



Item 2.

December 15, 2022

Meeting Minutes



# Board of Directors Meeting Meeting Notes

**December 15, 2022**

A Board of Directors meeting for the Surplus Lines Stamping Office of Texas was held in-person, on December 15, 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 October 27, 2022, Board Meeting Minutes
  - Item 3. Discussion and Appropriate Action - F&A Committee Report and YTD Financial Review
  - Item 4. Discussion and Appropriate Action – Cyber Insurance Policy Renewal
  - Item 5. Discussion and Appropriate Action – Executive Director Update
  - Item 6. Discussion and Appropriate Action – Operations Director Update - SMART
  - Item 7. Discussion and Appropriate Action – ITS Director Update
  - Item 8. Executive Session
  - Item 9. Board Vote on Executive Session Items
  - Item 10. Adjournment
- 

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

Charles Gillenwater, Chair of the Board of Directors, called the meeting to order on December 15, 2022, at 9:05 A.M.

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

Written posting of this meeting and agenda were provided to the Board of Directors and the public on December 5, 2022, in accordance with the Plan of Operation, Section 2.(c)(2). 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 – via teleconference	Vice Chair
Penni Chambers – Absent	Secretary
Bart Koch	
Lorrie Cheshier	
Garret Sprowls	
Peter Harrison	
Jeff Klein – via teleconference	
Lezlee Liljenberg – via teleconference	

#### ALSO PRESENT

Greg Brandon, Executive Director, SLTX



Donna Aug, Director of Finance, SLTX  
Cheyenne Herrera, Director of Operations, SLTX  
Denisse Amezquita, Director of Human Resources, SLTX  
Sholonda Stone, Director of IT, SLTX  
Marissa Gamez, Administrative Assistant, SLTX  
Marcelina Gutierrez, Communication and Education Coordinator, SLTX  
Stanton Strickland, General Counsel, Mitchell Williams, Selig, Gates & Woodyard, PLLC – via teleconference  
Courtney Williams, Texas Department of Insurance – via teleconference  
Shirley Bowler, Media – via teleconference

**SLTX staff member also in attendance**

Toby Pick, Operations Manager, SLTX – via teleconference  
Angela Gonzales, Policy Analyst, SLTX – via teleconference  
Sharmila Subedi, Business Analyst, SLTX – via teleconference  
Dalton Moore, Senior Developer, SLTX – via teleconference

Minutes were 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 by 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 October 27, 2022, Board Meeting Minutes  
Presenter: Charles Gillenwater, Chair of the Board**

Gillenwater asks board for any corrections or comments regarding October 27, 2022, meeting minutes. Hearing none, Gillenwater recommended per text of motion below.

**MOTION:** Bart Koch

**SECOND:** Peter Harrison

**TEXT OF MOTION:** Motion to approve October 27, 2022, board meeting minutes as presented.

Ayes across the board.

Motion passes.

**Item 3. Discussion and Appropriate Action - F&A Committee Report and YTD Financial Review**



## **Presenter: Donna Aug, Director of Finance**

Bart Koch provides a brief intro for F&A committee and invites Donna Aug to present financial update.

Donna Aug provides her YTD Financial review. November results and YTD data are presented as follows. Stamping fees were greater than budgeted at 25% for November and 17% year to date due to premiums reported greater than budgeted for the year. Investment income was greater than budgeted at 68% for November and 45% YTD. Total operating expenses were under budget for November at \$147,000 or 21% and under \$1.4MM – 18% for the year. Salaries and benefits were under budget 14% for the month and 10% YTD. Professional services were under budget by 65% for November and under 54% for the year due to Accenture transition to Maintenance & Support at the end of Q1 but will occur in 2023. Conference and Education were under budget 99% for November and 65% for the year. Travel and Entertainment, which includes Board Expenses, were under budget by 83% for the month and 67% for the year. Occupancy and operating expenses were under budget \$5,000 or 8% for the month and \$117,000 or 16% for the year. The bulk of savings was in internet expense due to the co-location from RSI being cancelled and no expense in computer equipment.

General & Administrative expenses were under budget \$10,000 or 6% for November and under \$86,000, 4% YTD, due to Amortization Expense lower than budgeted. Contingency expense resulted in \$3,400 savings for the month and \$40,000 for the year. Aug moves on to discuss operating income and investments and states an operating income of \$290,000 for November and over \$1,900,000 operating income YTD. Aug also mentioned a budgeted operating loss of \$31,000 for the month and a loss of \$733,000 YTD. Fair Market Value of investments increased approximately \$218,000 for November and decreased almost \$1,400,000 YTD.

Board member, Garrett Sprowls, asks Ms. Aug since most items coming in under budget, what does it do to our capsulation of getting towards getting more in line with the maximum. Aug states if there are no other changes that there would be a delay in SLTX aligning with the maximum fund balance.

Ms. Aug moves on to the Unrestricted, Undesignated Funds. Aug states 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. November's YTD net gain of \$560,000 resulted in a fund balance on November 30 of \$29.4 million, which is \$20.6 million over our current maximum. At current pace, the year-end balance is projected to be almost \$29 million; \$20.1 million over our maximum.

Gillenwater asks Aug if there is a recommendation for the board. Aug states no.

## **Item 4. Discussion and Appropriate Action – Cyber Insurance Policy Renewal**

### **Presenter: Greg Brandon, Executive Director**

Greg Brandon begins presentation by going over Plan of Operation Requirement. Section 3(a)(8) states the Stamping Office must purchase bonds and insurance covering the Stamping Office, its directors, officers, employees, and agents of Stamping Office, and its properties and activities as it deems appropriate. The Stamping Office must 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.

Brandon continues with the Cyber Liability Presentation and states that compared to the year prior, this renewal cycle was much smoother and explains that the current policy expires January 7, 2023. In 2022 Premium was \$9,113 + \$8,000 (excess) and for 2023, Premium will be \$7,834 + \$8,000 (excess) in which the renewal quote offers a 7.5% reduction in premium. Brandon mentions that although the



Primary was written by National Specialty, the renewed offer is being written by Spinnaker. The coverage details are as follows: Privacy & Security Liability Limits at \$5,000,000 with Full Prior Acts.

Gillenwater asks if there are any questions for Brandon.

Jeff Klein asks if Spinnaker is an admitted or non-admitted carrier. Brandon states they are an admitted company. Sprowls adds they are related to Markel.

Brandon recommended per text of motion below.

**MOTION:** Peter Harrison

**SECOND:** Bart Koch

**TEXT OF MOTION:** Motion for the Executive Director to purchase cyber liability coverage as presented.

Ayes across the board.

Motion passed.

### **Item 5. Discussion and Appropriate Action – Executive Director Update**

**Presenter: Greg Brandon, Executive Director**

Brandon provides executive update. He begins with company overview and states everyone is doing great and no changes within departments are reported. Monthly business statistics show year-to-date revenue of \$10.5 billion dollars, 28% higher than 2021 YTD and about 17% higher than budgeted. Brandon continues with item count for the year at 918,234 items. While November transactions are down slightly vs 2021, the YTD count is about 1% higher than item count from 2021. Average premium is about \$10,797 per policy YTD, which is up almost 27% vs last year. Brandon mentions within item count a third are renewals, a third new policies and a third are non-policy transactions (endorsements, cancellations, audits, etc.) that do not generate revenue. Brandon reviews TDI communications for Q4 which entail 24 emails with communications regarding board, insurers, monthly/ quarterly reports, data requests for market segment data, requests/approvals for late filing adjustments, etc. A mandatory quarterly meeting was held on October 19, 2022, and discussion topics included a review of board meeting topics – travel/expense policy, credit card policy, proposed budget, and new building lease. Term expiries for board members, as well as standing status of operations topics – company overview, monthly statistics, and policy limit data were also discussed briefly. Policy limits discussion also occurred with TSLA on September 29<sup>th</sup> and was suggested that Deputy Commissioner Walker attend the next meeting on the subject to reiterate her intentions for collecting the data, which has not yet been scheduled. Brandon concludes his update.

Gillenwater asks Brandon if there are any recommendations to the board. Hearing none, moved to the next item.

### **Item 6. Discussion and Appropriate Action – Operations Director Update**

**Presenter: Cheyenne Herrera, Operations Director**

Cheyenne Herrera provides department updates. Herrera points out hours and costs on the Actual Billables for SMART and mentions a \$90,000 credit which entails the leave of an Accenture employee resulting in a consequential refund. The work has since been reassigned to a trusted employee. This resulted in the actual billable for the end of October to be at \$44,325, instead of the normal number right under \$200,000. Total billable expenses through November 2022 are right at \$12,286,175.33. Herrera asks if there are any questions, hearing none.



Herrera provides acknowledgement to the Operations team for a high accuracy rate of 99% and above as they continue "boots-on-the-ground" training. Herrera adds policy audits continue and a new feature is available in SMART which allows additional efficiency for users to track and document other items not related to policy audits. Herrera adds that every point is being reviewed and the team can give compliance, feedback, etc. which is documented in SMART. Being able to document this allows for additional data analysis. For external stakeholders, it would mean not having to request information more than once since by virtue of the data and improved data, it could be determined as accurate. Operations is gearing up for the policy count report with a March 1, 2023, deadline. Herrera explains the Policy Count Report is used to report policy count data directly to TDI in response to TDI's standing data call. SLTX reports on behalf of the insurers as it is not required of them. From now to March, operations will be reviewing / correcting insurers, beginning with an in-depth review of data points and contacting agencies to confirm accuracy prior to the reporting deadline.

Herrera continues by mentioning that additional SMART training videos have been published, as well as the web page updates to convey catalog style display, which has been incorporated into SMART's Help Section. Herrera thanks those who were involved in updating the website and education page.

Herrera continues on with SMART project providing high-level budget recap and feature statuses. 2022 SMART budget initially had some capital, maintenance and support, and an amendment. In 2023, it will solely be maintenance and support and no longer in capital. Remaining capital from 2022 Accenture/Headspring SOW is north of \$222,000. Improvements will be made as the year progresses. There are two features left to release in SMART. Both allow automated filers to make corrections from front end as well as provide access to monthly / annual late filing reports. These should be released within the next release or two. There will be a 90-day notice provided to the public in preparation of EFS end of life, estimated to be May 1, 2023. Herrera continues stating there have been 35 individual agencies training courses, 39 group sessions and have hosted 258 attendees overall since May. She also noted that both Lorrie and Leslie Milvo, attended a training and thanked them for their participation. Since May 2022, more than 40% of agents are filing in SMART and 19% of total filings are in SMART.

Bart Koch asks about communications with users. Herrera points out all avenues in which individuals / agents have been reached such as via email, telecommunication, and articles published. Brandon states a "pop up" will appear on SLTX website to let individuals know EFS is close to EOL.

Lorrie Cheshire asks if SMART is able to collect policy limit data. Herrera states yes. Lorrie Cheshier then asks if there's a monthly audit to catch such exceptions. Herrera states yes, mentioning a monthly outreach to review all policy limit data and if there is no policy limit data reported, contact then is made to assist. Extreme cases and obvious anomalies are reviewed to correct data and assess ways in which SMART can help facilitate catching these. Lorrie asks if those are being reported to TDI on their reports. Herrera and Brandon both clarify that they are not part of what is being reported to TDI but mention a percentage is calculated and published in a quarterly article.

Brandon expands on a question asked by Bart Koch related to stakeholders' notification of EFS end of life. He explains that Dalton Moore, SLTX Senior Developer, is working on a reminder for any SMART user moving forward, notifying of the May 1<sup>st</sup> deadline. Brandon mentions that timing might be an issue with sending out reminders prematurely and running the risk of shutting down EFS preemptively by disturbing any code within EFS but assures that everything is being done to make everyone aware of EFS end of life.



Gillenwater asks Herrera if there are any recommendations to the board. Hearing none, moved to the next item.

### **Item 7. Discussion and Appropriate Action – ITS Director Update**

**Presenter: Sholonda Stone, ITS Director**

Sholonda Stone provides department updates. She thanks her team for their hard work and preparation for SMART project. A Senior Developer role was posted in response to the loss of a Developer. Interviews have been conducted. In 2023, Developer Kenneth Annaba will be promoted to Senior Developer. Stone mentions the search for a company for asset disposal due to cloud migration. According to our retention policy, one server will be kept on premises. Phone system will migrate from Ring Central to Microsoft Teams. This should provide improvements to the operations teams and call flow.

The Maria database upgrade for production will begin December 15, 2022, EFS and SMART will be unavailable beginning in the afternoon through the 22<sup>nd</sup> of December. It is a necessary update as we have passed the EOL cycle for the software. SMART and EFS share the same background database. Stone mentioned an outage that occurred in October due to an older Linux server being maxed out without any prior warnings due to its outdated and unsupported status. Stone mentioned workaround for this issue is utilizing email notification system that works with Microsoft with a cost of \$.60 per month to receive constant server activity, to avoid another outage.

Gillenwater asks Stone if there are any recommendations to the board. Hearing none, moved to the next item.

### **Item 8. Executive Session**

**Presenter: Charles Gillenwater, Chair of the Board**

The board went into executive session at 10:01 AM.

### **Item 9. Board Vote on Executive Session Items**

**Presenter: Charles Gillenwater, Chair of the Board**

The board went into open session at 10:39 AM.

Gillenwater opened the meeting back to the public and called for quorum. A quorum was established.

Gillenwater asks if any board members have comments or questions to present in public session concerning the closed agenda item regarding the performance, compensation, and benefits of the Executive Director of the Surplus Lines Stamping Office of Texas. Gillenwater then asks, based on the recommendation from the Executive Committee and closed session discussion, if there is a motion for Board of Directors to approve the following compensation and benefits for the Executive Director of the Surplus Lines Stamping Office of Texas, Mr. Greg Brandon. Payment of an annual bonus in the amount of 25% of the 2022 salary, with payment no later than December 31, 2022. A raise of 13% annual salary to be effective January 1, 2023, and payment of deferred compensation in the amount of \$22,500 plus \$7500 to catch up with payment to be made no later than January 31, 2023.

Lorrie Cheshier recommended per text of motion below.



**MOTION:** Lorrie Cheshire

**SECOND:** Peter Harrison

**TEXT OF MOTION:** Motion for the board to approve Executive Director compensation and benefits as presented.

Ayes across the board.

Motion passed.

**Item 10. Adjournment**

**Presenter: Charles Gillenwater, Board Chair**

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

**MOTION:** Garret Sprowls

**SECOND:** Lezlee Liljenberg

**TEXT OF MOTION:** Adjournment

Motion carried.

The meeting adjourned at 10:43 A.M. on December 15, 2022.

A handwritten signature in blue ink that reads "Penni Chambers". The signature is written in a cursive style with a large initial "P".

Penni Chambers, Secretary