

December 13, 2024

Board of Directors Meeting Minutes

A Board of Directors meeting for the Surplus Lines Stamping Office of Texas was held in-person at the SLTX Office, 1601 E Pflugerville Parkway, Pflugerville, TX 78660.

AGENDA

December 13, 2024 Board of Directors Meeting Agenda		
Item 1.	Call to order; Establishment of Quorum	Garrett Sprowls, Board Chair
Item 2.	Discussion and approval of previous meeting minutes - October 29, 2024 Meeting Minutes	Garrett Sprowls, Board Chair
Item 3.	Discussion and Appropriate Action: - Finance and Audit Committee Report, YTD Financial Review, and Charter Review	Jason Cables, Committee Member Donna Aug, Director of Finance
Item 4.	Discussion and appropriate action - Plan of Operations Committee Report and Charter Review	Jeff Klein, Committee Chair
Item 5.	Discussion and Appropriate Action: - Cyber Insurance Policy Renewal	Greg Brandon, Executive Director
Item 6.	Discussion and Appropriate Action: - Executive Director Update	Greg Brandon, Executive Director
Item 7.	Discussion and Appropriate Action: - Operations Director Update - 2025 Lemonlight Video Content Proposal	Cheyenne Herrera, Director of Operations
Item 8.	Discussion and Appropriate Action: - ITS Director Update	Sholonda Stone, Director of ITS
Item 9.	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). - Discussion and review of General Counsel contract (Consultations with Attorney - Texas Govt Code §551.071(2)).	Garrett Sprowls, Board Chair
Item 10.	Board Vote on Executive Session Items - Discussion and appropriate action regarding the performance, compensation, and benefits of the Executive Director of the Surplus Lines Stamping Office of Texas. - Discussion and appropriate action regarding General Counsel contract	Garrett Sprowls, Board Chair
Item 11.	Adjournment	Garrett Sprowls, Board Chair

Item 1. Call to Order

Garrett Sprowls, Chair of the Board of Directors, called meeting to order on December 13, 2024, at 12:30 P.M.

Meeting was held in-person. A conference call-in number was provided in the Public Meeting Notice. Written notice of this meeting and related agenda was provided to the Texas Department of Insurance, Deputy Commissioner of the Financial Regulation Division and her designees on December 3, 2024, in accordance with the Surplus Line 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 December 6, 2024, for publication to the Office of the Secretary of State in accordance with the Texas Open Meetings Act. All board members were notified on December 3rd, 2024.

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

BOARD OF DIRECTORS PRESENT

Garrett Sprowls
Jeff Klein
Bart Koch
Esequiel Nathal
Jason Cables
Lezlee Liljenberg, via Teams
Pete Harrison, via video conference

ALSO PRESENT

Greg Brandon, Executive Director, SLTX
Donna Aug, Director of Finance, SLTX
Cheyenne Herrera, Director of Operations, SLTX, via Teams
Sholonda Stone, Director of ITS, SLTX via Teams
Denisse Amezcuita, Director of Human Resources, SLTX
Marissa G., Administrative Assistant, SLTX
Sharmila S., Business Analyst, SLTX
Stan Strickland, General Counsel, Mitchell Williams, Selig, Gates & Woodyard, PLLC
Mike Nored, General Counsel, Mitchell Williams, Selig, Gates & Woodyard, PLLC
Jeff McWhirt, General Counsel, Mitchell Williams, Selig, Gates & Woodyard, PLLC
Andrew Guerrero, Company Licensing and Registration Office, Texas Department of Insurance
Courtney Kretzler, Office of Financial Counsel, Texas Department of Insurance
Paul Rainey, TSLA Liaison, RSI International, Inc.
Shirley Bowler, Member of Press with TSLR, via audio

SLTX Staff Members Also in Attendance

Toby P., Operations Manager, SLTX, via Teams
Dalton M., Sr. Lead Developer, SLTX, via Teams
Kristian P., Policy & Data Analyst, SLTX, via Teams
Robyn P., Policy Analyst I, SLTX, via Teams

Minutes taken by SLTX Staff.

Administrative housekeeping announcements:

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. No public comments. Public and media attendees should mute lines.
3. Representatives of state agencies and members of the public are welcome to observe or record but refrain from asking questions or interjecting comments.
4. State personnel present may be asked questions 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 October 29, 2024, Meeting Minutes

Board members were provided with a copy of the October 29 meeting minutes. Sprowls asked for any corrections or comments. Having none, Sprowls requested a motion for minutes approval.

MOTION: Esequiel Nathal

SECOND: Pete Harrison

Motion passed unanimously.

Item 3. Discussion and Appropriate Action: Finance & Audit Committee Report, YTD Financial Review, Charter Review

Sproles opens floor to committee chair. Committee met in accordance with the Stamping Office Plan of Operations, Section 2(c)(11), conducted an annual review of its charter, and voted to recommend to the Board that no revisions be made to its charter. Committee also reviewed a 2024 YTD financial update; Cables opens the floor to Ms. Aug to present this report.

2024 YTD Financial Review

Stamping Fee – 15%, or \$83,800 under for November; over 1%, or \$72,800 YTD.

Investment Income – 72%, or \$43,000 for November; 65%, or \$478,500 over YTD due to earning more on investments than was projected.

Operating Expenses – \$750,900, or 11% over for November; \$11,000, or .01% over for the year.

Salaries and Benefits – 190%, or \$746,800 over for November; 5%, or \$248,500 over YTD. Overage due to pension plan funded for 2023 & 2024, instead of funding for 1 year budgeted. Overage was offset by \$662,000 due to being under budget in other employee benefits and being short on staff by 2 that were budgeted for 2024.

Professional Services – 46%, \$15,300 over for November; 3%, or \$10,500 under YTD. In ITS, underage is due to RSI not being engaged since rollover to new database, along with MIS ending sooner than expected. Overage in Operations was due to LemonLight invoices received in different months than budgeted.

Conference and Education – 31%, or \$1,050 under for November; 65%, or \$60,700 under YTD, due to timing of and quantity of budgeted conferences/trips.

Travel & Entertainment – 50%, or \$1,700 for November; 46%, or \$32,600 YTD, due to timing & quantity of budgeted conferences/trip, as well as less being spent on board meetings saving nearly \$17,000.

Occupancy and Operating – \$16,000, or 37% under budget for November; under \$209,500 or 40% YTD. Due to a reclassification of lease expense to amortization, per GASB 87 which dictates leases be capitalized, which includes office space, copier, and mail meter. 2025 budget reflects these costs in amortization, so variance won't be seen next year. Additional categories contributing to underage, included software maintenance (under \$79,000 YTD) and computer equipment (under \$21,580).

General and Administrative – \$10,700 or 7% over budget for November; over \$117,000, 7% YTD due to reclass of lease expense as previously discussed. Capital lease activity also books associated interest expense, causing an overage of \$5,160.

Contingency – Was not used, resulting in \$3,200 savings in November; \$41,350 YTD.

Operating Loss – \$800,300 operating loss for November; \$246,400 operating loss YTD. Budgeted operating loss of \$8,700 for the month and loss of \$786,700 through November, YTD. Change in investment market's fair market value decreased approximately \$12,400 for November and an increase of \$239,300 YTD.

Aug asks if there are any questions. Sproles commended budget for YTD stamping fees being off by 1%, noting high accuracy and impressiveness for a moderately volatile market. Aug gives praise to Christian R. for his contributions and continues with the Fund Balance Analysis.

Fund Balance Analysis

Per the Plan of Operation Section 2(b)(7)(a): Projected reserves, except for funds for asset replacement, must not exceed two times the average of audited operating expenses for the five-year period immediately preceding the budget year.

Fund Balance – Beginning fund balance at the start of 2024 was almost \$32.7 million, \$20,150,000 over the maximum for the year, which is \$12,537,946. November's YTD net loss of \$7,048 resulted in a fund balance, on November 30, of \$32,680,500 which is \$20,142,519 over current maximum.

Ms. Aug asks if there are any questions. Hearing none, Ms. Aug concludes her presentation.

Sproles asks if there are any other questions or further questions. Hearing none, Sproles moves to next item.

Item 4. Discussion and Appropriate Action: Plan of Operations Committee Charter Review

Sproles opens floor to committee chair. Committee met in accordance with the Stamping Office Plan of Operations, Section 2(c)(11), conducted an annual review of its charter, and voted to recommend to the Board that no revisions be made to its charter. Mr. Klein concludes his presentation.

Sproles asks if there are any questions or discussions. Hearing none, Sproles asks Klein if there was a recommendation for the board. Klein states there was not.

Item 5. Discussion and Appropriate Action: Cyber Insurance Policy Renewal

Sproles opens floor to Mr. Brandon for this presentation. Greg Brandon provided Plan of Operation Requirement and an overview of Cyber Insurance policy up for renewal.

Per the Plan of Operation Section 3(a)(8): 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.

Cyber Liability Policy - Current policy expires January 7, 2025. PLUS remains as broker. Primary program increased about \$900 and decreased about \$1200 in excess, a \$283 difference in premium YOY. Limits are \$3 million on primary coverage and \$2 million in excess with a \$50,000 deductible. There were no changes to coverage details.

Sproles asks if there are any questions or further discussion. Hearing none, Sproles asks Brandon if there is a recommendation for the Board. Brandon recommended the Board approve renewal of cyber insurance policy as presented.

MOTION: Jeff Klein

SECOND: Bart Koch

Motion passed unanimously.

Item 6. Discussion and Appropriate Action: Executive Director Update

Brandon presents Executive Director Report.

Organizational Structure - Organization will maintain its current structure, relying on four pillars with a budgeted workforce of 27 employees for 2025.

New Hires & Hiring Plans - ITS department added in a Front-End Developer to its team, Kacper R. in early December. SLTX is now, for the first time, fully staffed with no plans or budget for hiring in 2025.

Premium - YTD premium totals have surpassed \$15.15 billion, marking record monthly premiums and exceeding \$14.5 billion premium in 2023.

Item Count - Organization has processed nearly 106,579 items in November; 1,212,536 items YTD.

Policy Count - Total number of policies processed this year has risen to 760,000.

Brandon makes note of volume of data and material processed through the organization monthly and gives thanks to staff for their efforts digesting such data. Brandon concludes his presentation.

Sproles asked for any questions or comments. Having none, Sproles asks Brandon if there is a recommendation for the Board. Brandon stated he did not.

Item 7. Discussion and Appropriate Action: Operations Director Update; 2025 LemonLight Video Content Proposal

Cheyenne Herrera presents Operations Director Report to the Board.

Staff Updates - Recent new hires, Ruben, Jennifer, and Robyn, transitioned from the test training environment to making all filings in live environment. Four-month transition, while demonstrating accuracy well above our required 97% accuracy rate, is by far the quickest in SLTX training history for this type of transition. Existing teams' performance remains outstanding. Each team member is finalizing their personal and professional goals for 2025. Promotions: Ariel will be promoted to Senior Policy Analyst effective January 1, 2025. Tyler will also be promoted to Senior Policy Analyst effective January 1, 2025.

Statutory Deliverables - Monthly and quarterly reports are being generated and delivered to the Texas Department of Insurance (TDI), including the late filing report and outstanding ineligible report.

Insurer Analysis - Nine new insurer recommendations completed year-to-date, with 16 new insurers or syndicates becoming eligible, seven of which were DSLIs of foreign insurers per SLTX's recommendation and nine of which were alien insurers per NAIC quarterly listing.

SMART System Updates - Continuous technical debt releases and enhancements are ongoing, including improvements to late-filing reports and user notifications.

Video Content Proposal - Plans to create four new videos in 2025 with LemonLight, totaling \$55,800, to supplement written user guide and to enhance user engagement.

Sprowls asks if there is a way to track view count of videos published. Herrera confirms there is and adds that with addition of 4 more videos, tracking usage will help determine how much they are being consumed to determine if SLTX will continue to develop videos or go with a different approach. Klein raised a question regarding duration of the Lemonlight video content agreement, which Herrera stated is intended to be completed within one year. Herrera concluded her presentation.

Sprowls asked for any further questions or comments. Hearing none, Sprowls asks Herrera if there is a recommendation for the Board. Herrera recommended the Board approve 2025 LemonLight video content proposal as presented.

MOTION: Lezlee Liljenberg

SECOND: Jason Cables

Motion passed unanimously.

Item 8. Discussion and Appropriate Action: ITS Director Update

Sholonda Stone presents ITS Director Update.

Staff Updates - New hire Kasper, a front-end developer, started on December 2nd and is currently undergoing training with operations team.

Development Team Roles - Front-end developer focuses on user interfaces, for which Kasper will handle. Full-stack developers, a majority of SLTX ITS team, handle underlying architecture of applications. Software architect, for which Jay is responsible for, is high-level design to ensure software meets all goals and technological needs.

Technical Goals - Transitioning SMART to a serverless environment using Azure for smoother deployments and streamlined development. Continuing with technical debt and making enhancements to SMART.

Staff Training - Team members attended conferences and will share knowledge through peer-to-peer training. Stone thanks Dalton, Kenneth, Rayne, and Jay for keeping up with SMART and Rodolfo for assisting staff when needed.

Infrastructure Updates - Security updates made to VPN certificates for enhanced security. Adjusted server thresholds for warnings from 95% to 80% capacity during last quarter. Enhanced token session binding for better security against cyber threats. Planning to implement passwordless logins using biometric tools.

Monitoring & Security - Ongoing review of daily logs and vulnerability scans for anomalies. Monthly statistics on page views and email traffic, including spam filtering, all done through Ironscales and Proofpoint.

Sprowls asked for any further questions or comments. Hearing none, Sprowls asks Stone if there is a recommendation for the Board. Stone stated she did not.

Item 9. Discussion and Appropriate Action: Executive Session

Sprowls announces the adjournment of Open Session to convene a closed Executive Session pursuant to the Texas Open Meeting Act Government Code Section 551.074 to deliberate the performance, compensation, and benefits of the Executive Director of the Surplus Lines Stamping Office of Texas. Only Board members, legal counsel, TDI representatives, and necessary executive staff will be participating during this Executive Session. Meeting to reconvene in Open Session after the Executive Session to vote on Executive Session agenda items as appropriate. The Open Meeting is adjourned at 1.17 p.m.

Item 10. Discussion and Appropriate Action: Board Vote on Executive Session Items

Open Session reconvened at 2:00 p.m. Sprowls called roll to determine participation pursuant to the Plan of Operation Section 2(c)(6) and determined a quorum was present. Sprowls asked if there were any comments or questions by the Board concerning closed agenda item regarding performance, compensation, and benefits of the executive director of the Surplus Lines Stamping Office of Texas.

Hearing none, Sprowls asks for a motion to approve compensation and benefits for the Executive Director of the Surplus Lines Stamping Office of Texas, Greg Brandon, with payment of an annual bonus of 25% of the 2024 salary with payment no later than December 31, 2024, a raise of 4% of annual salary to be effective January 1, 2025, and payment of deferred compensation of \$23,500 plus \$7,500 catch-up with payment to be made no later than January 31, 2025.

MOTION: Jason Cables

SECOND: Esequiel Nathal

Motion passed unanimously.

Sprowls asks if board members had any comments or questions to present in public session concerning closed agenda item regarding review of the general counsel contract. Klein stated contract is reasonable in its scope and monthly retainer amount and values continuity of the firm with Stan Strickland's departure. Hearing no further discussion, Sprowls asks for a motion for Board to approve renewal of general counsel contract as discussed.

MOTION: Jeff Klein

SECOND: Jason Cables

Item 10. Adjournment

There being no other business before the Board, Mr. Sprowls asks for a motion to adjourn.

MOTION: Bart Koch

SECOND: Esequiel Nathal

The motion passed unanimously, and the meeting adjourned at 2:09 PM.



Lezlee Lilienberg, Secretary