

**June 29, 2023**

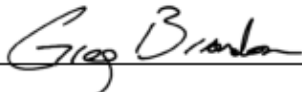
**Board of Directors Meeting Minutes**

A Board of Directors meeting for the Surplus Lines Stamping Office of Texas was held in-person at the Courtyard Austin Pflugerville and Conference Center, 16100 Impact Way, Pflugerville, TX 78660.

**AGENDA**

The following subjects will be discussed or considered and may be subject of formal action by the Board.

<b>June 29, 2023, Board of Directors Meeting Agenda</b>		
Item 1.	Call to Order and Establishment of Quorum	Garrett Sprowls, Board Chair
Item 2.	Discussion and Approval of Previous Meeting Minutes - March 31, 2023 Meeting Minutes	Garrett Sprowls, Board Chair
Item 3.	F&A Committee Report (a) Discussion and Appropriate Action: - Committee Charter Review - 2023 YTD Financial Review	Jeff Klein, Committee Chair; Donna Aug, Director of Finance
Item 4.	Executive Director Report and Appropriate Action: - Company Update	Greg Brandon, Executive Director
Item 5.	Operations Director Report and Appropriate Action: - Operations Update - SMART Update	Cheyenne Herrera, Director of Operations; Greg Brandon, Executive Director
Item 6.	ITS Director Report and Appropriate Action: - ITS Update	Sholonda Stone, Director of ITS
Item 7.	Adjournment	Garrett Sprowls, Board Chair

  
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Greg Brandon, Executive Director  
By delegation from Chair of the Board

## **Item 1. Call to Order**

Garrett Sprowls, Chair of the Board of Directors, called the meeting to order on June 29, 2023 at 9:30 A.M.

Meeting was held in-person. A conference call-in number was provided in the Public Meeting Notice. Written notice of this meeting proposed agenda, and all related materials were provided to the Texas Department of Insurance Deputy Commissioner of the Financial Regulation Division and designees on June 16, 2023, in accordance with the Plan of Operation, Section 2(c)(6).

Notice of this meeting and related agenda was provided to the Finance & Audit Committee and submitted for publication to the Office of the Secretary of State on June 21, 2023, in accordance with the Plan of Operation, Section 2(c)(2) for publication in the Texas register in accordance with the Texas Open Meetings Act. All board members were notified on June 6, 2023.

Sprowls called roll to determine participation pursuant to the Plan of Operation Section 2(c)(6):

### **BOARD OF DIRECTORS PRESENT**

Garrett Sprowls, Board Chair  
Jeff Klein, Board Vice Chair  
Leslie Milvo, Secretary  
Bart Koch  
Esequiel Nathal

### **BOARD MEMBERS PRESENT VIA VIDEO AND AUDIO**

Lezlee Liljenberg  
Jason Cables

### **BOARD MEMBERS NOT PRESENT**

Peter Harrison  
Penni Chambers

### **ALSO, PRESENT**

Greg Brandon, Executive Director, SLTX  
Donna Aug, Director of Finance, SLTX  
Cheyenne Herrera, Director of Operations, SLTX – via Video and Audio  
Sholonda Stone, Director of ITS, SLTX  
Denisse Amezquita, Director of Human Resources, SLTX  
Stan Strickland, General Counsel, Mitchell Williams, Selig, Gates & Woodyard, PLLC  
Paul Rainey, TSLA Liaison  
Courtney Williams, Office of Financial Counsel, Texas Department of Insurance  
John Carter, Office of Financial Counsel, Texas Department of Insurance  
Shirley Bowler, Member of the press with TSLR – via Audio

### **SLTX Staff Members Also in Attendance**

Toby Pick, Operations Manager, SLTX – via Audio  
Sharmilla Subedi, SLTX – via teleconference

Minutes are taken by SLTX Staff.

The following administrative housekeeping announcements before moving forward with the agenda:

1. Antitrust activity or discussion are prohibited at all Stamping Office functions. This prohibition includes 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 should mute lines.
3. Representatives of state agencies and members of the public are welcome to observe or record the meeting but refrain from asking questions or interjecting comments.
4. State personnel present may be asked questions if questions are related to an agenda item.
5. Members, counsel, and staff participating by phone should identify themselves and mute lines.

## **Item 2. Discussion and Approval of March 31, 2023, Meeting Minutes**

All Board members were provided a copy of the March 31, 2023 Meeting Minutes. Sprowls asked if there were corrections or comments related to the minutes.

There being no comments or discussion, Sprowls requested a motion to approve the March 31, 2023 minutes.

**MOTION:** Jeff Klein

**SECOND:** Esequiel Nathal

**TEXT OF MOTION:** The motion passed unanimously, and minutes are approved.

## **Item 3. Discussion and Appropriate Action – Finance and Audit Committee Report and Related Items**

Sprowls open the floor to Mr. Klein, Chair of the Finance and Audit Committee joined by Ms. Donna Aug, Director of Finance, to present this agenda item.

Mr. Klein – The Finance and Audit Committee, consisting of Mr. Cables met on June 28, 2023 at 1:00 P.M.

An annual review of the F&A Committee Charter was conducted, and possible revisions were discussed and voted affirmatively on recommendations that will be presented to this Board. Donna Aug also presented the 2023 Finance YTD Update to the committee.

### **a) Discussion and Appropriate Action on Committee Charter Review**

As Klein mentioned, the F&A Committee conducted the annual review of its committee charter as required by item 6 of the Plan of Operation.

During this review, it was discussed possible revisions to the current charter and voted to recommend the following two revisions for the Board to consider for submission to TDI for its review:

1. To revise Item 2 of the Plan of Operations Section of the F&A committee charter to delete the requirement that the F&A meetings be subject to the requirements of the Texas Open Meeting Act (TOMA). This is not to destroy transparency, rather to make it easier to meet and have productive conversations outside the regular quarterly meetings.

Although Section 2.(c)(1) of the Plan of Operation requires all board meetings to comply with the TOMA, the Plan doesn't go further to require that board committees, whose memberships comprise less than a quorum of the full board, also be subject to the Act and its public notice requirements if they are not otherwise required to do so under the Act.

Due to its nature and size, the F&A Committee is generally not subject to the TOMA. Klein suggested increasing the size of committee members. – Counsel Strickland indicated that that this would be an onerous process as this is more than half of the full BOD. – Klein indicated that due to such small size, the committee should be excluded from the OMA as it was impossible to have any discussion without an official quorum.

The F&A committee, like all of the board committees, like all board committees, performs as an advisory committee; only reporting and making recommendations to the full Board for final deliberation and vote. The Committee does not hold final decision-making authority.

Additionally, under the current charter requirement, the small number of committee members – three (3) – limits the ability of the committee members to communicate regarding committee matters without holding a formal public meeting, outside the normal quarterly scheduled meetings.

Eliminating the requirement would foster communication and provide much needed flexibility for committee members to be more engaged and to carry out the duties and responsibilities of the committee more efficiently. This does not include the public meetings held prior to the normal scheduled meetings, which will continue to be held publicly.

2. To insert Category Subheadings in the Responsibilities section of the current charter and renumber the items to better identify and group the currently listed responsibilities, as follows:
  - a. General: Items 1-2
  - b. Audit and Internal Control: Items 3-6 (renumber 1-4)
  - c. Financial and Cash Management: Items 7-10 (renumber 1-4)
  - d. Reserves and Stamping Fee: Items 11-12 (renumber 1-2)

Klein recommended that the Board vote to submit a proposed draft of the F&A Committee charter revised to include the revisions as proposed above to TDI Deputy Commissioner of the Financial Regulation Division, Jamie Walker, or her delegate(s) for review.

Note: Member of media objected on the meeting chat to exempting committee from OMA in its entirety.

Sprows opened for questions from Board members. Hearing none, Sprows moved to ask Mr. Klein if he had a recommendation for a motion to the Board.

Mr. Klein – “I recommend that the Board vote to submit a proposed draft of the Finance and Audit Committee charter revised to include the revisions as proposed in my presentation to Ms. Jamie Walker, TDI Deputy Commissioner of the Financial Regulation Division or her delegate(s) for review.”

Sprows opened to the Board members the motion as described above.

**MOTION:** Jason Cables

**SECOND:** Bart Koch

**TEXT OF MOTION:** The motion is approved and passed unanimously.

## **2023 YTD Financial Review**

Sprows opens the floor for Ms. Aug to begin her presentation of the 2023 May Financial Results Key Points

Stamping fees were over budget 31% for May and 11% year to date due premiums reported greater than predicted, at this point in the year. Investment income was over budget 156% for May and over budget 43% for the year.

Total operating expenses were under budget for May \$84,600 or 12% and under \$525,000 – 13% for the year.

Salaries and Benefits were under budget 4% for the month and 7% year to date.

Professional Services were over budget by 2% for May due to the timing of our audit invoices. Professional Services were under budget 11% year to date due to Accenture cost less than budgeted.

Conference and Education were under budget 74% for May and 59% for the year.

Travel and Entertainment, which includes Board Expenses, were under budget by 50% for the month and 42% for the year.

Occupancy & Operating Expenses were under budget \$36,300 or 76% for the month and \$110,400 or 31% for the year. This is due to not paying rent on our new space. Other savings are in computer equipment as none was purchased, plus software license and internet expenses were less than budget.

General & Administrative expenses were under budget \$25,100 or 13% for May and under budget \$136,000 or 14% year to date. Contingency Expense, which was not used, resulted in \$3,655 savings for the month and \$20,700 for the year.

We had \$462,000 operating income for May and \$918,000 income year to date. We had budgeted for a gain of \$78,700 for the month and a loss of \$107,700 year to date.

The Fair Market Value of investments decreased approximately \$133,332 for May and increased \$217,500 year to date.

Unrestricted, Undesignated Funds –We went into 2023 with a fund balance of \$29.2 million which was \$18.6 million over the maximum for 2023, which is \$10,600,00. May's year to date net profit of \$1,135,500 resulted in a fund balance on May 31 of \$30,313,622, which is \$19,715,000 over our current maximum. At our current pace, our year-end fund balance is projected to be \$30.3 million, nearly \$19.7 million over our maximum.

Aug concluded her presentation and asked the committee members if there were any questions. – hearing none, Aug opens the floor back to Mr. Sprowls.

Mr. Klein asked Ms. Aug if Stamping Fees were currently above budgeted.

Ms. Aug responded that due to such breaking record premiums reported the stamping fee amount continues increasing.

Mr. Klein thanked Ms. Aug for her response.

Mr. Sprowls asked the Board members if there were any additional discussion or questions for Ms. Aug regarding the information presented. – hearing none, Sprowls asked Ms. Aug if she had any recommendation regarding the information just presented. Ms. Aug indicated that she did not have recommendations for the full board at this time.

#### **Item 4. Executive Director Report and Appropriate Action**

Sprowls opens the floor to Executive Director, Greg Brandon to present the next agenda item, the Company Update.

Brandon opened up his presentation by indicating that Ms. Herrera was feeling under the weather and his presentation will be a co-mingling of company performance and Ms. Herrera's Operations Report.

### **Company Overview**

Mr. Brandon opened his presentation with the Organizational Chart. SLTX currently has a total of 27 team members, all performing very admirably, and we continue learning and developing both our strengths and weaknesses as a team. The team might need to grow to 28. Greg indicated that he would elaborate on this topic further in the presentation.

The high note for this particular portion is team member Tyler Prideaux. Tyler was promoted to a Policy Analyst II beginning July 1, 2023. He's been employed with SLTX for 4 ½ years and is a tremendous asset to the organization. As SMART features rolled out, Tyler quickly became the "go-to" for user support, especially for filers needing a bit more training or kind supportive guidance. "We are very proud of his accomplishments and growth" – said Brandon.

### **Premium**

Moving on to Premium Brandon presented YTD through May information as June data was not yet available.

Premiums reported this year continue exceeding monthly data from previous years; worth noting that the last two months were all time premium records for any month in the history of the organization. "I would expect June to have a similar premium storyline" – said Brandon.

YTD through May is about \$5.7B, which is roughly 30% higher than 2022 and higher than any total year prior to 2018.

### **Item Count**

Brandon indicated that items count is his preference to measure company performance as this is at best an imprecise benchmark of Stamping Office activities.

April set a new all time high for items received, clearing the March 2022 count by about 400 items. YTD totals through May was just north of 440,000 items and we are averaging almost 89,000 items per month, which is the second highest average monthly total of all the years just behind 2019.

### **Discussion Topics**

"Let's boil down the first half of the year to one word – Busy" – Brandon said as he opened this portion of the presentation.

#### **Annual Meeting**

- There are a lot of activities that must be conducted during the annual meeting. The annual meeting ran smoothly, but Brandon mentioned that he does not recommend ever trying to accomplish organizing the Annual meeting in the same month SLTX is moving out of an office.

#### **Late Filers Report**

- Distribution of the Late Filers Report takes a concerted effort on the Operations team and they did a flawless job while moving out of the building.

#### **Las Cimas Move Out**

- A lot of the details during our move from Las Cimas become major accomplishments because we moved out and our new building is not yet ready. Brandon added that relating

to the previous slide as presented the team handled April item counts without an actual office. We are looking forward to our move-in to our new office sometime in July, 2023.

### **EFS to SMART Transition**

- This was a major accomplishment, and it was smoother than we anticipated. We have really focused on developing our staff to enhance their knowledge and truly be SMEs. Brandon indicated that he would elaborate on this topic as he continues with the Operations presentation.

Mr. Klein asked Mr. Brandon if most questions from filers came in “ad-hoc” or if there was a specific way to request information and / or ask questions.

Mr. Brandon responded by indicating that most questions came to Cheyenne and the Operations Team during training. 1:1 session, and as new users transition into SMART, several questions and feedback were received.

Mr. Klein thanked Mr. Brandon for his response.

Mr. Sprowls commended Cheyenne Herrera and the entire Team for this transition and providing great customer support for the industry.

No further questions were presented.

### **Looking Ahead**

- Sholonda Stone will elaborate on the transition of SLTX's database from Maria DB and Azure during her presentation, however, Mr. Brandon mentioned that 28 employees may be the correct number to ensure this transition and process runs smoothly without causing burn out.

### **The Move**

- Construction Gantt chart tells us that we will be ready for a Certificate of Occupancy on July 13<sup>th</sup>. We will then transition from the storage facility to our new location.

### **Employee Handbook Revamp**

- We are taking the opportunity to revamp our Employee Handbook, mentioned Brandon. We are looking forward to changing the “tone” and “feel” of this document to reflect our current culture, who we are today. The current handbook was written prior to my era of Leadership, and it really reads that way. Brandon mentioned that the current handbook contains the word termination at least 25 times in a 44-page document. Brandon then added, “That is not who we are nor who I am”. We are looking forward to presenting the changes to the Board in the near future.

### **TDI Feedback regarding Plan of Operation amendments and Stamping Fee Proposal.**

- Brandon mentioned that SLTX is looking forward to the feedback that TDI will provide on the proposed Plan of Operation amendments and the Stamping Fee proposal previously submitted.

### **Budget Season**

- Brandon commented that SLTX will wrap the fall with the 2024 budget, and pointed that the team will continue providing the best service and day-to-day duties of assisting the Surplus Lines community in the State of Texas.

With this, Brandon concludes the ED company updates and opens the floor back to Mr. Sprowls.

Mr. Sprowls opens to the Board and asks if there are any comments or questions for Mr. Brandon. – hearing none, Mr. Sprowls asks Mr. Brandon if he had any recommendations to the Board. – Having none, Mr. Sprowls moved to the next agenda item.

## **Item 5. Operations Report and Appropriate Action – Operations and SMART Update**

Moving forward, Mr. Sprowls opened the floor for Cheyenne Herrera and Mr. Greg Brandon to continue with this agenda item.

Mr. Brandon opened the presentation by indicating that Ms. Herrera wanted to share a few specific items before beginning the full presentation.

In early June, 5 members of the Operations team were set to the WSIA Excess & Surplus Lines school in St. Louis. In addition, 1 team member participated in the Advanced Excess & Surplus Lines school the following week. All attendees found the opportunity to gain a deeper understanding of the different roles in the industry to be very beneficial, and all expressed that even with the current knowledge they have in the industry, there is still a lot to learn from that perspective.

Mr. Brandon added that overall, the team performance remains outstanding as the teams continues growing their knowledge based with the company's standard of a "hands-on approach." Mr. Brandon also pointed out that the team is well above the 97% accuracy rate, with some members currently at 99%-100%.

Moving on to Actual Billables (May 2023), Brandon mentioned that the main focus on this portion of the presentation was the "actual" portion. This reflects the billable dollar figures for the months of March-May 2023. Brandon continued by indicating that each row provides the Board with a breakdown of cost by hours / dollars for each "epic" or category of work that Accenture completed each month.

Brandon continued by indicating that the "all-in" cost for SMART since its initial development years in 2016 (roughly 7 years' worth of development and spending) reached \$12.85M. Most of this was capitalized at the time, however, all 2023 spending is expensed.

Moving to the Budget Recap, Brandon mentioned that a different look at the previous information presented, SLTX spent \$408K on the Statement of Work (SOW) previously approved by the Board, and the \$671K is the remaining balance for the 2023 SOW. Brandon added that it is expected to utilize most of the remainder amount, however, as we transition away from Accenture at the end of 2023, there is a possibility that a portion of the amount is not spent.

Continuing with the SMART status, Brandon added that the team has released all external features. He also added that a few internal features are still in progress, along with some automation of existing manual internal and external features. SLTX will continue communication with the users and will release articles when new SMART features are available or updated.

Brandon added that most users have reported the following:

- User guides and videos are helpful and appreciated.
- System is very helpful and more user friendly and EFS.
- SMART was "much easier than anticipated."
- Looking forward to upcoming "enhancements."

Most users made the transition with very little hesitation, but a few users were not excited about the change, which is understandable. With a little extra patience and a lot of kindness, the Operations team won the users over as well as more users file online – said Brandon.

There has not been an I or transition from online back to paper method. SLTX have a plan to address any "potential" late filings that may arise out of this transition to SMART, however, thus far the team



have not identified many issues but will continue evaluating them on a case-by-case basis.

Going forward, new releases, improvements, and enhancements will be released and recommendations from users will be considered, prioritizing these by value added through user polls, focus groups, and user feedback sessions.

Brandon then began providing information related to the recap of deliverables, reminding the Board that all EFS features were delivered to external filers through SMART. Moving forward, maintenance and enhancements are the focus for our Developing team as is directly related to headcount and a lot of work internally for that team.

Concluding with the presentation, Brandon mentioned that EFS end of life and transitioning to SMART, April 30<sup>th</sup> was the last day to utilize EFS. May 1<sup>st</sup> all online filers were required to fully transition to SMART. At the end of April roughly 62% of online filers had made this transition. Brandon provided kudos to Cheyenne and the Operations team for encouraging system transition for months and training those who were willing on both transitioning and how to use SMART. By May 1<sup>st</sup>, the team was fully prepared for a heavier flow of calls and emails, however, the transition process was largely uneventful. During the first week, there were no more calls or emails than normal, pointed Brandon.

Brandon proceeded to open the floor for questions.

Mr. Sprowls asked the Board if any member had further discussion, or any questions related to Mr. Brandon's presentation – hearing none Mr. Sprowls asked Mr. Brandon if he had any recommendations for the Board. Mr. Brandon did not.

#### **Item 6. ITS Director Report and Appropriate Action**

Sprowls opens up the floor for Ms. Stone to initiate the IT presentation.

Ms. Stone opened the presentation by highlighting the Developing team for “staying on top of the project and working together on ensuring continuous operation.”

Ms. Stone moved to indicate that work has begun on the Database transition. The first stages of transitioning MariaDB database to Azure were completed for Alpha. The initial database which a copy of the production database has been created on the Microsoft Azure Database Platform was completed.

The transition took approximately 13 hours after the creation of the database service. Configured access for the SLTX developers and ensured that the team can access the environment and general testing was performed. Stone indicated that next step will be to ensure that RSI and Accenture can access the database.

A team work along with Cheyenne Herrera, Director of Operations and Christian Robinson, Data Analyst, will continue to “roll” the database back to create a new Alpha environment. Ms. Stone pointed out that after completion of the roll back RSI will begin the conversion and test for MSI alpha on the new database platform. During this time, the team will also begin testing in SMART.

After all functionality was confirmed progress to the test and production environments will be conducted.

Stone continued by indicating that the transition to MariaDB functionality will be “better” for Developers. This will reduce amount of “downtime” and will not require a full “shut-down” – added

Stone. Disaster recovery will also be enhance. Stone mentioned, "If one side of the system is down, the other will immediately pick-up, and it will be a seamless process to external users."

Board member Klein asked Ms. Stone is disaster recovery was in another state in case of a state wide emergency.

Ms. Stone responded by indicating that data is duplicated every evening and server duplication is every 10 minutes. This occurs off-site, and it is not connected to any internal server as it is on the other side of the country.

Klein added that this was great to hear and thank Ms. Stone for her presentation.

Ms. Stone concluded her presentation by indicating that original End-of-Life was schedule for 2024 but Linux put out a release statement that the have stopped support as of May 31<sup>st</sup>, 2023. The project completion is expected by the end of August 2023.

Stone then opened the floor back to Mr. Sprowls.

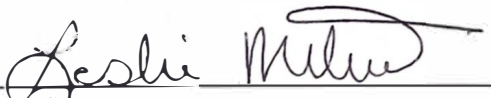
Mr. Sprowls included the Board by asking if there were any further questions or discussions related to Ms. Stones presentation – hearing none Mr. Sprowls asked Ms. Stone if she had any recommendations to the board at this time. Ms. Stone indicated that she had none.

There being no other business before the Board Mr. Sprowls requested a motion to adjourn the meeting.

**MOTION:** Jeff Klein

**SECOND:** Esequiel Nathal

**TEXT OF MOTION:** The motion is approved, and meeting adjourned at 10:21A.M.

  
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Leslie Milyo