

# The smallest risks of all

## Cash and diamonds in transit pose big challenges

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The next time you take an international flight, look around. All may not be as it seems. Fellow passengers could be carrying diamonds worth several million dollars. Below in the hold, there might be, say, \$100 million in cash.

This has nothing to do with smuggling or money laundering; it is the legitimate movement of small items of value. These assets are shipped internationally every day on scheduled flights among the passengers and their luggage. One of the largest shippers of bank notes, for example, moves around \$120 billion of currencies a year in this way.

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In today's global economy, the transport of high value items is frequently time-critical. In addition, the manufacture of goods is unlikely to take place in the same place as the sale, or even in a single country. Consider the life of a diamond. From a mine in Botswana, it is flown to Johannesburg and from there it is sent to London and offered to a wholesaler. Its next stop is India for cutting and polishing, and then on to Antwerp, Israel, New York or back to London for onward sale. Transport by air, either carried by an airline passenger, or placed in the hold, is

the only realistic option. The small size of high value products creates the main risk. It is not cost effective for a supplier to own or charter an aircraft when their whole consignment will fit into a single crate. Therefore, alongside holiday-makers' checked baggage, commercial airlines may also be carrying shipments of computer chips, mobile phones, cash and jewellery.

Initially it seems a win-win situation. As commercial airlines try to increase margins while keeping costs to a minimum, they are happy to sell surplus hold space for freight. Yet beneath the surface, the international movement of valuable items involves a delicate balance of time, risk, security and money.

There are many conflicting interests. The end client wants the item immediately, and no one wants to upset their most affluent customers. However, the underwriter wants all the necessary steps taken to minimise the risk of loss or damage. Neither the client nor the underwriter want the cash value represented on the shipping documentation for fear of attracting theft, yet without knowing the contents of a package, how can the shipper put appropriate protection in place? More robust packaging can certainly protect against theft, but additional packaging increases the weight and therefore, associated shipping costs and charges.



But surely all parties could agree on better security at airports? Not necessarily. More stringent security means more time-consuming checks, which increases costs, and would also have a social impact. While most people now accept the need for improved security, none would tolerate the impact of a requirement to search every vehicle and every passenger in the airport.

The Warsaw Convention limits an airline's liability to approximately \$25 per kilo, unless gross negligence can be proven. Consequently, loss prevention is critically important to insurers. But besides financial considerations, there is another compelling reason for better security: the theft of high value items is often a means of funding terrorism.

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Various measures have been put into place by the airport authorities, shippers, the airlines, the police and insurers to manage risk.

Security at airports is improving, and although the focus remains quite rightly on protecting human life, there is a corresponding benefit for goods in transit. Measures such as a new perimeter fence

enclosing Johannesburg airport, and a dedicated police task force in London are recent improvements. Some airports and airlines will be declared "off limits" if they have a particularly poor security record. Some insurers prefer provincial airports where additional security measures will have less impact on passengers. And modern airports are generally preferred because their security arrangements are often more robust. While airport security will never be as tight as the underwriter would like, these are all pleasing developments.

The pace of international movement of assets is unlikely to slow, as demand for luxury goods increases. Continued civil unrest in parts of the world creates a demand to move assets from country to country. Airlines, shippers, manufacturers and insurers must all work closely together to safeguard goods as well as passengers. Sophisticated crime has to be matched by sophisticated security systems, and new solutions have to be found to solve conflicting interests. 