



Chicago Tribune Flooding reveals: Safe-deposit boxes not entirely safe

Chase bank's safe-deposit boxes flood, and Northfield branch seeks waiver

By Lisa Black, Chicago Tribune reporter

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William Hielscher found his mother's pearls discolored when he opened her flooded safe-deposit box at a Chase bank in Northfield. (Stacey Wescott, Chicago Tribune / April 25, 2013)

After flooding filled the basement vault of a Northfield bank, William Hielscher arrived to inventory the contents of his mother's safe-deposit box — one of a few hundred that had been exposed to floodwaters several days earlier.

Chase bank employees led him past a security guard, behind a floor-to-ceiling plastic curtain and down some stairs into a humid, rank-smelling room. There, workers wearing disposable gloves gingerly drained dirty water from his safe-deposit box, then photographed the contents under the watchful eye of bank employees.

Hielscher, a lawyer, described the ordeal as more emotional than expected as he looked at his mother's string of pearls and water-sodden photographs. He was stunned when the bank at 400 Central Ave. asked him to sign a release stating that it was not liable for losses.

"I find that to be unconscionable," said Hielscher, who refused to sign the release and told several other customers that they shouldn't sign it either.

He discovered what many disaster victims seldom learn until it's too late — that the contents of safe-deposit boxes are not covered by banks or the Federal Deposit Insurance Corp. As in super storm Sandy, Hurricane Katrina and other disasters, people who weren't covered by homeowners insurance lost valuable heirlooms and documents, believing they were safe.

"Perhaps it should be called a 'potentially unsafe' deposit box," said Hielscher, who noted that his mother's pearls were described as "white beads" by a bank employee who wrote down the inventory. "I think people are under the mistaken impression that the bank is protecting their valuables the same way the bank is protecting their money."

Though the bank isn't liable for items in boxes damaged by flooding, a Chase official said the branch will consider covering some of its customers' losses and is encouraging them to submit claims for items "not otherwise covered by your homeowners insurance," according to paperwork given to them during the inventory process.

When people rent a safe-deposit box, the no-liability policy is "stated clearly in the agreement," said Tom Kelly, a Chase spokesman based in Chicago. But "we look at each case individually and work with the customer."

"We used the same formula we used in Hurricane Sandy," he said. "We called customers and said, 'Can you come see how your box is affected?' They look at the inventory and submit a claim for possible losses."

For instance, the bank might pay the costs of cleaning, restoring or repairing damaged items, such as jewelry, he said.

Kelly said he wasn't sure how many customers were affected, but he confirmed that "a few hundred" boxes were exposed to the floodwaters. He added that the bank has offered customers a free year of safe-deposit rental at another location.

The basement of the Northfield branch took in about a foot of water last week, soaking the lower two or three rows of safe-deposit boxes, he said. Record-setting floods throughout the Chicago area hit Northfield and dozens of other communities, many of which continue to cope with the fallout this week.

Chase reopened the bank Monday, with cleanup crews still working Thursday. Kelly declined to say whether the bank's Northfield branch has flooded before but said its safe-deposit boxes "have never been affected before by flooding."

Bank officials were notifying customers in groups, inviting them to inventory their boxes at different times "so people don't have to wait," Kelly said.

Industry experts said there is good reason that banks and the FDIC do not insure the contents of safe-deposit boxes.

The items are intended to remain secret, known only to the renter. The box can be opened only with two keys, one held by the bank and one by the renter. If the renter loses the key, the bank must call a locksmith because it cannot access the box without both, officials said.

"People who have a safe-deposit box should get a rider (or addendum) on their home owner's insurance policy," said John Hall, spokesman for the American Bankers Association, based in Washington. "There are people who will try to defraud insurance companies or even banks. It really is meant to be between you and the insurance company."

Others said that banks need to do a better job of informing people upfront about the policies concerning safe-deposit boxes and liability.

David McGuinn, founder of Safe Deposit Specialists in Houston, instructs banks on how to handle emergencies with the boxes.

The question regarding banks' liability "is the biggest misunderstanding nationwide concerning banks," McGuinn said.