

INVENTORIES - ARE THEY NECESSARY?

BY HARLOCK PTY LIMITED

A recent decision by the Department of Foreign Affairs and Trade to trial the removal of the requirement for Members to submit detailed valued inventories of the effects being shipped overseas to the Department may not necessarily relieve the Member of the task of completing an inventory.

In an article titled 'Inventories, Indemnity & Insurance' published in the August 1996 edition of the Foreign Service Families Association's News, we pointed out the benefits and advantages of maintaining an updated inventory for your own records, as well as for your Insurers. As our World Wide Multiple Cover Insurance contains a condition pointing out that the policy provides protection for your Household Goods and Personal Effects, and refers to the inventory being that which is submitted to your Department, and the policy provides protection for that inventory as well as other effects which do not appear on the inventory, then our policy will respond and maintain cover without you providing an inventory to your Department or to the Insurers.

However, without completing some form of inventory and submitting it to the Insurers, in the event of a total loss or misplacement or non-delivery of part of the consignment you would need to have some other form of identification to verify the items which were missing and the values of such items. Without an inventory of your consignment, the insurance loss adjusters could ask how you established which items and the quantity of items missing. It is our experience that when non-delivery of a large proportion of a consignment occurs, eg 25 boxes out of 75 boxes, that the Insured uses their inventory and a process of elimination by crossing off the items which do arrive, and claiming for the items which are a short-fall on the inventory.

The majority of Members who have suffered an insurance claim, be it following a transit or even a major fire or burglary loss, will appreciate the extent to which the inventory provides details of stolen or destroyed items. Whilst we agree that inventories can be time-consuming and in some cases difficult to complete, we do not feel that it is good practice not to complete some form of inventory or schedule of effects you are having shipped to or from your Post.

The question of selecting a sum insured also becomes clouded if there is no basis on which to commence the level of cover. If the Member selects the maximum amount available for reimbursement by the Department, irrespective of the value of goods shipped or with you at the Post, this could be a case of over-insurance for some Members who may only require a \$30,000 or \$40,000 cover. It would also be a case of major under-insurance for a Member who requires say \$100,000 cover. One could compare a domestic Household Insurance cover, where you simply elect a total value of goods which you wish to insure without supplying an inventory of effects to your Insurers. However, domestic Household policies all have limitations as to the maximum amount which will be paid for items such as jewellery, sporting equipment, electronic equipment, works of art, Persian rugs and other valuable items. These limits can vary from between \$1,000 per item and \$5,000 per item depending upon your selected sum insured, and the only way to obtain additional protection for those items is to provide a schedule or list to the Insurers. In most cases, they will also require supporting Valuations for jewellery, Persian carpets, paintings etc.

However the World Wide Insurance policy has no limits, with the exception of jewellery or furs for which you must provide a list and/or Valuations, as the Insurers were aware that an inventory of effects being shipped overseas was held by the Department and that a copy from the Insured or the Department could be obtained if necessary. We would strongly resist the introduction of limitations, or the requirement to specify not only jewellery and furs, but also computers, camera equipment, electronic equipment, works of art and valuables for which some Insurers currently or in future will require additional identification. A further complication could arise if you are shipping a large consignment which contains valuable works of art and/or collections such as books, coins etc, where we suggest it would be prudent to supply a list of these items to the Insurers prior to shipment, rather than endeavouring to supply a list following loss or misplacement.

Damage to an item does not constitute a problem, as the Insurers can inspect the damaged item and arrange to have it repaired, replaced or cash settled. However with loss or misplacement the problem is the substantiation that the item was in fact shipped, and that its value prior to loss was that which you are claiming. As mentioned above, under domestic Household policies high values do not create a problem, as the policies have limits for valuable items as to the maximum payout per item. Considering the above, our recommendation would be that you compile some form of inventory or list, and discuss it with your Insurer prior to your Post or prior to your return from Post.