



Regulatory Compliance Overview and Service Provider Due Diligence Package for SDBIC

Authority of Bank to Provide Insurance on a Safe Deposit Box

GLBA expressly permits national banks and their subsidiaries to provide insurance for safe deposit boxes as explicitly indicated in the Office of the Controller's Handbook for Insurance Activities.

Compliance with 12 CFR 14

Material provided to bank consumers concerning SDBIC communicates in conspicuous, simple and readily understandable language that the product is not an obligation of the bank, nor guaranteed by the bank, and is not insured by the FDIC. In fact, the SDBIC product and program are designed to address consumer confusion about the role of the bank and the FDIC is insuring customer's contents in their safe deposit boxes.

Compliance with Consumer Financial Protection Bureau (CFPB) Requirements

The SDBIC product has been previewed by the CFPB. The, insurance of safe deposit boxes is not an add-on insurance product, and thereby, not subject to CFPB review, (CFPB Bulletin 2012-06), since the product does not relate to credit card, lending or other deposit products being offered by banks. No conclusion was reached by the CFPB as to whether SDBIC would be considered a "Service Provider" under Section 1002(26) of the Dodd-Frank Act. The CFPB took note that the Affirmative Election Program and Form did clearly and concisely eliminate any confusion among bank consumers that, with the rental of the safe deposit box, insurance for the contents was not provided by either the bank or the FDIC. SDBIC continues to pursue additional understanding from the CFPB in connection with its safe deposit box product.

The role of bank staff in marketing the product is extremely limited. All of the solicitations occur at the time the renewal notice for the box is mailed to the bank customer. The renewal notice contains a comprehensive summary of coverage terms and directs the consumer to contact an SDBIC customer representative (not a bank employee) with any questions. Bank staff is entirely removed from the process.

When a customer comes into the branch to lease a safe deposit box, the role of the bank staff is to simply introduce the insurance concept by providing the Election Form with the Summary of Terms. If a holder has additional questions, the personal banker is directed to immediately call the SDBIC customer service representative and either relay the customer's questions or simply place the customer on the phone. The simplicity of the product and the fact that it is basic property insurance (as



opposed to credit life or Gap coverage) which most consumers have purchased previously minimizes the risk of confusion or misunderstanding by the consumer.

SDBIC Compliance with Federal Consumer Financial Law

The product design and marketing material mitigates concerns about deceptive sales and marketing practices and inadequate disclosure of important terms and conditions.

- SDBIC is providing a form of property insurance, of which most consumers have experience with either homeowners or auto insurance.
- The insurance covers the box contents and requires no disclosure of the contents in the box or any appraisals that would potentially impact coverage.
- Any property, other than illegal contraband, is covered up to the limits in the policy, so there are no exclusions.
- The perils which are covered under the policy contain minimal exclusions.
- The cost of the insurance is disclosed to box holders before they determine if coverage is desired.
- Anyone with a box in a regulated financial institution seeking insurance coverage is eligible, eliminating any equal opportunity and/or discrimination concerns.
- Copies of the actual policy and form to be completed upon a loss are available on line for any customer to review.
- An affirmative election is required from all box holders obtaining coverage. Coverage can be changed or cancelled at any time and a pro-rata refund is returned to the customer.
- There is no deductible or hidden policy fees associated with the product.
- Any property added to the box is automatically insured for the limits selected by the consumer.
- Rates and forms used with the product have been filed with, reviewed and approved by the insurance departments of each state.
- A written notice of renewal (30 days before policy expiration) is provided to each insured.

SDBIC Internal Control, Training and Oversight of Employees

To foster compliance with Federal and State Consumer protection laws and regulations and avoid engaging in unfair, deceptive or abusive acts or practices SDBIC has the following controls, training and oversight in place.

- All marketing materials and written external communications to consumers are reviewed by experience legal counsel, knowledgeable in federal and state financial and consumer protection laws.
- All Customer Service representatives are trained on the coverage terms in the policy. They are provided a detailed FAQ with answers to assist in responding to inquiries and have an



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experienced supervisor, who is a licensed property agent available at all times, to assist with any issues or difficult questions.

- Customer service telephonic contacts are routinely monitored for quality control by a licensed property agent. Feedback is provided to the representative after each monitored call.
- Procedures require any disgruntled consumer to be referred to a supervisory agent for handling and resolution. Where resolution is not obtained, the consumer is referred to internal legal counsel.
- All complaints are entered into a log and tracked using an internal tracking form until resolved.
- Internal standards require resolution of complaints within the same business day but, if needed, no more than the next business day from the date received.
- Complaints are monitored by the COO. Internal corrective action will be taken where the complaint surfaces a disclosure or other compliance failure.
- Customer Service Representatives are not compensated based on the number of policies sold.
- Customer Service Representatives are licensed or are supervised by a licensed property casualty agent(s) who have met minimum education and training requirements and passed a test which includes areas concerning nationally promulgated insurance regulations relating to consumer protection. Agent(s) are licensed in every state.

SDBIC Policy and Procedures for Handling Nonpublic Personal Information (NPI)

The SDBIC Privacy and Security Policy are included in the attached file. SDBIC only collects relevant personal information needed to provide insurance for the box contents and to meet applicable legal requirements. The information obtained includes:

Name

Address

Date of Birth (for OFAC compliance)

Contact information

Financial Institution where the safe deposit box is located

The last two digits on the safe deposit box

Payment Information

SDBIC does not ask for social security numbers, perform background or credit checks, or otherwise seek or obtain any other NPI in the operation of the program with a financial institution.

NPI submitted to SDBIC in paper format is maintained in a locked file cabinet. Custody and control or access to the locked file rests with a single supervisor in the office. After 180 days the documents are shredded and disposed with a vendor in accordance with PCI standards.



NPI is not stored on a server located at SDBIC's office. All NPI is maintained off-site on a cloud server maintained by a SAS 70 compliant processor. (For more information see the Web Site, Web Application and Office Technology Overview below.)

SDBIC Ownership and Financial Condition

SDBIC is a privately owned company which developed and patented the safe deposit box insurance product. SDBIC is a licensed property casualty agency in all states. The principal investor in the company is Advantage Capital Partners, LLC, a large capital management firm with offices around the country.

SDBIC has contracted with AXA Insurance Company to underwrite the product. They are fully liable to pay all claims under the policy. AXA is rated "A" (Excellent) by AM Best Company, has over \$1.14 trillion assets under management and total revenues of \$101.8 billion in 2014.

SDBIC Corporate Insurance

SDBIC maintains a comprehensive corporate insurance program with Hartford Insurance. A description of the program and certificate of Insurance are in the attached file.

Business Continuity and Disaster Plan

SDBIC's business continuity disaster plan can be found in the attached file.

Web Site, Web Application and Office Technology Overview

Safe Deposit Box Insurance Coverage (SDBIC) has developed a website and patented web based application (ABICS) to process policy transactions. The website is hosted on a virtual private Linux cloud server at Newtek Technology Services based in Scottsdale, Arizona. The application allows customers to securely set up an account and self-issue, endorse, cancel or renew their safe deposit box insurance coverage through a guided user interface on the website. A separate employee interface is used by SDBIC staff to issue policies for customers wishing to purchase coverage over the phone, via mail-in brochure or fax. Employee access is limited to only specifically authorized personnel and allows for differing levels of user authorization depending on the access rights needed by the employee. The website and all interfaces use high grade 256 bit SSL encryption to ensure all interactions between customers or employees and the SDBIC cloud server are secured.

Direct access to the SDBIC cloud server is strictly limited to authorized personnel using a Dell VPN Appliance with a hardware firewall. Two-factor encryption is utilized in order to access the server.



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Backups of all data processed through the application and website occur on a 10 day rolling schedule with weekly, monthly and annual backups maintained as part of the disaster recovery plan. During processing, customer data is stored on a multi-disk SAN (Storage Area Network) running RAID 5 (Redundant Array of Independent Disks) and RAID 10 in a tiered configuration. The RAID configurations provide redundancy in the event of disk failure in the SAN. This configuration protects the integrity of the data during the purchase process.

Credit card payment processing through the website is provided by Authorize.net. All communication to and from Authorize.net is secured using high grade 256 bit SSL encryption. SDBIC accepts Visa, MasterCard and Discover cards and is in compliance with all PCI compliance standards. No identifying credit card information provided by a customer is stored at any time on the SDBIC cloud server.

SDBIC uses Trustwave as the vendor to perform monthly penetration testing on the SDBIC cloud server to identify any known common vulnerabilities and exposures (CVE's) that may arise with the cloud server. SDBIC has contracted with Newtek Technology Services for managed services on the cloud server and resolves all CVE issues that are identified during the Trustwave scan process.

All equipment in the SDBIC home office is secured. SDBIC is running a wired network with no guest access available. Only authorized employees can access the network. All client configurations are set to receive the latest updates to software, operating systems, and security software (i.e. antivirus, malware, etc...) and are backed up on a regular basis to prevent data loss. Offsite storage of critical files is maintained.

All vendors used by SDBIC to process customer transactions are SAS 70 (SSAE 16) compliant. Attached are Newtek Technology Services and Authorize.net auditor statements with regard to compliance. Also included is a current Trustwave Vulnerability Scan Attestation of Compliance for our cloud server.

Other Relevant Relationships

SDBIC is a member of the Better Business Bureau (BBB) and a reporting entity with Dunn and Bradstreet. SDBIC has never had a consumer complaint filed with BBB or with any state insurance department, each of which have consumer complaint departments.