

CALIFORNIA ASSOCIATION OF HEALTH UNDERWRITERS

POLICY & PROCEDURES

POLICY TITLE: Contract Negotiations

POLICY NUMBER: 1008 (with reference to Policy 1007)

DEPARTMENT COORDINATOR: Executive: Audit Committee

DATE SUBMITTED : 6-11-10

DATE APPROVED: 6-11-10; August 17, 2015

APPROVED BY: Executive Board (approved by CAHU Board August 17, 2015)

REVIEW DATE: 2017

PURPOSE:

To create a bidding process for services and supplies that is transparent and fair to both CAHU and its vendors.

PROCEDURES:

- 1) The Audit Committee will organize itself to carry out the directives approved by the BOD.
 - i) The committee will establish its procedures and rules.
 - ii) The committee will begin negotiations with an existing vendor or go out to bid to consider additional vendors based upon the directions of the BOD.
- 2) The Audit Committee is required to complete its work and present to the BOD a recommendation to sign a contract with a vendor no later than 60 days before the scheduled termination of the old contract.
 - i) All contracts will have at least a 60 day notification of termination clause.
- 3) If the Audit Committee goes out to bid, it will provide a written recommendation as to which vendor was selected, the terms of the contract and the rationale for why the Audit Committee believes the chosen vendor is the best choice. Minority reports are allowed.
 - i) If the BOD approves the recommended vendor selected by the Audit Committee, the President will execute the new contract.
 - ii) If the BOD refuses the recommendation, the Audit Committee will return to work and either get adjustments to the terms of the proposed contract or recommend a second vendor.
- 4) If the Audit Committee has been directed to renew the existing vendor, then good faith negotiations with the existing vendor will begin and when the committee is satisfied that the new terms are acceptable, the committee will write a recommendation to the Board of Directors explaining the terms of the contract and the rationale for why the committee believes the contract is in CAHU's best interest.
 - i) If the BOD approves the recommendation, the President will execute the new contract.
 - ii) If the BOD refuses the recommendation, the Audit Committee will return to work to either adjust the terms of the proposed contract with the existing vendor or report to the board that they are at an impasse.
 - iii) If the Committee declares an impasse, then the BOD will vote to either accept the terms of the contract as presented or direct the Audit Committee to cease negotiation and to seek bids from other potential vendors.

FINANCIAL IMPACT: Revenue neutral.