Insurers advised so they may notify you of any increase or adjustment which may need to be put in place.

Whilst we are not advocating that you over-inflate the value of each item on the inventory, it is certainly to your advantage to have a higher figure on the inventory than a lower figure, in the event of negotiating a claim settlement. As you will see from the above, if the figure is understated, then of course you will receive under-settlement, whereas if the figure is overstated, you will receive a fair and equitable settlement.

We trust the above is of interest, and helps you to appreciate the importance of inventories as they relate to the Commonwealth Indemnity and your World Wide Insurance.