

How Safe is Your Safe Deposit Box?



language). What does that mean? Let me provide several examples.

In the Mississippi/Missouri River flood of 1993, a 200-year-old Guadagnini violin, worth an estimated \$350,000, was destroyed when a St. Louis-area bank was flooded. The case was settled out of court.

In 2004, a bank in Hong Kong sent SDBs they thought were scrap to the junk yard. Almost 100 boxes were still active and filled with valuables. No doubt the bank was in error, and significant (undisclosed) compensation was made.

To return to the original question. What if your SDB is looted?

- Be ready to litigate. The bank is not going to roll over easy. Insurance policies for businesses typically don't cover looting and riots.
- Have private insurance on as many items as possible, such as expensive jewelry, watches, collectables, etc. However, again note: your home owner's policy and similar policies often don't cover rioting and looting. Ex: Furs were stored in a nonbank, private vault facility that was looted. The vault, like the bank, does not insure contents. The lady thought her furs were covered by her private insurance. They were not.
- Even if you have taken care to make sure your private insurance has a rider that covers looting and rioting, how do you prove what was in the box? I suggest (A) keep receipts for what you have in the SDB elsewhere, such as at home, a different SDB, or even send them to a relative for safe keeping. (B) Have an inventory of what is in your box, but this will go only so far. (C) The best option is to take an image of the contents of your box as you leave, and save the images.
- Keeping things in a SDB is almost certainly safer than keeping them at home, but as the COVID crisis has shown—and this obviously applies to the scenario of social unrest—when you most need it, you may not have access to your SDB.

None of these comments are meant to put banks or insurance companies or private storage facilities in a bad light. To the contrary: they play by well-defined, written rules. It is up to you to know the rules.

Disclosure

Dr. Doroghazi is not a registered financial advisor under federal law or any state law. The advice provided is of a general nature, and should not be interpreted as personalized or individualized to your specific portfolio.

Acknowledgments

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A long-time subscriber to *The Physician Investor Newsletter* posed the following question; "Considering all of the social unrest we are having (in the spring, summer and fall of 2020), what if the bank, and your safe deposit box (SDB), are looted in a riot? Are you covered?"

Je ne sais pas. "I don't know" in French. Nem tudom. "I don't know" in Hungarian. Ich weiss es nicht. "I don't know" in German. The more I looked into it, the more I realized that a safe deposit box is a much different creature than I had imagined.

Before proceeding on, I must provide a disclaimer. I am not an attorney. I have made a good faith effort to summarize the issues as best I can. It is your responsibility to confirm the details with your banker and your insurance agent.

These are the main issues:

- When you open a SDB you sign a rental agreement. You are storing your valuables in space rented from the bank.
- This is by far the most important point. The rental agreement states clearly and specifically, often with further emphasis added such as an asterisk, italics, underline, or bold type, that the contents of your box *are not insured by the bank or any agency of the federal government*. The bank does not know what is in your SDB, and makes every effort not to know.
- The contract states that the bank's responsibility to safeguard your valuables is to "exercise ordinary and reasonable care and diligence" (or similar

Hospital, and Barnes Hospital. Warren Buffett said his book *The Physician's Guide to Investing: A Practical Approach to Building Wealth* should be "required reading at med schools". To sign up for a free trial to *The Physician Investor Newsletter*, visit www.thephysicianinvestornewsletter.com.

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