

Safe Deposit Disaster – Made Worse

While Seattle Slept

During a weekend burglary in Seattle, Washington, thieves penetrated the roof of an 18-inch thick, steel-reinforced concrete vault, lowered themselves inside with ropes and emptied over two hundred safe deposit boxes. They left with an undetermined amount of money and valuables.

The alarm activated, but when the police arrived they observed nothing suspicious, so they left. A police spokesman said, “We didn’t hear or witness anything unusual, and the building looked secure from the outside.”

Monday Morning Surprise

When employees arrived on Monday morning, they opened the vault and discovered the crime scene; scattered documents, overturned boxes, concrete chunks and water (apparently used to cool the cutting tools.) One employee said, “It looked like a bomb exploded inside the vault.”

Big Mistake

Adding to the bank’s problems, the employees started calling the box renters, asking what they had stored in their boxes, and offering them reimbursements!

Growing Problem

There are an ever-increasing number of safe deposit burglaries, flooded vaults, disasters, and disappearance claims nationwide. And thanks to TV programs and other media information, depositors and safe deposit box renters are becoming much more savvy about their “rights” in the legal system. We have observed a growing tendency of bringing suit against corporations. Financial institutions must be very cautious about promises or guarantees made to renters about vault security or insurance coverage.

“Am I Insured?”

If you were to ask all of your existing renters if their box contents are insured, most will answer “**Yes**”! Many renters ASSUME that you or some government agency insures all financial accounts, including boxes. Look around you. You’ll see signs, printed forms and other informative documents all over our offices containing government insurance statements. They can create confusion and misconception in the safe deposit area.

Add to this, the misunderstanding that is created when employees give incorrect answers to insurance and security questions in the safe deposit area.

Only renters know the actual contents of their safe deposit boxes. Without corroboration of these items, renters could claim assets of value far greater than what they actually lost. The way to minimize the confusion and reduce potential risk is to properly disclose correct consumer information.

WHAT TO DO

- **Respond carefully** to consumer questions regarding insurance and security. Many financial institutions provide our brochures that answer the renter’s “Most Frequently Asked” safe deposit questions. Make sure you give out a carefully worded response, not an incorrect answer.

- **Review all your brochures.** Service fee brochures that disclose all of your service charges, fees, box rental rates and lost key charges must, by regulation, have an FDIC or NCUA logo. This insurance logo is misleading and could make renters think their box contents are also insured. To clarify, a disclaimer should appear under the rental rates stating that the “Box contents are not insured by any government agency.”
- **Check your key envelopes.** Do your snap style key storage envelopes for new renters have a printed statement that says FDIC or NCUA insures deposits up to \$100,000? This could imply to a new renter that box contents are also insured.
- **Remove insurance signs** inside the vault or in the department or area that offers safe deposit services exclusively. Safe deposit boxes are not considered insured deposits, so they don’t require regulatory insurance disclosure.
- **Display a prominent sign** and provide disclosure forms that clearly explain that you carry NO insurance on safe deposit contents. These should also suggest that renters obtain their own insurance protection.
- **Review your rental agreement.** Especially the “No Insurance Provision” clause that should be in every safe deposit rental agreement. This clause must correctly state that insurance coverage is not provided.
- **Provide training** to all employees who handle safe deposit rentals or access on a full time basis, or who may be called on at any time to “fill in” in that area. Well-trained employees working in your safe deposit area are your financial institutions best protection against huge claims if a disaster occurs in your vault.

In Conclusion

Please closely review all the items on this “What to Do List”. If all of these recommended items are being done now, Congratulations! If not, consider implementing each item before a burglary or other disaster occurs. Following each recommended procedure will help you avoid future legal problems.

About the Author: David P. McGuinn, President of Safe Deposit Specialists, is a former banker and is often referred to nationwide as the safe deposit GURU. In all 50 states he has trained over 200,000 safe deposit personnel since 1969 and has served as President of the American Institute of Banking and the American, Texas and Houston Safe Deposit Associations. He has created numerous safe deposit manuals, training videos, products, compliance forms and other products. During the past 35 years, McGuinn’s safe deposit manuals, videos, products and forms have been recognized as the national standard for the financial industry.