

# Board of Directors Meeting Meeting Minutes

September 22, 2022

A Board of Directors meeting for the Surplus Lines Stamping Office of Texas was held in-person, on September 22, 2022, beginning at 9:00 a.m. and lasting until adjournment.

## Agenda

- Item 1. Call to order, establishment of quorum
- Item 2. Discussion and Appropriate Approval of June 23, 2022, Board Meeting Minutes
- Item 3. Discussion and Appropriate Action of Insurance Policies
- Item 4. Discussion and Appropriate Action of Executive Director Update
- Item 5. Closed Session Discussion for Building Lease review, Discussion of Conflict of Interest, and Policy Item (Tex. Gov't. Code Sec. 551.071)
- Item 6. Discussion and Appropriate Action on Closed Items
- Item 7. Discussion and Appropriate Action of Operations Director Update & SMART Update
- Item 8. Discussion and Appropriate Action for Finance and Audit Committee on Draft Company Credit Card and Travel Expense Policy Revisions, 2022 YTD Financial Review, and 2023 Proposed Budget
- Item 9. Adjournment

### Item 1. Call to Order | Charles Gillenwater, Chair

Charles Gillenwater, Chair of the Board of Directors, called meeting to order on September 22, 2022, at 9:05 A.M.

The meeting was held at the Surplus Lines Stamping Office of Texas, 805 Las Cimas Parkway, Suite 300, Austin, Texas 78746. A quorum of Board of Directors is intended to be present at this location.

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 her designees on September 12, 2022, in accordance with the Surplus Lines Stamping Office of Texas - Plan of Operation, Section 2(c)(2). Written Notice of this meeting and the related agenda were submitted to the Office of the Secretary of State on September 14, 2022, for publication in the Texas Register in accordance with the Texas Open Meetings Act.

Gillenwater called roll to determine participating members via telephone conference pursuant to Plan of Operation Section 2(c)(6):

### BOARD OF DIRECTORS PRESENT

Charles Gillenwater	Chair
Leslie Milvo	Vice Chair
Penni Chambers - via Teleconference	Secretary
Lorrie Cheshire	
Peter Harrison	
Jeff Klein	
Lezlee Liljenberg - via Teleconference	
Garrett Sprowls - via Teleconference	

## **ALSO PRESENT**

Greg Brandon, Executive Director, SLTX  
Donna Aug, Director of Finance, SLTX  
Cheyenne Herrera, Director of Operations, SLTX  
Denisse Amezcuita, Director of Human Resources, SLTX  
Sholonda Stone, Director of IT, SLTX – via Teleconference  
Marissa Gamez, Administrative Assistant, SLTX  
Marcelina Gutierrez, Communication and Education Coordinator, SLTX  
Stanton Strickland, General Counsel, Mitchell Williams, Selig, Gates & Woodyard, PLLC  
Paul Rainey, TSLA Liaison  
Patty Otto, Office of Financial Counsel, Texas Department of Insurance – via Teleconference

## **SLTX staff member also in attendance**

Sharmila Subedi, Business Analyst, SLTX  
Ariel Rosario, Policy Analyst II, SLTX  
Lourdes Wong, Policy Analyst II, SLTX – via Teleconference  
Angela Gonzalez, Policy Analyst II, SLTX – via Teleconference  
Kristian Porter, Policy Analyst II, SLTX - via Teleconference  
Nathan Onks, Senior Policy Analyst, SLTX – via Teleconference  
Toby Pick, Operations Manager, SLTX – via Teleconference  
Nicholas Butler, Developer, SLTX – via Teleconference  
Dalton Moore, Developer, SLTX – via Teleconference

Minutes taken by SLTX staff.

Gillenwater 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 mute lines at all times.
3. Representatives of state agencies and members of the public are welcome to observe or record this Board meeting but 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 via conference call should identify themselves when speaking. Please mute lines when not speaking.
6. Due to this meeting taking place by conference call, some board votes will be by roll call.

## **Item 2. Discussion and Appropriate Approval of June 23, 2022, Board Meeting Minutes Presenter: Charles Gillenwater, Chair of the Board**

Charles Gillenwater asked members for questions or discussion of minutes. Hearing none, Gillenwater asked for a motion to approve minutes as presented.

**MOTION:** Jeff Klein

**SECOND:** Peter Harrison

**TEXT OF MOTION:** Recommended the Board approve of June 23, 2022, meeting minutes as presented.

The motion passed.

### **Item 3. Discussion and Appropriate Action of Insurance Policies**

**Presenter: Greg Brandon, Executive Director**

Greg Brandon reminds board of Plan of Operation rules regarding insurance policies. Cyber liability expires in January and there are no premium indications until later in the year. The crime policy is a three-year policy and expires January of next year. There are renewal premium indications of \$5,686 for an additional three-year term and the policy continues to provide fidelity coverage in lieu of a fidelity bond for the 401(k) requirement. The remaining policies: D&O, professional liability, business owners, and worker's compensation will expire in October. For D&O program renewal, no changes are being sought and the renewal premium is \$42,124. Professional Liability coverage renewal premium indication came in flat at \$10,493, and no change in coverage limits nor deductible. Business Owners program renewal went down in premium due to coverage change by removing the former off-site location for the server at RSI's building, reducing the total replacement value. Brandon states the replacement value for Las Cimas has not changed much but made the decision to hold off on providing updates to the insurer until the move to the new building since replacement values will change afterward. For Workers Compensation, no change in coverage and nominal increase in premium to \$1,589. Workers Compensation premium is entirely rated on payroll, so as payroll goes up, premium goes up with it; rates for renewal have come in flat for this important line of coverage.

Jeff Klein asks if Worker's Comp covers workers while they are working from home. Brandon states yes. Gillenwater asks if there are any questions, finding none, asked Brandon for a recommendation. Brandon recommends per text of motion below.

**MOTION:** Leslie Milvo

**SECOND:** Peter Harrison

**TEXT OF MOTION:** Recommend the Board approve the proposed Insurance Program as presented and grant Executive Director, Greg Brandon, authority to finalize and purchase the coverage as presented.

Motion carries.

### **Item 4. Discussion and Appropriate Action of Executive Director Update**

**Presenter: Greg Brandon, Executive Director**

Brandon provides company overview. Nothing changed structurally in terms of operations, and SLTX is currently standing at 27 employees. Premiums for August continue at a record high, and total YTD premium was just north of \$7.8B, 26% higher than YTD 2021. Item count was up 1% for August, and essentially flat YTD at almost 715,000 items. Within this item count, about a third are renewals, a third new business, and the remaining are non-policy transactions. Most non-policy transactions have no premium associated with them so, an important piece of macro-data regarding running our business is that about a third of items which come through the office do not generate revenue.

Brandon provides Texas Department of Insurance communication data, reflecting on quarterly meeting and policy limits discussed. There were a total of twenty-two emails on topics listed and all

the draft material for this meeting was appropriately distributed in accordance with the Plan of Operation requirements.

Brandon states SLTX's normal quarterly meeting was held in July and touched on all the topics listed. That discussion provided better clarity on goals of collecting data and helped us understand that we can improve guidance that SLTX provides for those submitting this information. We reached out to TSLA for assistance crafting better guidance and meeting is scheduled on September 29<sup>th</sup>. Brandon states his hope is to improve guidance for filers on what needs to be submitted and ultimately provide TDI with better information on policy limits.

Gillenwater asked for a recommendation from Brandon, finding none, stated board will go into closed session.

**Item 5. Closed Session Discussion for Building Lease review, Discussion of Conflict of Interest, and Policy Item (Tex. Gov't. Code Sec. 551.071)**

**Presenter: Greg Brandon, Executive Director**

Gillenwater called the meeting into a closed session at 9:28 AM.

**Item 6. Discussion and Appropriate Action on Closed Items**

**Presenter: Greg Brandon, Executive Director**

Gillenwater called meeting back in session at 10:20 AM.

Gillenwater called roll for Board member attendance. All present with exception of Bart Koch.

Gillenwater moves to discuss closed session items. Garrett Sprowls has provided a conflict-of-interest form and does not receive any financial gain from his company providing brokerage services for SLTX.

Klein thanked Sprowls for his disclosure and honesty. The board made an observation in which there is no present concern to board regarding this issue. The Stamping Office Conflict of Interest Policy requires the Board make a determination and vote whether a disclosure gives rise to a conflict of interest. Gillenwater asks the Board what the determination should be regarding Garrett Sprowls' disclosure. Lezlee Liljenberg recommended per text of motion below.

**MOTION:** Lezlee Liljenberg

**SECOND:** Lorrie Cheshire

**TEXT OF MOTION:** Recommendation for Board to accept Garrett Sprowls' Conflict of Interest disclosure with no issue. Will move forward with purchased as described.

All ayes, with exception of Sprowls who was not present for closed session and abstained from voting on motion. Gillenwater contacts and allows for Sprowls to rejoin the meeting.

Gillenwater asks if the Board has any comment or discussion to present in public session concerning first closed agenda item regarding review of the 1601 E Pflugerville Parkway Building Lease, hearing none. Gillenwater asks if there is a motion to approve Greg Brandon, Executive Director of the Stamping Office to continue negotiations in connection with a commercial office building lease for office space and to resolve to grant authority to Greg Brandon and the Chair of the Board of Directors, Charles Gillenwater, to sign a commercial office lease for such property on behalf of the

Surplus Lines Stamping Office in accordance with Section 3(a)(2)(A) of the Stamping Office Plan of Operation if an agreement is reached with the landlord. Klein recommended per text of motion below.

**MOTION:** Jeff Klein

**SECOND:** Penni Chambers

**TEXT OF MOTION:** Recommendation to approve Greg Brandon, Executive Director of the Stamping Office, to continue negotiations in connection with a commercial office building lease for office space located at 1601 E. Pflugerville Parkway and resolve to grant authority to Greg Brandon and the Chair of the Board of Directors, Charles Gillenwater, to sign a commercial office lease for such property on behalf of the Surplus Lines Stamping Office in accordance with Section 3(a)(2)(A) of the Stamping Office Plan of Operation if an agreement is reached with the landlord.

Motion carries.

## **Item 7. Operations Director Update & SMART Update**

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

Cheyenne Herrera provides update on Operations team and affirms team is great and continues to excel in work/ work ethic. Herrera adds calculation accuracy by the majority of her team is within the 99% range and above. Herrera moves on, indicating that new SMART videos are available on the SLTX website and thanked Marcie for her talent and arduous work that she & Denisse have put into them. Herrera states their support and feedback on user guides and content prepared and released has been valuable. Herrera mentions the goal is to provide multiple avenues of support for users on SMART features and transactions, in both written and audio-visual platforms.

Moving on, Herrera states actual billables for Q2 were provided to board ahead of meeting for review, asks board for questions.

Herrera moves on to provide budget recap for SMART and 2022 Accenture (Headspring) SOW. Budget for 2023 will include transition to maintenance and support for SMART for \$1.08M within Professional Services, which include two full time developers throughout 2023 as well as budget increases to match new Accenture hourly rate, which increased 11% from \$225 to \$250. The all-in cost of SMART, which includes 2023 SOW, is under \$13.6 million at \$13,588,745.33. The SMART status highlights which features are available and are undergoing improvements. As of September release, there will be very few transactions or features that are yet delivered: Inception Date Change Endorsements, the ability for API filers to make corrections to errored items, and monthly/annual late filing reports. The first two are primarily complete and expected in the October release, and UAT is underway for the late filing reports. Herrera takes a moment to thank and appreciate Toby Pick for his efforts with UAT. Herrera asks board for questions regarding these items, finding none, moves to closing statements for SMART. Herrera reminds board of ongoing training available on the website. Since May, there have been thirty individual agency specific training and twenty-five group trainings, which span multiple agencies and/or brokers, and have hosted 211 attendees. Herrera concludes presentation stating that we will be winding down EFS in short order.

Gillenwater asks board if any questions are present, finding none, moves to next item.

## **Item 8. Discussion and Appropriate Action for Finance and Audit Committee on Draft Company Credit Card and Travel Expense Policy Revisions, 2022 YTD Financial Review, and 2023 Proposed Budget**

**Presenter: Donna Aug, Director of Finance & Jeff Klein, Committee Chair**

Donna Aug presents 2022 YTD financials. Stamping fee income was over budget 36% for August and 18% YTD due to increased premiums reported being greater than budgeted for the year. Total revenue is 19% over budget for the year as of now, and SLTX is doing well financially. Conference and Education were under budget as well as Travel and Entertainment. Total operating expenses were under budget for August \$167,000 or 23% and under almost \$922,000 – 16% YTD. Salaries and Benefits were under budget 8% for the month and YTD. Aug continues and states Professional Services were under budget by 70% for August and under 49% for the year due to the Accenture (Headspring) SOW initially scheduled to transition to Maintenance & Support at the end of Q1. The SOW amendment changed to not start M&S until the beginning of Q4. Occupancy & Operating expenses were under budget \$25,000 or 38% for the month and \$87,000 or 16% YTD. The bulk of the savings is in internet expense due to the co-location from RSI being cancelled and no expense in computer equipment. General and Administrative expenses were under budget \$12,500 or 7% for August and under \$49,000, 3% YTD. Contingency expense, which was not used, resulted in \$3,500 savings for the month and \$29,000 for the year. Aug states we had almost \$363,000 operating income for August and \$1,300,000 income YTD. We budgeted for a loss of \$62,000 for the month and a loss of \$592,000 year to date. Fair market value has decreased, and numbers are decreasing everywhere.

Aug states for the Unrestricted, Undesignated Funds we went into 2022 with a fund balance of \$28.8 million, which was \$20 million over the maximum for 2022, which is \$8,806,266. August's YTD net gain of \$211,000 resulted in a fund balance on August 31 of \$29 million; \$19.6 million over our maximum. Funds are chipping away slowly due to higher premiums in the market.

Aug moves on to the Travel Expense & Credit Card policies. Travel expenditures and Credit Card expenses are holding employees back from traveling to conferences due to out of pocket to reimbursement process. SLTX employees may be uncomfortable incurring or do not have the funds to incur cost of conferences, training and education courses, airfare, car rental, etc. on their personal credit card. Directors are currently utilizing a company card. When purchases are made on a personal credit card, the charge could be reimbursed by the company and the service provider, if that service is canceled, without an auditable record of reimbursement. Personal expenses may be catalogued and then reimbursed. This adds additional work to the process since personal expenses are reimbursed through our payroll system. Any employee who has a company credit card must create two expense reports – one to pay the balance of the company card to Frost/Commerce Bank and another to reimburse the employee. With this proposal, we are hoping to protect employees and their funds while ensuring a straightforward process to catalogue expenses.

The Texas Department of Insurance asked if tips through Uber or Taxi travel will be reimbursed, and Aug assured yes.

The Credit Card policy was updated to outline employee responsibilities for card usage – the holder will keep card in their possession and notify the Director of Finance in the event a card is lost or stolen.

Lorrie Cheshire asks if leadership has decided who will hold a company card. Aug states Toby Pick will receive a card and there will be a floating card to aid with other purchases.

Aug discusses the budget for 2023. Investments are laddered so there is a steady stream of income, if needed. Investment Income should see a higher return moving forward due to proceeds being reinvested at a higher rate than we have seen in the past couple of years. Aug states a prediction of an overall increase in revenue of \$1.8M or 23%. Salaries and benefits will increase 10% due to merit increases and inflation adjustment increases for the staff, which also increases associated labor

burden. This category accounts for 51% of company budget. Professional services will increase 23% or \$305,500. Part of the increase is due, on the ITS side, to monthly support from Microsoft Azure for our cloud computing platform, the contract for which came after budget season last year. On Operations side – we have a full year of maintenance and support with Accenture (previously known as Headspring) as opposed to three quarters in 2022, since that transition was expected to occur in Q2 last year. In addition, Accenture’s hourly fee rose 11%.

Occupancy and Operating will decrease about 15% or \$120,000 due to several reasons: lease expense, even though in Q1 we will have two leases to pay – base rent went down 24% and Operating expenses for the new space went down 43%, printing is down 36%, records destruction is down 63%, and record storage is down 72% as with our new record retention policy, adopted this year, we will be reducing the quantity of records we store. Telephone expenses are expected to decrease 20% and internet to decrease 31% with the new space. G&A is projected to increase almost \$136,000 or 6%. Bank charges increased as we added ADP’s time and attendance platform, which automates tracking of staff time off, this year. It has increased efficiency while keeping costs low. Reference, dues, and subscriptions increased 18% as tools utilized for Human Resources and communications had a significant increase. We expect a 47% decrease in depreciation as older assets become fully depreciated and a 9% increase in amortization as SMART will be fully booked at the end of 2022. This category remained fairly level in terms of the percentage of total expenses. Overall budget predicts an operating loss of \$167,000 for next year as opposed to a budgeted loss of \$1.2 million for 2022.

Aug provides closing statements and asks if any questions are present from the board. Gillenwater asks if there are any questions or discussion on Aug’s presentation, hearing none. Gillenwater asks if Aug has a recommendation. Aug recommended per the text of motions below.

**MOTION:** Lorrie Cheshire

**SECOND:** Peter Harrison

**TEXT OF MOTION:** Recommend the board adopt the revised Stamping Office Credit Card and Travel Expense Policy as presented.

Motion carries.

**MOTION:** Jeff Klein

**SECOND:** Lezlee Liljenberg

**TEXT OF MOTION:** Recommendation for board approve the recommendation that the Finance and Audit Committee refer the Stamping Office 2023 Proposed Budget as presented to the TDI Deputy Commissioner of the Financial Regulation Division in accordance with Section 2(b)(7) of the Surplus Lines Stamping Office Plan of Operation.

Motion carries.

## **Item 9. Adjournment**

**Charles Gillenwater, Chair of the Board**

Gillenwater asked for additional comments or questions; finding none, continued to adjourn the meeting.

**MOTION:** Jeff Klein  
**SECOND:** Peter Harrison  
**TEXT OF MOTION:** Adjournment

Motion carried.

The meeting adjourned at 11:12 A.M. on September 22, 2022.



Penni Chambers, Secretary