

## December 15, 2021

### Board of Directors Meeting Minutes

A Board of Directors meeting for the Surplus Lines Stamping Office of Texas was held in-person at 805 Las Cimas Pkwy, Suite 300, Austin, TX 78746 on December 15, 2021.

#### Agenda

- Item 1. Call to Order & Establishment of a Quorum
- Item 2. Introduction of New Board Member – Lezlee Liljenberg
- Item 3. Discussion and appropriate approval of October 28, 2021 Meeting Minutes
- Item 4. Discussion and appropriate action – F&A Committee Report and YTD Financials
- Item 5. Discussion and appropriate action – Company Business Updates
  - a. Executive Director Updates & Cyber Insurance Policy Renewal
  - b. Operations Department Update
  - c. IT Department Update
- Item 6. Discussion and appropriate action – 2022 Proposed Meeting Dates
- Item 7. Discussion and appropriate action – Bidding & Procurement Committee Draft Policy
- Item 8. Executive Session
  - Discussion and deliberation of the performance, compensation, and benefits of the Executive Director of the Surplus Lines Stamping Office of Texas (Personnel matters – Texas Govt. Code §551.074).
- Item 9. Open Session
  - Discussion and appropriate action regarding the performance, compensation, and benefits of the Executive Director of the Surplus Lines Stamping Office of Texas.
- Item 10. Adjournment

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#### Item 1. Call to Order | Penni Chambers, Chair of the Board of Directors

Penni Chambers called meeting to order on December 15, 2021, at 9:00 a.m.

Meeting was held in-person and a conference call-in number was provided in the Public Meeting Notice. Written notice of this meeting proposed agenda, and all related meeting materials were provided to the Texas Department of Insurance Deputy Commissioner of the Financial Regulation Division and designees on December 3, 2021, in accordance with the Plan of Operation, Section 2(c)(2).

Written notice of this meeting and related agenda was provided to the Board of Directors and submitted for publication to the Office of the Secretary of State on December 7, 2021 in accordance with the Plan of Operation, Section 2(c)(1) and the Chapter 551 of the Tex. Gov't Code. Chambers called roll to determine participating members pursuant to the Plan of Operation Section 2(c)(6):

Board of Directors:		Term Expiration
Penni Chambers	Chair of the Board	12/31/2023
Randy Myers	Vice Chair	12/31/2021
Leslie Milvo	Secretary	12/31/2024
Charles Gillenwater		12/31/2022

Teri Brinson  
Lorrie Cheshier  
Peter Harrison  
Jeff Klein  
Lezlee Liljenberg

12/31/2021 - *Participated via video conference*  
12/31/2022 - *Participated via video conference*  
12/31/2022 - *Participated via video conference*  
12/31/2023 - *Participated via video conference*  
12/31/2023 - *Participated via video conference*

**Other Attendees:**

Greg Brandon, Executive Director, SLTX  
Donna Aug, Director of Finance, SLTX  
Cheyenne Herrera, Director of Operations, SLTX  
Denisse Orellana, Director of Human Resources, SLTX  
Sholonda Stone, Director of IT, SLTX  
Vanessa Moreno, Administrative Assistant, SLTX  
Marcelina Gutierrez, Communication and Education Coordinator, SLTX  
Stanton Strickland, General Counsel, Mitchell, Williams, Selig, Gates & Woodyard, P.L.L.C  
Paul Rainey, TSLA Liaison  
Patty Otto, TDI  
Ariel Rosario, Policy Analyst II, SLTX  
Porschea Jeffries, Policy Analyst I, SLTX  
Gregory Sampson, Policy Analyst I, SLTX

Minutes were taken by SLTX staff.

Chambers made the following administrative housekeeping announcements before moving forward with agenda:

1. Antitrust activity or discussion are prohibited at all Stamping Office functions. This prohibition includes the exchange of information concerning individual company rates, coverages, market practices, claims settlement practices, expenses, or any other competitive aspect of an individual company's operation.
2. We will not have a public comments session. Public and media attendees listening by telephone should always mute lines.
3. Representatives of state agencies and members of the public are welcome to observe or record this Board meeting; however, must refrain from asking questions or interjecting comments during the Board's deliberations.
4. State agency personnel present may be asked questions about agency policies if those questions relate to an agenda item.
5. Members, Counsel, and staff participating by conference call should identify themselves when speaking. Please mute lines when not speaking.

**Item 2. Introduction of New Board Member – Lezlee Liljenberg**

**Presenter: Penni Chambers, Chair of the Board**

Chambers re-introduced Lezlee Liljenberg as the newest Board Member addition. Lezlee Liljenberg introduced herself, provided professional background and expressed her excitement to be part of SLTX Board.

**Item 3. Discussion and appropriate approval of October 28, 2021 Meeting Minutes**

**Presenter: Penni Chambers, Chair of the Board**

Chambers asked if there were any corrections to the October 28, 2021 meeting minutes as

presented. Hearing none, Chambers recommended a motion as reflected below.

**MOTION:** Charles Gillenwater

**SECOND:** Peter Harrison

**TEXT OF MOTION:** Motion to approve the October 28, 2021 meeting minutes as presented.

Chambers asked if there were additional comments or questions, hearing none. All Board Members present in favor. Lezlee Liljenberg, Jeff Klein, Lorri Cheshier, and Pete Harrison, voted "Aye" via video teleconference.

Motion carries.

#### **Item 4. Discussion and appropriate action – F&A Committee Report and YTD Financials**

**Presenter: Randy Myers, F&A Committee Chair and Donna Aug, Director of Finance**

Myers briefed the Board regarding December 14, 2021 Finance and Audit Committee review of YTD financials and stated there were no motions to present. Myers asked Donna Aug to provide statements of said meeting.

Aug began by providing January through November 2021 financials. Stamping Fees were over budget 10% for November, 28% YTD due to premiums reported being greater than budgeted. Investment income was over budget 69% for November, 33% YTD as interest and dividends came in higher than budgeted. Fair Market Value of investments decreased approximately \$50,000 for November, \$482,000 YTD. Total Expenses were under budget for November at \$56,000, \$1.8 million YTD.

Salaries and Benefits were under budget 4% for the month, 7% YTD. Professional Services were under budget by 38% for November, 47% YTD. A large component, Professional Fees - ITS, were under budget by \$277,000 YTD, as Cloud Migration project is yet to be completed. Operations is under budget \$115,000 YTD due to un-used budgeted expenses for MIS and EFS. Conference and Education were under budget approximately 53% for November, 86% YTD. Travel and Entertainment, which include Board expenses, were under budget 75% for the month, 86% YTD, both expenses are under budget due to COVID restrictions and limited travel. Occupancy and Operating Expenses were under budget 22% for November, 29% YTD. The bulk of savings is in Software License & Maintenance, due to Cloud Migration yet to be completed.

General & Administrative expenses were under budget 12% for November, 25% YTD. Un-used Contingency expenses resulted in approximately \$326,000 savings YTD. Amortization was under budget by over \$457,000 YTD as SMART components rolled out more gradually than budgeted. With total expenses under budget and total income over budget, net income for November was over \$10,700 and \$1.8 million YTD. We had budgeted for losses of \$61,000 and \$1.1 million respectively.

Aug asked if there were any questions, hearing none.

Aug continued with the Unrestricted, Undesignated Fund balance. November's YTD net income of \$1.8 million resulted in a fund balance of \$29 million on November 30th, which is \$21.3 million over the current maximum of \$7,756,535. At current pace, the year ending fund balance is projected to be almost \$28.7 million, \$21 million over our maximum.

Aug asked if there were any questions. Hearing none. Chambers asked if there were any

additional comments or questions, hearing none. With no recommendations by Aug, Chambers moved on to the next agenda item.

## **Item 5. Discussion and appropriate action – Company Business Update**

### **a. Executive Director Updates & Cyber Insurance Policy Renewal**

**Presenter: Greg Brandon, Executive Director**

Brandon began executive update by introducing two new additions to the team, completing hiring for the year and foreseeable future. November premium was the highest month recorded at almost \$8.3 billion and item count at 971,604 YTD. Stamping Fees YTD are a little over \$7 million and are leveling out since fee change.

2021 accomplishments and focus include restructure of company culture, staff increase, employee retention, improving compensation structure and training support. Most staff continue working from home with no issues. The cloud migration project is now finalized. Brandon gave thanks to the Directors of Operations and ITS for a job well done executing this project. Our external communication strategy improved by providing a monthly newsletter and infographics. SLTX also transitioned to a new healthcare provider (CIGNA) and a new payroll system (ADP).

Brandon reported that SLTX is in a good financial position. SMART program will be ready for full use after Q1. We are further working on education content and opportunities to provide continuing education, which will be a collaborative effort with other entities in the industry. Office lease ends in 2023 and we are working with a broker to obtain ideal leasing spaces. Our current location is not optimal, and many employees live far from building.

Communication exchange with TDI was as follows: 11 emails in October and 11 in November. Topics included:

- NAIC Quarterly Alien Insurer listing
- Monthly or quarterly reports
- Requests or approvals for late filing adjustments
- Data requests for HB 19, policy counts
- Investigations and/or enforcement actions

Additionally, draft agenda and presentations for this meeting were distributed on December 3, 2021 in accordance with Plan of Operation Section 2(c)(2). Quarterly meeting conducted on October 21, 2021 per Plan of Operation Section 2(c)(12). Discussion Topics included: Board Member Status, Status of Operations Company Overview, Monthly Statistics, Policy Limit Data, and 2022 Proposed Budget. Next meeting is scheduled for January 7, 2022.

Brandon concluded Company Update presentation and asked if there were any questions or comments. Klein welcomed Lezlee Liljenberg to the Board and acknowledged Brandon's capabilities of maintaining human capital as a priority. Also, gave "kudos" to Brandon for the level of moral displayed by all staff in the office during his visit at the last in person Board meeting.

Brandon thanked Klein and stated there are no recommendations for the Board.

Regarding the Cyber Liability Insurance Program Renewal, Brandon reminded Board Members of the Plan of Operation requirements to prepare a detailed summary of bonds and insurance policies to include coverage, policy dates, premium, and limits for review and approval by the Board at the third-quarterly Board meeting and prior to procurement or renewal.

Current Cyber Liability policy expires January 7, 2022. Premium was \$8,625 in 2021. There is no indication of what 2022 renewal premium will be. Underwriters are still in process of analyzing costs. It was budgeted and projected that Cyber Liability premium would be doubled as was the case with the D&O policy premium. Cyber Liability Limits are \$5 million with \$5k deductible. Brandon requested motion for authorization to bind coverage when indication from Broker is received and added that an additional Board meeting will be required once premium is decided. Milvo asked if indication from Broker has been received about deductible remaining the same. Brandon stated no. Milvo commented her organization's deductible increased 75% and suggested increasing premium and deductible allowance.

Chambers asked if there were any further questions or discussions for Brandon. Hearing none, Brandon recommended a motion as reflected below.

**MOTION:** Penni Chambers

**SECOND:** Jeff Klein

**TEXT OF MOTION:** Motion for the Executive Director to have authority to bind Cyber Liability coverage, not to exceed the following: \$20K in premium, \$10K in deductible and with coverage limit to stay at \$5 million.

Chambers asked if there were any further discussion, hearing none.

All Board Members in favor. Lezlee Liljenberg, Jeff Klein, Lorri Cheshier, Pete Harrison, Teri Brinson voted "Aye" via video teleconference.

Motion carries.

## **b. Operations Department Update**

**Presenter: Cheyenne Herrera, Director of Operations**

Herrera provided update of most recent hires as they have made strides in training. She expressed gratitude to Lead Policy Analysts; Cathy Hull and Shantell Jackson for their efforts in training new hires. Also, thanked Christian Robinson for coordinating training with Financial Analyst, Yuba Raj Dahal.

Herrera provided update of Global Search SOW. Results of analysis determined it would be cost-effective to transition away from Global Search document management system as Azure cloud storage is now in place. Transitioning away from Global Search will eliminate SLTX's reliance on 3<sup>rd</sup> party software and vendors for SMART support.

Herrera asked if there were any questions, hearing none.

The primary SMART vendor, Headspring was acquired by Accenture. Standing SOW is still in compliance and Headspring ensures a smooth transition. With the hiring of two SLTX Developers, we are on track to assume primary responsibility for SMART by end of Q1 once it is transferred from Headspring. Total YTD cost of SMART is \$10,181,257.83.

Herrera asked if there are any questions or concerns regarding actual billables for SMART, hearing none.

Herrera provided further insight into available SMART features. With no further questions or recommendations for the Board, the Chair moved on to next agenda item.



### **c. IT Department Update**

**Presenter: Sholonda Stone, Director of IT**

Stone began by reminding the Board that SOW was approved in 2021 to focus on education and knowledge transfer of all SMART components and development details to SLTX Developers as Headspring's major development is nearing completion. To date, 311 hours have been utilized from Headspring development team. Out of the \$100,000 allocated in the budget, there is a remaining balance of \$39,355.

Cloud Migration transition was estimated to take 18 months, it was completed within record breaking time of 6 months, from May 17<sup>th</sup> - November 17<sup>th</sup>, 2021. Total cost was \$60,000. Cloud Optimization was added to address items with CUPS server and is projected to be completed in early January 2022. Cyber7 project did not exceed estimated cost as originally stipulated in the SOW. Issues with MIS and EFS during migration required engagement with RSI for additional cost. Total cost will be presented to the Board during Annual Meeting once final billing is processed. With Cloud Migration completed a savings of approximately \$100,000 in 2022 on software is expected.

Stone asked if there were any questions. Klein asked if cloud migration costs was incurred, accounted for, or amortized upfront. Stone clarified that original SOW presented to Board in the past included yearly costs. However, monthly costs are in place now until fees become fixed.

Stone asked if there were any questions, hearing none. Stone continued with SOW for Cloud Optimization Development. The objective of this SOW is to provide dedicated expertise to advise and consult with SLTX in preparation for SMART re-engineering to support Azure cloud environment. SOW began October 1, 2021 and is estimated to end January 31, 2022. Fees are calculated at \$225 per hour rate, not to exceed \$286,740 through contract end date.

Additional updates include:

- Equipment housed at RSI have been retrieved and will remain at SLTX until disposal. SLTX is now backing up its' servers to Microsoft Azure in the Cloud;
- Firewall Replacement is now completed with no issues;
- SLTX Virtual Private Network (VPN) transitioned from Windows based service to FortiClient through Azure.

With no recommendation for the Board, Chambers asked if there were any other questions, hearing none.

Chair recognized Patty Otto joined the meeting at 10:08 a.m. and moved on to the next agenda item.

### **Item 6. Discussion and appropriate action – 2022 BOD Proposed Meeting Dates**

**Presenter: Greg Brandon, Executive Director**

Brandon provided proposed 2022 SLTX Board of Directors meeting dates with Plan of Operation requirements of such meetings and recommended a motion as reflected below.

**MOTION:** Charles Gillenwater

**SECOND:** Randy Myers

**TEXT OF MOTION:** Motion for the Board to accept the 2022 proposed meeting dates as presented.

Chambers asked if there were any further discussion, hearing none.

All Board Members in favor. Lezlee Liljenberg, Jeff Klein, Lorri Cheshier, Pete Harrison, Teri Brinson voted "Aye" via video teleconference.

Motion carries.

Chambers asked Board flexibility regarding future meeting dates. There is a strain on staff when a meeting involves an Executive Session, hence, meeting dates are presented a year in advance. Chambers asked Members to please be mindful on making arrangements to be present for these meetings.

#### **Item 7. Discussion and appropriate action – Bidding and Procurement Committee Draft Policy Submission**

**Presenter: Charles Gillenwater, Bidding and Procurement Committee**

Gillenwater introduced draft of Bidding & Procurement policy and its' application. Policy does not apply to agreements or settlement on lawsuits, expenditures for utilities, charitable donations, insurance policy procurement, expenditures addressed in other SLTX policies, and employment contracts.

Bid and procurement processes may include several types of transactions, such as, license agreements, purchase orders and/or service contracts. The Executive Director or designated Director-level employee is the only employee authorized to sign contracts and/or initiate purchases on behalf of SLTX. All other individuals are prohibited from conducting purchases on behalf of SLTX except for office supplies. A Purchase Order Form must be completed to initiate all purchases of goods or services.

Gillenwater asked if there were any questions or comments, hearing none. Chambers asked Gillenwater if there was a recommendation for Board motion. Gillenwater recommended a motion as reflected below.

**MOTION:** Charles Gillenwater

**SECOND:** Leslie Milvo

**TEXT OF MOTION:** Motion for the Board to approve Bidding and Procurement Policy as presented.

Chambers asked if there were any further discussion, hearing none.

All Board Members in favor. Lezlee Liljenberg, Jeff Klein, Lorri Cheshier, Pete Harrison, Teri Brinson voted "Aye" via video teleconference.

Motion carries.

#### **Item 8. Executive Session - Discussion and deliberation of the performance, compensation, and benefits of the Executive Director of the Surplus Lines Stamping Office of Texas (Personnel matters – Texas Govt. Code §551.074).**

**Presenter: Penni Chambers, Chair of the Board**

Chambers stated the Executive Committee met on December 14, 2021 and recommended the following motion be presented to the Board for consideration and approval.

1. An annual bonus in the amount of \$52,000 with payment no later than December 31, 2021;
2. A 30% increase on annual salary to be effective January 1, 2022; and
3. Deferred compensation in the amount of \$20,500 plus \$6,500 "catch up" with payment to be

made no later than January 31, 2022.

**Chambers suspended Open Session and moved on to Close Session at 10:22 a.m.**

**At 11:08 a.m. Chambers announced Closed Session concluded and reconvened Open Session.**

**Item 9. Open Session - Discussion and appropriate action regarding the performance, compensation, and benefits of the Executive Director of the Surplus Lines Stamping Office of Texas.**

**Presenter: Penni Chambers, Chair of the Board**

Chambers asked if there were any further questions or comments concerning agenda item 9, hearing none. Based on Close Session discussion Chambers recommended a motion as reflected below.

**MOTION:** Penni Chambers

**SECOND:** Jeff Klein

**TEXT OF MOTION:** Motion for the board to approve Executive Director compensation and salary as follows:

1. An annual bonus in the amount of \$52,000 with payment no later than December 31, 2021;
2. A 30% increase on annual salary to be effective January 1, 2022; and
3. Deferred compensation in the amount of \$20,500 plus \$6,500 "catch up" with payment to be made no later than January 31, 2022.

All Board members in favor. Lezlee Liljenberg, Jeff Klein, Lorri Cheshier, Pete Harrison, Teri Brinson voted "Aye" via video teleconference.

Motion carries.

**Item 10. Adjournment**

**Presenter: Penni Chambers, Board Chair**

**MOTION:** Charles Gillenwater

**SECOND:** Leslie Milvo

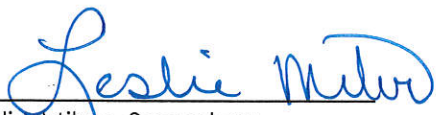
**TEXT OF MOTION:** Adjournment

Chambers asked if there were additional comments or questions; finding none, continued to adjourn the meeting.

All Board members in favor. Lezlee Liljenberg, Jeff Klein, Lorri Cheshier, Pete Harrison, Teri Brinson voted "Aye" via video teleconference.

Motion carries.

The meeting adjourned at 11:12 A.M. on December 15, 2021.



Leslie Milvo, Secretary