ALTA Best Practices:

Title Insurance and Settlement Company Best Practices

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ALTA Best Practices

The ALTA Best Practices have been developed to assist title agencies and title insurers to optimize their practices and procedures to ensure financial and data security, operational stability, and to meet regulatory requirements, along with fulfilling customer needs and requirements. The ALTA Best Practices are comprised of the following documentation that can be utilized by a company to implement the Best Practices program:

- ALTA Best Practices: Title Insurance and Settlement Company Best Practices
- ALTA Best Practices: Assessment Procedures
- ALTA Assessment Preparation Resource Guide
- ALTA Best Practices: Internal Assessment Representation Report and Letter
- ALTA Best Practices: Third-Party Assessment Procedures Report
- ALTA Policy and Procedure Creation Guide
- ALTA WISP Guidance and FAQ
- ALTA Best Practices Guidance – Identity Verification
- ALTA Best Practices Guidance – Vetting a Vendor

Version History and Notes

Date	Version	Notes
1/2/2013	1.0	Approved by the ALTA Board of Governors ("ALTA Board") on 12-20-2012
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Title Insurance and Settlement Company Best Practices

Mission Statement

- ALTA seeks to guide its membership on best practices to protect consumers, promote quality service, safeguard data and funds, provide for ongoing employee training, and meet legal and market requirements. These practices are voluntary and designed to improve operations and help members illustrate the industry's professionalism and best practices to help ensure a positive and compliant real estate settlement experience. These best practices are not intended to encompass all aspects of title or settlement company activity.

- ALTA maintains these best practices to provide guidance for title and settlement companies and to support oversight programs for the mortgage lending and real estate settlement industry. ALTA accepts comments from stakeholders as we seek to continually improve these best practices. A formal committee of ALTA members regularly reviews and makes improvements to these best practices, seeking comment on each revision.

Definitions

Background Check: A Background Check is the process of compiling and reviewing both confidential and public employment, address, and criminal records of an individual or an organization. Background checks may be limited in geographic scope. This provision and use of these reports are subject to the limitations of federal and state law.

Company: The entity implementing these best practices.

Consumer: Buyer(s), borrower(s), or seller(s) in a real estate transaction

Escrow: A transaction in which an impartial third-party acts in a fiduciary capacity for all or some of the parties (including the Consumer, or lender) in performing Settlement services according to local practice and custom.

Escrow Trust Account: An account at a Federally Insured Financial Institution utilized to hold funds in trust for a real estate transaction. These funds are held in the account holder's fiduciary capacity as established by written instructions.

Federally Insured Financial Institution: A financial institution that has its deposits insured by an instrumentality of the federal government (e.g., Federal Deposit Insurance Corporation (FDIC), National Credit Union Administration (NCUA)).

Licenses: The various business and professional licenses which are required to conduct the business of title and Settlement services including, but not limited to, Title Agency or producer licenses or

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registration, escrow/settlement licenses, a license to practice law, and local business operating licenses.

Multi-factor Authentication: authentication through verification of at least two of the following types of authentication factors:

(1) knowledge factors, such as a password;

(2) possession factors, such as a token; or

(3) inherent factors, such as a biometric characteristic.

Non-public Personal Information (NPI): Personally identifiable data such as information provided by a Consumer on a form or application, information about a Consumer's transactions, or any other information about a Consumer which is otherwise unavailable to the general public. NPI includes first name or first initial and last name in combination with any of the following: Social Security Number, driver's license number, state-issued ID number, credit card number, debit card number, or other financial account numbers**.** NPI can exist and be stored in both paper and electronic formats.

Positive Pay or Reverse Positive Pay: A system by which the authenticity of a check is determined before payment is made by the financial institution against which the check is written.

Settlement: In some areas called a "Closing." The process of completing a real estate transaction in accordance with written instructions during which deeds, mortgages, leases, and other required instruments are executed and/or delivered, an accounting between the parties is made, the funds are disbursed, and the appropriate documents are recorded in the public record.

Title Agency: Any person, company or entity which is authorized by a Title Insurer to issue title insurance policies. A Title Agency may also perform one or more of the following functions outside of their relationship with the Title Insurer: (1) collect and/or disburse premiums, escrows, security deposits or other funds, (2) handle escrow or Settlement, (3) solicit or negotiate title insurance business, and/or (4) record documents.

Title Insurer: Any person, company, or entity that is licensed to issue and insure title insurance policies.

Trial Balance: A list of all open individual Escrow ledger record balances at the end of the reconciliation period.

Three-Way Reconciliation: A method for determining whether the three main components of the Escrow Trust Account are in agreement at a regular interval (e.g., monthly, weekly, daily). This process is also used for discovering shortages (whether incidental or intentional), charges that must be reimbursed, or any type of errors or omissions that must be corrected in relation to an Escrow Trust Account. This process requires a comparison of: (1) the Trial Balance, (2) the book balance, and

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(3) the reconciled bank balance. If all three parts do not agree, the difference must be investigated and corrected.

Vendor: An entity that sells or provides goods, services, or resources to the Company, with or without a contract or compensation. A Vendor also includes:

1. Third-party providers that offer specialized services, technology solutions, or outsourced operations that support the Company's functions without being directly involved in the core production or delivery process, such as those that process data and host content.
2. AI agents, chatbots, virtual assistants and similar artificial intelligence products even if the Company engages a provider by merely sharing Company data or information, and
3. Social media platforms if utilized for business operations, advertising, data processing, or if the Company is providing the social media platform with PII.

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Pillar 1 – Licenses

BEST PRACTICE: Establish and maintain current License(s) as required to conduct the business of title insurance and Settlement services.

Purpose: Maintaining state mandated insurance Licenses and corporate registrations, as required, to ensure compliance with the state requirements for operations and compliance with copyright laws.

Procedures to meet this best practice:

A. Establish and maintain for the Company and individuals, as needed:

1. Applicable business License(s); compliance with the Licensing, registration, and business requirements of the applicable state regulatory authority;

2. Confirmed compliance with ALTA's Policy Forms Licensing (PFL) requirement with proof of licensure* attached to certification package.

   (Licensure compliance certificate may be downloaded from: https://alta.org/PFL-certificate)*

3. A confirmed listing in the ALTA Registry (subject to those business entity types supported by the ALTA Registry).

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Pillar 2 – Funds and Escrow Trust Accounts

BEST PRACTICE: Adopt and maintain appropriate written procedures and controls for Escrow Trust Accounts allowing for electronic verification of reconciliation.

Purpose: Appropriate and effective Escrow controls and staff training help Companies meet federal, state, and contractual requirements for the safeguarding of funds. These procedures help ensure accuracy and minimize the risk of loss of funds. Loss of funds may not be covered by the Title Agency's Errors and Omissions ("E&O") insurance or the contract with its Title Insurer. Such losses would then become the responsibility of the Title Agency. Settlement companies may engage outside contractors to conduct Escrow Trust Accounting duties.

Procedures to meet this best practice:

A. Escrow Trust Accounts are properly identified.

   1. Accounts are identified as "escrow" or "trust" accounts. Appropriate identification appears on all account-related documentation including bank statements, bank agreements, disbursement checks, and deposit tickets.

   2. Unless directed by the beneficial owner, Escrow Trust Accounts are maintained in Federally Insured Financial Institutions and subject to written Escrow agreements.

B. Funds held in Escrow Trust Accounts or other funds the Company maintains under a fiduciary duty to another person or entity (e.g., investment accounts) are separately maintained and not commingled with the Company's operating account or any individual's personal account.

C. In making disbursements from Escrow Trust Accounts, and subject to state law requirements, Company should ensure that undue risk is not being undertaken for escrow deposits that are not fully settled or that could be reversible.

D. Follow state good funds laws and Title Insurer requirements/guidelines for Escrow Trust Account individual transaction disbursements.

E. Positive Pay or Reverse Positive Pay are utilized, if available for the payment type, and policies and procedures are in place that prohibit or control the use of Automated Clearing House transactions, international wire transfers, and electronic/digital receipt of funds from web based fintech applications.

F. When utilizing a third-party earnest money deposit or disbursement platform that facilitates the digital transfer of Escrow Trust Account receipts and disbursements, ensure that the platform meets any good funds law requirements and is not subject to the Electronic Funds Transfer Act (EFTA) which allows for reversal of consumer payments.

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G. A written wire transfer procedure is in place and tested at least annually.

1. For outgoing wire transfers, this includes documented procedures to verify wire transfer instructions independent of the initial communication. Such procedures should include the use of multi-factor authentication and should be similar in nature to those currently cited by ALTA in the Outgoing Wire Preparation Checklist.

(For a more detailed list and for specific areas that need to be addressed, please refer to ALTA's Information Security page https://www.alta.org/business-tools/information-security)

2. For incoming wire transfers, this includes a documented procedure to alert Consumers about the potential risks of wire fraud and guidelines to mitigate losses.

H. Transactions are conducted by authorized employees only.

1. Only those employees whose authority has been defined to authorize bank transactions may do so. Appropriate authorization levels are set by Company and reviewed for updates annually. Former employees shall immediately be deleted as listed signatories on all Escrow Trust Accounts.

2. Background Checks are obtained and reviewed during the hiring process. Thereafter, at least every three years, updated Background Checks going back five years are obtained and reviewed for all employees.

3. Establish and implement a written plan designed to evaluate the results of the Background Checks and implement a process to mitigate any potential risks discovered during the review.

4. Ongoing training is conducted for employees on the safe and secure management of Escrow funds and proper Escrow accounting. Training should include, but not be limited to, risk of digital funds transfer using fintech applications, good funds requirements, and wire transfer fraud prevention best practices.

I. Outstanding Escrow Trust Account file balances are documented and reviewed from time to time to determine appropriate status or action. Balances older than six months require management approval of activity.

J. If available, efficient, and economical, make use of wire transfer verification service providers. Such service providers should be vetted, including the requirements for Vendor Management as described in Pillar 7, to understand any risk of use, security protocols, and the providers' protection of Consumer data.

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K. A written wire fraud response procedure, which includes the recommendations of the ALTA Rapid Response Plan for Wire Fraud Incidents is in place and is reviewed at least annually.

(For a more detailed list and for specific areas that need to be addressed, please refer to ALTA's Information Security page https://www.alta.org/business-operations/operations/information-security)

L. Escrow Trust Accounts are supported by detailed Trial Balances listing all open escrow file balances.

M. All Escrow Trust Accounts are reconciled.

1. On at least a daily basis, reconcile the Escrow Trust Account activities in the bank's records to the activities in the Escrow Trust Account books, identifying and investigating any discrepancies. This activity may be performed electronically or manually depending on volume of items clearing the bank.

2. On at least a monthly basis, a Three-Way Reconciliation is performed.

3. Segregation of duties is in place to help ensure the reliability of the reconciliation and reconciliations are conducted by someone who does not have signing or disbursing authority.

4. Shortly after the monthly Three-Way Reconciliation of each fiduciary account is completed, results are reviewed and approved by Company's management and are made available to Company's contracted Title Insurer(s).

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Pillar 3 – Information Security and Privacy Plans

BEST PRACTICE: Adopt and maintain a written information security plan ("WISP") and a written privacy plan to protect NPI as required by local, state, and federal law.

Purpose: Federal and state laws (including the Gramm-Leach-Bliley Act) require title companies to develop a written information security plan ("WISP") that describes the procedures they employ to protect NPI. The WISP must be appropriate to Company's size and complexity, the nature and scope of Company's activities, and the sensitivity of the Consumer information Company handles. A Company evaluates and adjusts its program considering relevant circumstances, including changes in Company's business or operations, or the results of security testing and monitoring.

Procedures to meet this best practice:

A. Written Information Security Plan (WISP): Establish and implement a WISP designed to protect the security and confidentiality of NPI and the security of the Company's information systems. The WISP should include:

1. Multi-factor authentication, if available, that requires multiple factors for access to systems containing NPI.

2. Password management plan that requires unique login names and system passwords to access systems containing NPI. System passwords must meet minimum standards which include:

   i. Re-entry of the password after system idling;

   ii. Passwords that expire after a certain period of time or upon a triggering event as reflected in the National Institute of Standards and Technology guidelines (https://www.nist.gov); and

   iii. Difficult-to-guess passwords that include a combination of uppercase letters, lowercase letters, special characters, with a minimum length of eight total characters.

3. Timely software updates that require routine updates to systems, software, and code that, when left outdated, can result in data breaches, cyberattacks, exploits, ransomware attacks and other exposure of NPI.

4. Physical security.

   i. Restrict access to the Company's information systems to only authorized employees and authorized service providers who have undergone Background Checks.

   ii. Prohibit or control the use of removable media.

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iii. Control physical access to NPI in physical forms, including cabinets, desks, storage, or other areas where NPI exists in any physical or electronic format, to authorized employees and authorized service providers who have undergone Background Checks.

5. Network and cloud security to protect NPI.

   Maintain and secure access to Company information technology software applications and data stored on physical or virtual equipment at Company location(s), in a data center, in the cloud, or hosted by third-party vendors.

6. Develop guidelines for the appropriate use of Company information technology.

   (For a more detailed list and for specific areas that need to be addressed, please refer to ALTA's Information Security page https://www.alta.org/business-tools/information-security)

7. Encryption. To the extent feasible, protect by encryption all NPI held or transmitted by the Company both in transit over external networks and at rest.

8. Reasonable monitoring of systems to detect unauthorized use of or access to NPI.

B. Preparedness and Training.

1. Establish, and periodically test, a *written business continuity and disaster recovery plan* outlining procedures to recover and maintain information, business functions, and business processes in the event of a disruption or compromise of systems or facilities, including continuity of operation for Consumer Settlements, and timely notification of parties in case of any delays.

2. Establish, and periodically test, a *written incident response plan* designed to promptly respond to, and recover from, a cybersecurity incident, which includes all the recommendations of the ALTA Cybersecurity Incident Response Plan template.

   (For a more detailed list and for specific areas that need to be addressed, please refer to ALTA's Information Security page https://www.alta.org/business-tools/information-security)

3. Periodically review the Company's security controls and the Company's WISP and make appropriate changes to address emerging threats and risks to the Company's information systems and NPI.

4. Establish a training program to guide management and employee compliance with Company's WISP and awareness of current and developing cybersecurity threats. The program should include annual cybersecurity awareness training and cover social engineering for all personnel.

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C. Comply with applicable federal and state laws which may require companies that possess records containing NPI to maintain records securely, to retain records for prescribed time periods, and to dispose of records (physical and electronic) in a manner that protects against unauthorized access to or use of NPI.

D. Select Vendor service providers and third-party systems whose information security policies are consistent with Company's WISP, including but not limited to:

1. Independent contractors and service provider employees who have access to NPI in the course of their work. This group of people may include signing professionals, IT consultant employees, outsourcing company employees, and third-party software provider employees.

2. Software tools and resources which may have access to NPI or store records containing NPI as part of their setup or operation. These software tools and resources might include third-party software or systems; automated processes for order entry, search, or production; automated or artificial intelligence processes that integrate with other internal or external systems; automated status or communication processes; API data integrations; and software add-ins or plug-ins.

3. Other systems which may not be designed to have access to NPI but may inadvertently provide a gateway into Company systems, including, but not limited to, security systems, climate control systems, smart home devices, guest Wi-Fi access, and personal devices occasionally connected to the Company network by employees or guests.

E. Establish a privacy policy explaining how data is collected and used and publish it on Company's website(s) or provide information directly to Consumers in another usable form.

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Pillar 4 – Settlement

BEST PRACTICE: Adopt standard real estate Settlement policies and procedures that help ensure compliance with: (i) federal and state consumer financial protection laws and regulations, and (ii) contractual obligations as applicable to the Settlement process.

Purpose: Adopting appropriate policies and procedures, including conducting ongoing employee training and implementing a process to respond to Consumer complaints, to help ensure Company can meet federal, state, and contractual obligations governing the Settlement. These policies and procedures must be appropriate to the locale because consumer financial protection laws may vary from state to state. Appropriate and effective training helps Settlement companies safeguard Settlement documents. These procedures help maintain accuracy, minimize errors in completing the Settlement, and provide a framework for a positive Consumer experience. Finally, a process for receiving and addressing Consumer complaints helps ensure reported instances of poor service or non-compliance do not go undiscovered or unresolved.

Procedures to meet this best practice:

A. Train staff to provide a framework which will:

1. Minimize errors in completing the Settlement.

2. Enable a timely response to concerns raised by any of the parties following the Settlement, including addressing Consumer complaints in compliance with the requirements of ALTA Best Practices.

B. Pricing Procedures: Establish and observe proper pricing procedures.

Establish and implement written procedures to charge the appropriate title insurance premium and other fees for services provided by Company. These premiums and fees may be charged based on state and federal legal requirements, contractual obligations, or as set by Company.

1. Utilize rate manuals and online calculators, as appropriate, to ensure correct amounts are being charged for title insurance policy premiums, state or Company-specific fees, and endorsements.

2. Ensure discounted premiums are calculated and charged when appropriate, including refinance or reissue premiums.

3. Quality-check the Settlement documents after Settlement to ensure Consumers were charged the correct premiums and fees. Issue timely refunds to Consumers when an overpayment is detected.

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C. Disclose Affiliated Business Arrangements.

In compliance with state and federal laws and regulations, establish and implement procedures requiring proper disclosure of any affiliated business arrangements in which Company participates.

D. Prepare and execute documents accurately.

Establish and implement written procedures regarding the preparation and proper execution of Settlement documents. These procedures must comply with state law, federal law, and contractual obligations with the Title Insurer, and as contractually agreed to by the Consumer or lender, and/or as directed by the Consumer or lender.

E. Identity fraud prevention program: Create and implement an identity fraud prevention program designed to verify the identity of the parties who are signing documents for a Settlement.

1. Train staff on fraud in the real estate sector, including buyer, borrower, and seller impersonation fraud.

2. Control the selection of the signing professional who the buyer(s), borrower(s), and seller(s) will meet with to sign the documents.

3. For signing professionals employed by the Company, provide training and tools to: (i) attempt to validate that the government issued ID (both foreign and domestic) presented by the signer is an authentic ID, and (ii) attempt to verify that the signer presenting the ID is the person on the ID.

4. For third party signing professionals retained by the Company, confirm that the signing professional is utilizing training and tools to: (i) attempt to validate that the government issued ID (both foreign and domestic) presented by the signer is an authentic ID, and (ii) attempt to verify that the signer presenting the ID is the person on the ID.

5. If Company receives a document that was notarized by a buyer, borrower, or seller's selected signing professional of their choosing, treat the document as being at risk for fraud. Regarding such a document, Company should independently obtain the signer's credentials to attempt to validate the signer's government issued ID is authentic and attempt to verify that the signer is the person on the ID.

6. Create protocols and processes to identify and respond to suspected fraud or impersonation attempts.

(For additional guidance, please refer to: "ALTA Best Practices Identity Verification Guidance", as found within the Pillar 4 section: https://www.alta.org/policies-and-standards/best-practices/educational-resources)

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F. Oversee signing professionals.

1. Establish and implement written procedures to monitor and verify that all signing professionals possess the appropriate state licensing and insurance to notarize documents (both in person and remotely, if applicable), conduct the Settlement (if applicable), and safeguard NPI. These requirements are determined by a mix of legal and contractual obligations, including state regulations and Title Insurer requirements and restrictions.

2. For signing professionals who are employed by Company, establish and implement written procedures to perform Background Check(s) for employees who conduct Settlements or who have access to Settlement documents and funds.

3. For third party signing professionals retained by the Company, require:

   i. Demonstrable evidence of their current state licensure, where required, or a recognized and verifiable industry designation;

   ii. E&O insurance and Notary surety bond, if required by state law and/or the Title Insurer; and

   iii. A written acknowledgement of compliance with Company's instructions and Company's WISP as detailed in ALTA Best Practices.

   iv. Company may engage a vendor who assumes the obligation to monitor and verify that the third-party signing professional complies with ALTA Best Practices requirements. Such service providers should be vetted, including the requirements for Vendor Management as described in Pillar 7, to understand any risk of use, security protocols, and the providers' protection of Consumer data.

4. For a third-party signing professional contractually retained by anyone other than Company (e.g., the lender, Consumer, or an attorney representing any of these parties), the responsibility for verifying that the third-party signing professional meets applicable standards rests with that party.

G. Selecting Remote Notarization Platforms.

1. If Company employees will be notarizing Settlement documents via remote notarization, select a remote notarization platform authorized by the state in which the notary public is located and that is approved by the Title Insurer, as applicable. Ensure that the software platform is capable of meeting the minimum requirements of the state, including retention of the video and safeguarding of NPI.

2. Implement procedures to charge fees as authorized by the state regulations.

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3. If Company will engage a third-party to notarize documents via remote notarization, oversee the selection of the platform in compliance with ALTA Best Practices. If the state in which the property and/or notary public is located has a process and/or requirement to approve remote notarization platforms for the transaction, the selected software platform must be approved by the state(s) as required, and by the Title Insurer, as applicable.

H. Recording Procedures: Establish and follow consistent and correct recording procedures.

1. Record documents pursuant to legal and contractual requirements and incorporate those requirements in Company's written procedures.

   i. Submit electronically or deliver documents for recording to the appropriate recording jurisdiction or the person or entity responsible for recording within two (2) business days of the later of: (i) the date of Settlement, or (ii) receipt by Company if the Settlement is not performed by Company.

   ii. If Company will be submitting documents for recording through an e-recording vendor, ensure Company complies with local laws and requirements, and has a contract or agreement in place with the e-recording vendor.

   iii. Track delivery and receipt of documents for recording. Timely and appropriately address recording rejections.

   iv. Verify proper recordation of the document(s) and maintain a record of the recording information.

2. Comply with written procedures and controls for Escrow Trust Accounts, including e-recording accounts containing recording fees and/or any applicable tax that may be imposed by the state or municipality on the recording of documents.

I. Consumer complaint management: Implement a Consumer complaint management process which includes intake, documentation, tracking, and resolution of complaints.

1. Develop a standard Consumer complaint form that identifies information that connects the complaint to a specific transaction.

2. Set a single point of contact for Consumer complaints.

3. Establish procedures for forwarding complaints to appropriate personnel.

4. Have appropriate follow up on complaints until resolved or closed, including periodic review of unresolved/open complaints, closed complaints, and, as appropriate, Consumer communication.

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5. If required under contractual obligations applicable to the Settlement process, maintain a log of Consumer complaints that includes when and how the complaint was resolved or closed.

J. Functions outside of the relationship with Title Insurer: Perform due diligence and analyze risk profile when providing functions that fall outside of the Title Agency's relationship with the Title Insurer and when not issuing a title insurance policy for the transaction. These functions may include: (1) collection and/or disbursement of premiums, escrows, security deposits or other funds, (2) handling escrow or Settlement, and/or (3) recording documents. If engaging in these functions Company should:

1. Review its state licensing requirements to determine if it is legally allowed to engage in the function. Some states have additional licensing requirements to hold funds in escrow. Other states only authorize a company to conduct a Settlement when the company is issuing a title insurance policy;

2. Review closing instructions with company management to confirm that management approves any risk assumption, liability and other matters identified in the closing instructions;

3. Review state laws, including case law, to understand the duties and responsibilities that may be imposed by law when engaging in these functions; and

4. Evaluate whether, in the event of a loss or claim, the Company will continue to be solvent. Such evaluation may include determining whether a loss or claim may be covered by the Company's professional liability insurance including E&O and cybersecurity insurance.

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Pillar 5 – Title Insurance Policies

BEST PRACTICE: Adopt and maintain written procedures related to title policy production, delivery, reporting, and premium remittance.

Purpose: Adopting and implementing appropriate procedures for the production, delivery, and remittance of title insurance policies helps ensure that Companies can meet their legal and contractual obligations.

Procedures to meet this best practice:

A. Title policy production and delivery.

1. Title insurance policies should be issued and delivered in a timely manner to meet statutory, regulatory, and contractual obligations.

2. Issue and deliver policies within thirty days of the later of:

   i. The date of Settlement, or

   ii. The date that the terms and conditions of the title insurance commitment are satisfied, unless statutory or regulatory requirements deem that an earlier delivery is necessary.

B. Premium reporting and remittance.

1. Title insurance policies should be reported to the Title Insurer (including a copy of the policy, if required by the Title Insurer) to meet applicable statutory, regulatory, and contractual obligations, but not to exceed 45 days following:

   i. The date of Settlement, or

   ii. The date the terms and conditions of the title insurance commitment are satisfied.

2. Title insurance premiums are remitted to the Title Insurer to meet applicable statutory, regulatory, and contractual obligations.

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Pillar 6 – Insurance and Fidelity Coverage

BEST PRACTICE: Maintain appropriate insurance and fidelity coverage.

Purpose: Appropriate levels of professional liability insurance or E&O insurance, cyber liability insurance, and crime coverage help ensure Company maintains the financial capacity to stand behind their professional services. Specific types of insurance or coverage may be required by law, regulation, or contractual obligations.

Procedures to meet this best practice:

A. Company maintains appropriate professional liability insurance or E&O insurance, cyber liability insurance, and crime coverage, according to Company size and Settlement volume.

B. Company complies with requirements for professional liability insurance, E&O insurance, fidelity coverage, or surety bonds, as required by state law or Title Insurer contractual obligations.

C. Insurance coverage limits and exceptions, particularly E&O insurance, cyber liability insurance, and crime coverage, change frequently and should be thoroughly reviewed with the Company's insurance broker/agent at least on an annual basis.

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Pillar 7 – Vendor Management

BEST PRACTICE: Adopt and implement vendor management and vetting procedures and controls designed to minimize the risks associated with third-party software and service providers.

Purpose: The use of a Vendor is often an appropriate business decision for a Company to perform certain functions, to develop and market additional products or services, or rely on expertise from Vendors that would not otherwise be available without significant investment. However, the fact that a Company enters into a business relationship with a Vendor does not absolve the Company of responsibility to avoid harm to the Consumer and other parties to the transaction. Thus, the Company should identify, evaluate and minimize the risk to funds, NPI, and legal and contractual obligations that may exist when utilizing Vendor software and/or services.

Procedures to meet this best practice:

A. In selecting a Vendor for software, services or other matters, Company should:

1. Evaluate whether the Vendor will have access to NPI or any funds held by Company.

2. Identify risks posed to the Company from use of the Vendor that may impact the Company's responsibility for safekeeping funds, NPI, or other legal or contractual obligations.

3. Depending upon the amount of NPI, funds or other information that the Vendor may impact or have access to, and which could cause harm to Consumer or other parties to the transaction, perform the following functions:

   i. Conduct due diligence to verify that the Vendor understands and is capable of complying with the legal and financial responsibilities to the Consumer and other parties to the transaction;

   ii. Request confirmation from the Vendor that the Vendor conducts appropriate training and oversight of employees that have Consumer contact or compliance responsibilities; and

   iii. Include in the contract with the Vendor clear expectations about compliance, as well as appropriate and enforceable consequences for violating any compliance- related responsibilities which may cause harm to the Consumer or other parties to the transaction.

   iv. Perform due diligence of Vendors to understand the risks posed by their use of sub-vendors, and determine whether sufficient information and contractual protections have been provided to evaluate the sub-vendor risks:

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a. Whether the Vendor applies equivalent security controls to their vendors
b. Whether the Vendor notifies you of breaches involving sub-vendors
c. Whether the Vendor is liable for the actions or inactions of their sub-vendors to the same extent that the Vendor would be liable if they were providing the service(s)

B. Periodically review and confirm that the Vendor is meeting the expectations as set forth above.

(For additional guidance on selecting a vendor, please refer to ALTA's Best Practices Guidance - Vetting a Vendor: https://www.alta.org/policies-and-standards/best-practices/. Also note the requirements when engaging vendors as found within Pillars 2, 3 and 4 of these Best Practices, including analyzing the vendor's use of Artificial Intelligence (AI) and the associated risks.)

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