

VENDOR MANAGEMENT POLICY

1. Introduction

Attorneys' Title Guaranty Fund, Inc. and its employees and subsidiaries ("ATG[®]") rely on vendors to perform a range of services and provide products for ATG and ATG members. Insurance industry regulations and business best practices require that we perform a risk assessment on our vendors and perform additional due diligence commensurate with the identified risk. Building and sustaining effective, positive vendor relationships directly correlates with how we are able to serve our members and Insureds, make the most of limited resources, minimize risk, keep a true regulatory course, enhance our standing in our community, and protect the information and assets in our care.

2. Purpose

The purpose of this policy is to provide a framework for managing the lifecycle of vendor relationships and provide context for ATG procedures that outline specific systems and guidelines for vendor management.

3. Scope

This policy applies to all ATG business entities including individuals, departments, and/or subsidiaries that engage vendors as defined in this document.

4. Definitions

The following definitions are provided for the purposes of this policy:

Vendor

A company or individual that provides a product or performs a service for ATG and also meets any of the following criteria:

- performs services at ATG facilities (safety, insurance, or data security risk);
Examples: consultants who perform work onsite, auditors, equipment repair companies, gardeners, and deliveries past the reception desk (Deliveries to the reception desk are excluded.)
- has access to member or other sensitive data (data security risk); or
Examples: some consultants, banking service providers, some software maintenance vendors, auditors, and scanning and shredding companies
- has a contractual commitment to ATG (financial or member service risk)
Examples: contracted maintenance services, major software vendors, and contracted supply companies

Vendor Risk Rating

A *Low*, *Medium*, or *High* rating assigned as a result of the "Vendor Risk Assessment" that indicates the relative risk a vendor represents to ATG.

5. Policy

It is the policy of ATG to effectively manage the lifecycle of all vendor relationships in order to responsibly steward resources and minimize the inherent risk associated with engaging third parties to perform services.

Vendor Management, as addressed by this policy consists of:

- Vendor Risk Assessment;
- Vendor Due Diligence;
- Contract Management; and
- Vendor Supervision.

Appendix A - Implementation Guidelines provide best practices for effectively implementing the Vendor Management Policy.

5.1. Vendor Risk Assessment

An initial risk analysis should be conducted for each potential vendor beginning with the Risk Exposure Questionnaire located in Appendix A and then utilize those responses to complete the Risk Rating Matrix. The Vendor Risk Rating Matrix will be used to assign a Vendor Risk Rating of *Low*, *Medium*, or *High* risk. A vendor is assigned a risk rating based on the

highest risk level attributable to the contract, or sum of all contracts, with that vendor. Exceptions to the assigned risk rating may be granted as noted by the Risk Rating Matrix.

The Rating is an indicator of the level of due diligence ATG requires for each vendor.

- Low risk vendors typically require little or no further analysis or due diligence.
- Medium risk vendors should be evaluated to determine the appropriate level of due diligence required.
- High risk vendors require annual due diligence review.

VENDOR RISK RATING MATRIX				
Criteria	Low	Medium	High	Exceptions Granted By
Business Impact	Nominal business impact	Significant but non-critical business impact	Mission critical impact	President or Senior Vice President
Member Contact	None	Indirect	Direct	Senior Vice President
Total Contract Amount (including all years of contract)	Less than \$10,000	\$10,000 to \$50,000	Greater than \$50,000	Senior Vice President
Contract term	One year or less	One to three years	Greater than three years	Senior Vice President
Access to Non-Public Personal Information	No access (except unintentional)	Limited access on need-to-know basis	Access allowed and expected	Senior Vice President – Information Services or Privacy Officer
Safety of ATG Employees, Guests, and Vendors (potential for injury or illness)	No potential	Low potential	High potential and severity	Vice President – Human Resources or Senior Vice President – Operations

5.1.1. Risk Reassessment

Risk assessments should be reviewed annually as part of contract renewal and anytime the relationship with the vendor changes in any significant way.

5.1.2. Department Vendor List

Each department will retain a complete vendor list, including low risk vendors, with the risk rating noted for each vendor. This list shall be available for the Senior Vice President – Operations to include in the annual report to the Board of Directors.

5.1.3. Vendor Due Diligence

Due diligence requires a reasonable inquiry into a vendor’s ability to meet the requirements for the proposed service. The degree of due diligence required in selecting a vendor will depend on the results of the initial Vendor Risk Assessment. Due diligence for a low risk vendor may be nominal, while high risk vendors require more thorough due diligence. All due diligence records performed in establishing the vendor relationship, including the Risk Rating, should be kept by the Senior Vice President – Operations.

5.2. Contract Management

While acknowledging that even the most comprehensive agreement cannot replace the effectiveness of a relationship built on trust, a clearly drafted and equitable contract will protect ATG and provide a structure for expectations and issue resolution. The level of detail and relative importance of contract provisions varies with the scope and risks of the services and products provided.

5.2.1. Contract Negotiation

Vendor negotiations should be delegated only to qualified staff with proven skills appropriate to the level of risk represented by the vendor relationship.

Medium or High risk, complex, or unusual contracts should be considered for review by the following designees, as appropriate to the scope and type of contract:

- Legal Counsel
- Senior Vice President – Operations
- Senior Vice President – Information Services (required for all contract negotiations related to software hardware and Information Systems)
- Vice President – Human Resources

5.2.2. *Contract Language*

Contract language should be reviewed to ensure that the agreement or contract meets regulatory requirements and does not expose ATG to unnecessary risk.

5.2.3. *Contract Approval and Renewal*

Senior Vice Presidents are responsible for the contracts executed by their staff. Medium and High Risk vendor contracts, including renewals, are to be executed by a Senior Vice President.

5.2.4. *Contract Cancellation*

Cancellation of a contract must follow agreed upon contract language and be executed at the same or higher level of the organization as the original contract execution.

5.2.5. *Contract File Retention*

Vendor contract files will be stored for ten years after contract expiration or termination.

5.3. Vendor Supervision

Each vendor will be assigned a Vendor Relationship Manager who will complete the vendor risk analysis and vendor due diligence review, maintain vendor files, and act as vendor liaison.

The Senior Vice President – Operations, as part of the Security Program Report, will provide an annual status report of Medium and High risk vendors to the Board of Directors.

6. Responsibility

6.1. Senior Management is responsible for implementing, maintaining, and enforcing this policy.

6.2. The Senior Vice President of Operations is responsible for:

- approving Medium and High Risk vendor contracts;
- appointing Vendor Relationship Managers for all department vendors; and
- ensuring Vendor Relationship Managers comply with this policy.

6.3. Vendor Relationship Managers are responsible for:

- completing a Vendor Risk Assessment;
- completing a Vendor due diligence review;
- maintaining vendor files; and
- effectively acting as vendor liaison.

APPENDIX A
IMPLEMENTATION GUIDELINES

The following guidelines provide an effective method for implementing the Vendor Management Policy and are employed as directed by the Senior Vice President of Operations.

1. Completing a Vendor Risk Assessment

- Review the substantive risk exposure to ATG if the product or service fails or is inadequately performed.

Risk Exposure Category	Considerations
Regulatory	Can the vendor create regulatory risk for ATG?
Reputational	Can the vendor impact ATG's reputation?
Financial	Can the vendor impact ATG or its members financially? Does ATG or the vendor have insurance that will allow ATG to transfer some of the risk?
Sensitive Data Access	To what extent will the vendor have access to sensitive ATG data?
Operational Effectiveness	How would the vendor's failure impact ATG's business needs and strategic objectives? Could ATG perform the critical functions provided by the vendor if the vendor failed to perform? Are there other potential vendors that could readily assume service should the current provider fail? Can ATG provide adequate oversight of the vendor's function? Can the vendor create risk to ATG's processes, people, or systems? Would ATG be considered the "Controlling Employer" for this vendor? Would ATG be placed in a position of "Joint Employer's Liability" for this vendor? <i>(The terms "Controlling Employer" and "Joint Employer's Liability" usually apply to staff employed by an outside company, such as a staffing agency, but whose workplace activities are directed by ATG. Direct questions regarding these designations to the Vice President – Human Resources.)</i>

- Assign a Vendor Risk Rating using the Vendor Risk Rating Matrix in the Vendor Management Policy, section 5.1.

2. Completing a Due Diligence Analysis

2.1. Review the following, as appropriate, based upon the Vendor Risk Rating and the type of risk exposure created by this vendor relationship:

- SAS-70s or audit reports;
- industry expertise;
- return on investment;
- background check, including client references and independent sources;
- staffing experience and expertise;
- internal controls;
- financial condition and annual reports;
- insurance coverage;
- privacy policy review; and
- on-site visits.

2.2. Record and retain the analysis with the Relationship Manager Records.

3. Managing the Contract

3.1. Vendor relationship documentation varies with the scope and risks of the services and products provided. The process includes:

- negotiating the contract;
- reviewing the contract language;

- approving and renewing the contract;
- canceling the contract; and
- retaining contract files.

3.2. Negotiating Contracts

This process is completed by qualified staff with proven skills appropriate to the level of risk represented by the vendor relationship.

3.2.1. Review each contract from four perspectives:

Perspective	Consideration
Legal	Are ATG's interests adequately protected if a problem arises with this vendor?
Financial	Does the agreement reasonably assure that ATG's investment in this relationship will deliver the desired benefits without exposing ATG to unacceptable financial risks?
Operational	Are the terms of the agreement operationally feasible for ATG, including: <ul style="list-style-type: none"> - Timing considerations - Service levels - ATG performance commitments - Technology compatibility - Human safety
Risk Management	Are the terms of the agreement acceptable in light of regulatory, financial, operational, and reputational risks?

- 3.2.2. Complete the levels of review as directed in Section 5.1 of the Vendor Management Policy.
- 3.2.3. Maintain multiple vendor candidates for as long as possible to enter the negotiation stage with important leverage. The possibility that ATG could select an alternate vendor may prove invaluable to obtaining the vendor's agreement to important contract provisions.
- 3.2.4. Record negotiations and contact between a potential vendor and the ATG using the Microsoft Word's Track Changes, or other tools.
- 3.2.5. Retain the negotiation records in the Vendor Relationship Manager's files for the life of the contract

3.3. Evaluating Contract Language

- 3.3.1. Verify that the language in the agreement or contract meets regulatory requirements and does not expose ATG to unnecessary risk.
- 3.3.2. Verify that the essential components of the agreement include:
 - performance standards, expectations, and responsibilities;
 - fees and payment terms;
 - term length;
 - termination provisions; and
 - insurance Requirements.
- 3.3.3. Evaluate the agreement for what it does not state, as well as for what it does state.
- 3.3.4. Verify that the vendor's standard agreement includes all the necessary clauses.
- 3.3.5. Consider the appropriateness of the following clauses:
 - definitions;
 - scope of work;
 - process for changing scope of work;
 - installation and training requirements;
 - ownership of any work product or intellectual property;

- acknowledgement that the vendor is subject to regulatory review;
- privacy and information security;
- confidentiality agreement;
- limitations of liability;
- indemnity;
- warranties;
- dispute resolution provisions;
- choice of law;
- choice of venue;
- service level agreement, including;
- acceptable range of service quality and applicable timeframes;
- definition of what is being measured;
- formula for calculating the measurement;
- mechanism for ongoing monitoring, and supervision;
- type and timing of reporting on the status of performance; and
- penalties or credits for meeting, exceeding, or failing to meet targets;

3.4. Approving Contracts

- 3.4.1. Execute the contract with the appropriate level of approval as outlined in section 5.2.3 of the Vendor Management Policy.
- 3.4.2. When a contract is due for renewal, complete the following:
 - 3.4.2.1. Review and update the Vendor Risk Rating.
 - 3.4.2.2. Review and update the Vendor Due Diligence Report.
 - 3.4.2.3. Review contract terms.

3.5. Canceling Contracts

When canceling a contract:

- 3.5.1. Follow agreed upon contract language.
- 3.5.2. Execute at the same or higher level of the organization as the original contract execution.

3.6. Retaining Contract Files

Complete the following based upon file type:

File Type	Action
Department Vendor List	Maintain a complete list of department vendors with the risk rating noted for each vendor.
Original Vendor Contract File	Retain the originals of all contracts, agreements, and other essential documentation of the vendor relationship in the centralized file location for ten years after contract expiration.
Working Vendor Contract File	Retain copies of all contracts, agreements, and other essential documentation in the Vendor Relationship Manager's working files along with the negotiation records.

4. Supervising Vendors

The Vendor Relationship Manager completes the following:

- 4.1. Assigns Vendor Risk Rating using the Vendor Risk Rating Matrix.
- 4.2. Completes Vendor Due Diligence Analysis, as appropriate for the risk rating.
- 4.3. Completes periodic due diligence review (at least annually for High risk vendors).

4.4. Coordinates and documents ongoing vendor communication.

4.5. Maintains vendor files.

4.6. Compiles and maintains vendor information, including:

4.6.1. vendor name and contact information;

4.6.2. service or product provided;

4.6.3. risk rating;

4.6.4. contract expiration;

4.6.5. renewal dates and terms;

4.6.6. regulatory requirements;

4.6.7. insurance requirements;

4.6.8. required vendor reports;

4.6.9. dates of last review and next review;

4.6.10. triggers for annual and interim reviews;

4.6.11. contract amount; and

4.6.12. number of licenses, if applicable.

4.7. Monitors vendor compliance to contract terms.

4.8. Coordinates contract renewal with appropriate contract approver.

4.9. Coordinates contract cancellation.

5. Responsibility

5.1. Each Vice President is responsible for implementing these guidelines as appropriate to the department.

5.2. The Vendor Relationship Manager is responsible for following the implementation guidelines as directed by the department Senior Vice President.