

Note From Our President: Traveling with Valuables

Insuring against loss, while traveling with valuable merchandise, is one major reason for the purchase of insurance policies. Most insurance policies either exclude or severely limit losses away from premises. However, policies covering valuables do extend coverage for such exposure.

It is important that the distinction between owners, employees or sales persons who may travel for a company be understood. The underwriters will view each class differently and charge rates for insuring them accordingly. The claim adjuster will need verification of the relationship. If the relationship is not as represented on the application, the adjuster may decline the claim.

For example, if you work on memorandum basis with a person who you consider to be your sales person, a claim will probably be denied. Memorandums are given to dealers in the trade with very little control. On the other hand, sales persons are independent and may carry for various companies. They are paid a commission which is reported on a 1099 tax form. The company controls the price of the merchandise and any deviation in price needs to be authorized by the company. The company is responsible for the accounts receivable for the sales created by the sales person.

It is wise to have a contract stipulating the above with any sales person. An employee works strictly for one company and does not carry for any other. The employee should be on salary and his income being reported on a W2 tax form. Owners of the company should either have stock or be partners or immediate family members of the stock holders and or partners.

On a separate note, it is essential that one becomes familiar with the policy language with respect to the conditions imposed in various situations for a claim to be covered. These conditions are described within the policy in detail. They cover various situations such as having the merchandise at home, before a trip, what to do while staying in a hotel or a motel during a trip and how you need to act with respect to the merchandise while moving to do your business.

It is usual for the policies to stipulate that you exercise “care, custody and control” of the valuables at all times. Some policies are stricter and ask that the merchandise be at your “arms length”. It is always best to discuss these issues with your broker such that you have the proper arrangements and understanding and transfer the same information to all persons involved, before an incident. Dealing with these lacks of understanding or misunderstandings after a loss is at best extremely difficult.

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