

Recent Fires Turn Safe Deposit Vaults Into Ovens

Over the past few months, the events that followed damaging fires at several financial institutions across the nation have significantly affected our safe deposit industry. These fires were caused by severe lightning strikes, electrical wiring problems and a carelessly discarded cigarette. After fires totaled all of these facilities, each one was confronted with some very difficult challenges and tough decisions.

Contrary to popular belief, safe deposit vaults and boxes are not fireproof, and they are not immune to fire and heat. During a devastating fire, when the temperature inside a vault rises to 451 degrees, paper documents will ignite. When the temperature reaches 1,763 degrees, jewelry, coins and other metal items will melt.

Anyone can be the victim of a fire, and no one is immune to the resulting devastating effects. Does your financial institution have a written Safe Deposit Disaster Recovery Plan in place which specifically details procedures for a fast, effective response and recovery after a fire? These recent events proved yet again that little or no preparedness before a disastrous event, leads to panic and chaos, thus exacerbating the dreadful consequences that follow. It is incumbent upon financial institutions to have a plan which facilitates a safe, secure, efficient, and effective recovery effort for both themselves and the safe deposit box renters they serve.

Many frantic calls

Following these fires, I was inundated with phone calls and emails from many financial institutions from coast to coast. They all were asking for advice and guidance concerning the reclamation of damaged or destroyed safe deposit boxes.

My advice to them was, first, to provide security for the vaults and boxes that were affected by this disaster, and second, to address the fears, concerns, and frustrations of their renters who, understandably, would be demanding and expecting immediate access to their valuables. Most box renters are oblivious to the levels of danger that exists in a facility that has incinerated. Your box renters must be apprised of these dangers and then given assurance that your institution is doing everything possible to secure, protect, recover and relocate their boxes. You must tell these renters to **Be Patient**. With circumstances this dire, there is no "quick fix".

No Insurance Protection

These four recent fires in three different states has also raised insurance concerns. All financial institutions zealously attempt to assure consumers that their deposit accounts are insured for at least \$250,000. It is incumbent upon the institution to guard against claims that suggest in any way that this protection extends to safe deposit box contents. To do otherwise creates confusion, misconceptions and potential liability.

Are You Ready?

Listed below are fifteen important safe deposit questions which, if answered "Yes", can help you avoid risks. If you answer "No", you could have some potential liability about which you may not be aware.

BEFORE THE DISASTER:

1. Is a separate "No Insurance Disclosure" form, printed in at least eight-point bold type, given to each new box renter and mailed to all renters on their annual rental due date?
2. Do you display a carefully worded 8" x 10" "No Insurance" sign inside or near the vault area, and does it clearly state that obtaining insurance protection is the renter's responsibility?
3. Does your lease agreement have a very clear statement that says: "No insurance coverage of any kind is provided by the financial institution to cover safe deposit box contents," and is a copy of this lease given to each new renter?

4. Do you avoid using misleading statements, promises or guarantees, such as “fireproof, waterproof or burglarproof” in your safe deposit marketing brochures, statement stuffers or other promotional items?
5. If you disclose your annual box rental rates on a “Service Fee” brochure or website, do you have a bold statement under these rates that warns: “No insurance coverage is provided on box contents by FDIC, NCUA or this financial institution?” (FDIC and NCUA requirements to display insurance logos in these locations can mislead consumers.)
6. Are employees trained to be very careful when answering consumer questions about insurance or how much security is provided with this safe deposit service, and are these difficult questions often referred to a supervisor?
7. Do you provide consumers with a specific “Questions and Answer” brochure that correctly answers their questions about insurance coverage, physical vault security and the many other “Most Frequently Asked” safe deposit questions?
8. Do you avoid displaying FDIC or NCUA signs or logos on your vault door, inside the vault, on safe deposit marketing advertisements, banners or brochures, or on the small key envelopes provided to renters to store their box keys?
9. If you experience a disaster (fire, flood, bomb, etc.), have your employees been trained to be very careful when making statements to consumers or the news media about the recovery efforts, safety or security of all box contents?

AFTER THE DISASTER:

10. If your facility and vault are seriously damaged and the boxes must be moved, do you have adequate box relocation procedures and a carefully-worded renter notification letter to assist you in the relocation of these boxes to a safe and secure location?
11. Before moving these boxes from the disaster site to another location, are you aware of the federal and state regulations that govern the procedures to relocate these boxes and how much security must be provided at the old and new location?
12. Does your disaster recovery plan have various sample renter indemnity, inventory and surrender forms that will be needed to assist renters in recovering their box contents and releasing you from liability?
13. If the renter's box contents are damaged by fire, smoke, heat or the water used to extinguish the blaze, do you have a printed information package available to assist these renters with the replacement or restoration of their damaged legal documents, stocks, bonds, jewelry, coins and other valuables?
14. When renters request box access to remove their contents, do you have written procedures that cover scheduling appointments, conducting interviews and assisting these renters with their box content examination and recovery?
15. After a disaster, would you provide the same degree of care, security and recovery efforts for the box renter's valuables as you would for your own assets located in the same vault?

In Conclusion

How did you do on the test? If you had any “No” responses and would like to find out how to improve your operations and reduce your liability, simply visit www.sdspec.com to view valuable safe deposit information covered in Disaster Recovery and Box Relocation Manuals, Question and Answer Brochures and a No Insurance Disclosure System. You must test your insurance disclosure, vault security, box relocation and disaster procedures now, **not after a serious fire occurs.**