

# Safe Deposit Boxes: Your Valuables Aren't Actually Insured or Safe

by [Michael Thrasher](#)

There are roughly 25 million safe deposit boxes leased in the U.S. and the vast majority of the contents inside are not insured - a fact surprising to many renters.

Prized possessions and valuables are safer inside the boxes than most places - they're stowed inside bank vaults and guarded by elaborate security systems, after all. But neither banks nor the [Federal Deposit Insurance Corporation \(FDIC\)](#) are liable for what happens to safe deposit boxes, and the containers are not without risk.

In the last 40 months there have been about 50,000 safe deposit boxes impacted by a flood, fire, burglary, robbery or tornado in the U.S., and that's excluding those at 32 bank branches that were totally underwater as a result of Hurricane Sandy in 2012. That's more than \$1 billion of assets damaged or lost entirely, according to Jerry Pluard, president of [Safe Deposit Box Insurance Coverage \(SDBIC\)](#), a company that insures the contents of safe deposit boxes.

## How Safe Deposit Box Insurance Works

SDBIC does not require most customers to disclose the contents of their safe deposit box. The process is relatively simple: anyone with a safe deposit box can get coverage through the SDBIC website. Customers decide how much coverage they need, then pay one set premium for that coverage limit. The minimum amount of coverage you can purchase is \$5,000, which costs \$25 per year.

The designed unknown makes the product unique. Typically an insurer goes to great lengths to gather information before assuming any risk, but the lack of knowledge on the part of SDBIC is a strength in this case. It makes the insurance product proprietary and enabled SDBIC to patent it. While there are riders for homeowners insurance and special policies that can extend to safe deposit boxes, there is no insurance product like the one the company offers. The product is filed and approved in in all 50 states and SDBIC is hoping to be available in Canada in 2016.

There is an existing list of financial institutions which Pluard said didn't require strenuous underwriting because if they are already insured by the FDIC, their vault must meet a set of minimum standards. If a customer's bank is on that list, they can insure their safe deposit box.

The most SDBIC will insure, without asking for a general description of the contents, is \$500,000. Customers have been interested in more. Pluard said some examples include requests to insure \$5 million in gold stored at a major bank and a private gem collection in a safe deposit box valued at \$200 million.

There are no deductibles and policy fees for this safe deposit box insurance. The only major exclusion from a claim would be a "mysterious disappearance," in which property went missing without knowledge of place, time, or manner of the loss.

SDBIC partners with AXA, who handles the claim process once policyholders submit a form on the SDBIC website. If the property is still in the box when a claim is made, the product functions like any other insurance claim. If the bank is flooded, for example, and the valuables inside a safe deposit box are ruined, consumers would submit a claim with the estimated value to SDBIC. AXA claim adjusters will then appraise the remaining contents to determine the payout. If only a few choice items were taken from your stash, AXA will review tapes or evidence of the theft to assess the value. If the contents of the box are completely destroyed or gone, and the disappearance isn't mysterious, customers can expect to be paid the claim.

"If they complete the claim form and basically swear to us the amount of the loss that occurred was taken out of that box, we're going to have to pay the value of the claimed loss or if it's less than the claimed limits of the property," Pluard said.

## The Need For Coverage and Education

Last week, Bill Hennessy took a seat while he waited for a teller at his bank and saw something that shocked him.

On a table next to him was a pamphlet explaining that the items inside a safe deposit box are not insured. He did not know that at the time.

Hennessy went to the teller and asked if the bank, or anyone for that matter, insured the contents of a safe deposit box and the teller didn't know - the employee had to check on their computer and make a call to confirm that they did not.

Hennessy, of Illinois, chose to keep the name of his bank private.

"I think most people think that a safety deposit box is a safe deposit box - no one is going to touch it," Hennessy said. "I think that, probably, a lot of people don't realize it's not insured."

He then called SDBIC to get some information about the insurance product and ultimately purchased a policy.

A safe deposit box is frequently something a family has for many years. It's possible that those who have access to a box have never read the details of the rental agreement. Hennessy rented a larger box just last year and said no one ever explained to him that the contents were not insured.

It's a circumstance that happens too often, according to David McGuinn, who has been in the banking industry for more than 45 years and took interest in safe deposit box services early in his career.

McGuinn spent 11 years teaching courses on safe deposit box procedures for the American Bankers Association before starting his own consultancy called Safe Deposit Specialists. He's worked with financial institutions big and small - credit unions and the likes Bank of America and J.P. Morgan Chase & Co.

He had recently been following a safe deposit box breach that occurred in London's jewelry district.

"The burglary in London is a good example of what could happen," McGuinn said. "I'm not saying it's going to happen but it could happen."

During Easter weekend, a gang of seven thieves climbed down an elevator shaft, drilled through more than 18 inches of concrete and entered the vault of Hatton Garden Safe Deposit, according to [The Guardian](#). They broke into 72 of the vault's 999 boxes and stole what has been estimated to be between [\\$90 and \\$300 million](#) in gold, jewels and diamonds. Many stolen were reportedly unregistered and uninsured.

McGuinn said he's more worried about a fire or natural disaster than a robbery. In the last several years, he said more than 1,000 banks have ended up completely underwater due to hurricanes and "no vault is waterproof," even though he has heard people say that.

"We try to prevent the misunderstandings that some employees have," McGuinn said. "I've had employees come up to me and say, 'What do you mean we don't insure those boxes?' and I say, well, you don't."

While larger banks aren't interested in safe deposit boxes because they don't see a good profit margin, they are still important in many smaller institutions and to some individuals, according to McGuinn. Home safes and vaults don't have what financial institutions do. McGuinn argued that in a home, other valuables or people can be used as leverage to gain entry to a safe. Bank vaults typically operate on timers and cannot simply be opened at the demand of a combination.

"You can't just get into a safe with a timer on it," McGuinn said. "Of course, you can just go through the wall like they did in London."

## Interest Level

SDBIC is a young company and Pluard said the biggest challenge it faces is raising awareness. It has just more than 1,000 policyholders and most of them enrolled in the past 12 months.

The company has not paid a claim yet either, which isn't totally surprising. Catastrophes, robberies and burglaries, don't happen too often (thankfully). Pluard said if SDBIC would have been in the New York market when Hurricane Sandy hit in 2012, they would have had lost "millions" of dollars. The expected loss ratio is 25 to 40 percent.

Most policyholders are insured for about \$30,000 and are between the ages of 30 and 45 years old. Pluard explained that the reason most of them fall into those age parameters is because they are more likely to have something worth keeping in a safe deposit box.

He added that although interest in smaller boxes typically shaped 5x5 inches for paperwork and the like is waning, larger boxes are in demand. In metropolitan areas, it's common for there to be a waiting list to rent larger boxes to store valuables.

Whether those valuables be two winning Secretariat [tickets](#), Babe Ruth's 1923 World Series [pocket watch](#) or a family heirloom, now there is another way to insure them.