

March 28, 2025

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

March 28, 2025 Board of Directors Meeting Agenda

Item 1.	Call to Order and Establishment of Quorum	Lezlee Liljenberg, Designated Board Chair
Item 2.	Discussion and Appropriate Approval of December 13, 2024, Meeting Minutes	Lezlee Liljenberg, Designated Board Chair
Item 3.	F&A Committee Report	Jason Cables, Committee Chair
	(a) Discussion and Appropriate Action: - Annual Financial Audit Review	Donna Aug, Director of Finance; Marie Musalem, Calhoun, Thomson + Matza
	(b) Discussion and Appropriate Action: - 2025 Finance YTD Update - Reserve Balance Update - Investment and Cash Management Policy Annual Review	Donna Aug, Director of Finance; Alex Bahun, Frost Bank
	(c) Discussion and Appropriate Action: - Annual Stamping Fee Analysis	Cheyenne Herrera, Director of Operations; Christian Robinson, Senior Data Analyst
Item 4.	Discussion and Appropriate Action: - Annual review of Plan of Operation and Proposed Amendments	Jeff Klein, Committee Chair
Item 5.	Operations Director Report and Appropriate Action: - Operations Update - SMART Update	Cheyenne Herrera, Director of Operations

Item 6.	ITS Director Report and Appropriate Action: - ITS Update	Sholonda Stone, Director of ITS;
Item 7.	Executive Director Report and Appropriate Action: - Review and Approval of Annual Report - Company Update	Greg Brandon, Executive Director
Item 8.	Election of 2025 Officers	Board Chair
Item 9.	Committee Appointments	Board Chair
	(a) Appointment of Finance & Audit Committee Members	Board Chair
	(b) Appointment of Board Training Committee Members	Board Chair
	(c) Appointment of Plan of Operation Committee Members	Board Chair
Item 10.	Adjournment	Board Chair

Item 1. Call to Order

Lezlee Liljenberg, designated Chair of the Board of Directors, called meeting to order on March 28, 2025, at 9:00 A.M.

A conference call-in number was included in the Public Meeting Notice. Written notice of the meeting was sent to the Texas Department of Insurance, including the Deputy Commissioner of the Financial Regulation Division and her designees, on March 17, 2025, in accordance with the SLTX Plan of Operation, Section 2(c)(2). Notice and the agenda were also submitted to the Office of the Secretary of State on March 20, 2025, in compliance with the Texas Open Meetings Act. All board members were notified on March 12, 2025.

Liljenberg then called roll to confirm participation as required by Section 2(c)(6) of the Plan.

BOARD OF DIRECTORS PRESENT

Lezlee Liljenberg
 Jeff Klein, via Teams
 Pete Harrison, via Teams
 Esequiel Nathal
 Nick Lawrence
 Ryan Bridges
 Leah Bennett
 Jim Bishop

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
 Denisse Amezcuita, Director of Human Resources, SLTX
 Marissa G., Administrative Assistant, SLTX
 Michael 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
David Dodd, 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
Christian R., Sr. Data Analyst, SLTX,
Dalton M., Sr. Lead Developer, SLTX, via Teams
Kristian P., Policy & Data Analyst, SLTX, via Teams
Robyn P., Policy Analyst I, SLTX, via Teams
Kacper R., Front End Developer, SLTX, via Teams
Ariel R., Sr. Policy Analyst, SLTX, via Teams
Porschea J., Policy Analyst I, SLTX, via Teams
Ruben O., Policy Analyst I, SLTX, via Teams
Tyler P., Sr. Policy Analyst, SLTX, via Teams
Yuba D., Financial Analyst, 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 December 13, 2024, Meeting Minutes

Board members received a copy of the December 13 meeting minutes. Liljenberg asked for any corrections or comments. Hearing none, he called for a motion to approve the minutes.

Motion: Nathal | Second: Klein | Approved Unanimously

Item 3. F&A Committee Report | Esequiel Nathal, Committee Chair

(a) Discussion and Appropriate Action: Annual Financial Audit Review – Donna Aug, Director of Finance; Marie Musalem, Calhoun, Thomson + Matza LLP

Liljenberg turned the floor over to the committee chair. The committee met, reviewed presentations, and approved recommendations on the 2024 Financial Audit, 2025 Year-to-Date Financials, Reserve Balance Analysis, Annual Investment Policy Review, and Annual Stamping Fee Analysis.

As outlined in Section 2(c)(5)(c) of the Plan of Operation, the board's first regular meeting of the year serves as the annual meeting, during which it must review operating expenses, the fee schedule, and the annual report for submission to the Deputy Commissioner of the Financial Regulation Division or their designee.

Annual Financial Audit

Conducted in accordance with U.S. generally accepted auditing standards. SLTX management provided full access to all requested information and demonstrated strong cooperation. No material weaknesses in internal controls were identified, though the firm did not issue an opinion on the effectiveness of those controls.

Three corrected misstatements were noted:

1. A routine adjustment reclassifying \$19,226,277 in securities maturing after one year as long-term investments.
2. A \$383,805 entry to record fiduciary fund activity for the year ending December 31, 2024.
3. An \$88,872 adjustment to reclassify the current portion of lease liability at year-end.

The engagement letter dated September 29, 2024, outlines audit responsibilities, professional standards, and SLTX's obligations, including maintaining auditor independence.

Following the presentation, Nathal asked for any questions. Hearing none, the presentation continued.

Musalem concluded the presentation. Chair Nathal asked if there were any questions for Ms. Aug or Ms. Musalem; none were raised.

Recommendation: Donna Aug recommended the committee accept the 2024 Annual Financial Audit Review as presented and refer it to the full board for approval and submission to the Texas Department of Insurance, per the SLTX Plan of Operation.

Motion: Bridges | Second: Nathal | Approved Unanimously

(b) 2024 Finance YTD Update; Reserve Balance Update; Investment and Cash Management Policy; Annual Review | Donna Aug, Director of Finance

Ms. Aug presented financials:

- **Stamping Fee Revenue:** \$31,300 (7%) over budget for February and \$165,600 (17%) over YTD.
- **Investment Income:** Exceeded projections by \$6,500 (6%) for the month and \$11,500 (5%) YTD due to stronger returns.
- **Operating Expenses:** \$101,500 (14%) under budget for February and \$61,700 (4%) under YTD.
- **Salaries and Benefits:** \$68,900 (17%) under budget for the month and \$16,800 (1%) under YTD.
- **Professional Services:** \$8,600 (14%) under in February due to timing of legal and audit fees, but \$5,440 (5%) over budget year-to-date because of the full January payment to LemonLight, originally planned to be spread over the year.
- **Conference and Education:** \$1,600 (39%) under in February and \$8,500 (76%) under YTD, due to timing of events.
- **Travel and Entertainment:** \$432 (39%) under for the month and \$3,800 (68%) under for the year.
- **Occupancy and Operating:** \$16,600 (36%) under budget in February and \$23,500 (29%) under YTD.
- **General and Administrative:** \$1,900 (1%) under for February and \$6,200 (2%) under YTD.
- **Contingency Funds:** not used, resulting in savings of \$3,500 for the month and \$8,400 YTD.
- **Operating Income:** for February was \$4,600. YTD, the organization recorded a loss of \$222,000, which is better than the budgeted loss of \$461,000. The budgeted loss for February alone was \$134,800.
- **Investment Value:** increased by approximately \$120,700 in February and \$61,750 YTD.

Ms. Aug concluded the presentation. Nathal asked if there were any questions or recommendations. Hearing none, no motion or recommendation was made.

Fund Balance Analysis

Per the Plan of Operation, Section 2(b)(7)(a):

Projected reserves, excluding funds for asset replacement, must not exceed twice the average audited operating expenses over the past five years.

Fund Balance:

At the start of 2024, the fund balance was \$32.2 million, which is \$17.7 million over the allowed maximum of \$14,503,577. As of February, the year-to-date net loss of \$160,245 brought the balance to \$32,045,739 still \$17.5 million above the limit.

Ms. Aug asked if there were any questions, there were none. Liljenberg then asked if there were any further questions. Hearing none, he asked for a motion.

Recommendation: Ms. Aug recommended a reduction in the Stamping Office's reserves to the board, in line with Section 2(b)(7)(b) of the Plan of Operation.

Motion: Nathal | Second: Lawrence | Approved Unanimously

Investment and Cash Management Policy

Ms. Aug referenced the Plan of Operation regarding the investment fund and introduced SLTX's brokerage advisor, Alex Bahun from Frost Brokerage.

Bahun's Presentation:

- 60% of holdings are in CDs
- 16% in U.S. Treasury Bills/Notes
- 7% in taxable domestic corporate fixed income
- 17% in taxable domestic income via mutual funds
- Total domestic fixed income: 40%

Bahun briefly discussed projected investment income and recent articles on potential federal rate cuts, stating the portfolio remains well-positioned. He asked if there were any questions. Hearing none, the presentation concluded.

Liljenberg asked for any questions or discussion. Hearing none, he asked Ms. Aug for a recommendation.

Recommendation: Ms. Aug recommended making no changes to the SLTX Investment and Cash Management Policy, per Section 2(b)(6) of the Plan of Operation.

Motion: Harrison | Second: Bennett | Approved Unanimously

(c) Annual Stamping Fee Analysis – Cheyenne Herrera, Director of Operations; Christian Robinson, Sr. Data Analyst

Herrera provided a brief background on Robinson, noting his role as Sr. Data Analyst at SLTX prior to his presentation. Robinson referenced the Plan of Operation, which requires the Board to recommend to the Commissioner of Insurance whether to adjust the stamping fee. The fee was recently reduced to 0.04%, effective January 1, 2024.

Historical Changes:

The stamping fee has changed approximately every 3.6 years. Key changes include:

- Increased to 0.15% in 2017 for SMART project costs
- Reduced to 0.075% in 2021
- Reduced again to 0.04% in 2024

. The most recent reduction resulted in a \$2.5 million reduction in the difference between the reserves and the maximum balance, supporting its effectiveness.

Reserve Balance:

Current reserves exceed the maximum limit by about \$18 million. The maximum is defined as twice the five-year average operating expenses audited.

Breakeven Analysis:

The breakeven rate is the rate needed to maintain, not reduce the reserve balance. The current 0.04% rate is intended to reduce reserves.

Realized Rate vs. Stamping Fee Rate:

The realized rate in the previous year was 0.045%, slightly higher than the official rate due to timing differences in policy filings.

Future Projections:

If current trends continue, the reserve balance may not reach the allowable maximum until the 2030s. Projections assume 7% annual expense growth and a 4% investment return.

Robinson emphasized the importance of ongoing monitoring and recommended revisiting the fee if there are significant changes in premiums, expenses, or investment income.

Mrs. Liljenberg asked for questions or discussion, hearing none, the presentation concluded.

Recommendation: Herrera recommended taking no action on the current stamping fee, per Section 2(b)(7)(c) of the Plan of Operation.

Motion: Lawrence | Second: Nathal | Approved Unanimously

Item 4. Discussion and Appropriate Action: Annual Review of Plan of Operation & Proposed Amendments | Jeff Klein, Committee Chair

Klein noted that under Section 2(c)(5)(B) of the SLTX Plan of Operation, the board is required to review the plan and propose any amendments during its first regular meeting of the year.

He explained that the Plan of Operation Committee completed a comprehensive review in 2021 and recommended several amendments. These were approved by the board and submitted to the Texas Department of Insurance (TDI). Former committee chair Penni Chambers, along with Greg Brandon and Stan Strickland, met with TDI staff to discuss the recommendations and receive guidance. Since then, the committee has reviewed the plan again and voted not to propose additional amendments at this time. Instead, they agreed to let the prior recommendations stand and continue discussions with TDI on the current and any future proposed amendments.

Liljenberg asked for questions or discussion. Hearing none, Klein called for a motion to maintain the current recommendations and continue discussions with TDI.

Motion: Klein | Second: Bishop | Approved Unanimously

Item 5. Operations Director Report & Appropriate Action | Cheyenne Herrera, Director of Operations

Operations Performance: Operations team exceeded expectations with accuracy rates between 98–100%. Ongoing training is provided to support continued performance.

Statutory Deliverables & Compliance: Monthly and quarterly reports are submitted to TDI, including late filing reports and listings of policies written through ineligible insurers.

Annual Policy Count Report: This report, used by TDI to calculate complaint ratios, was completed for 224 of 305 eligible surplus lines insurers and submitted before the March 1 deadline. The remaining 79 insurers self-reported.

2024 Annual Late Filing Report: Issued March 17, 2025. Of 982 agencies, 458 had at least one late filing. Only 1.43% of policies (11,913 out of 834,564) were filed late. Late filings and assessments significantly decreased from the prior year, down from \$1.5M to \$830K. The Stamping Office handled mailing preparation, which required 48 hours by a four-person team and cost approximately \$4,400.

Insurer Analysis & SMART System Updates: Stamping Office reviews insurer eligibility for TDI, evaluating each contract and insurer. As of February 2025:

- Two new insurer recommendations were completed.
- Three are in progress.
- Eight new insurers/syndicates became eligible (five DSLs, three alien insurers).
- One alien insurer was removed from eligibility.

The team is addressing SMART system improvements and will hold focus groups to gather user feedback.

Conclusion: The presentation ended with no questions or further discussion. Liljenberg asked if there was a recommendation for the board; Ms. Herrera confirmed there was none.

Item 6. ITS Director Report and Appropriate Action | Sholonda Stone, Director of ITS

Ms. Stone shared key ITS department milestones:

- **SMART Updates:** Work continues to make the SMART system serverless to reduce maintenance. The team is also managing the ongoing backlog and implementing regular enhancements.
- **Website & SMART Connector:** Plans are in place to refresh the SLTX.org website for better user experience and to integrate SMART features. The SMART connector is being updated as needed.
- **Staff Updates:** Ms. Stone commended the IT and development team for their dedication and commitment to ongoing learning.

- **Infrastructure & Security:**

- Updates to domain controllers are in progress, with full phase-out planned by end of 2026.
- Exploring automated systems for renewing security certificates in response to new 47-day renewal cycles from Google and Apple.
- Evaluating a passwordless login system with potential for wider implementation.
- Ongoing daily monitoring of system vulnerabilities, scans, logs, and anomalies.
- Working on renewal pricing for Adobe, Atlassian, and Microsoft.
- Secured a Microsoft grant providing 5–6 months of engineering support for Azure projects.

- **Traffic Stats:** Shared average weekly/monthly email and website traffic stats, with over 19,000 incoming emails recorded.

Conclusion: The presentation ended with no questions or further discussion. Liljenberg asked if there was a board recommendation; Ms. Stone confirmed there was none.

Item 7. Executive Director Report and Appropriate Action | Greg Brandon, Executive Director Review and Approval of Annual Report

Brandon began the review of the 2024 Annual Report, noting that the Plan of Operation requires the board to review the report during the Annual Meeting, as outlined in Section 2(c)(5)(c). He walked through the report, covering transactions, operations, conditions, and financials.

Liljenberg asked if there were any questions or further discussion. Hearing none, she asked for a recommendation.

Recommendation: Brandon recommended the board approve the report as presented and submit it to TDI in accordance with the Plan of Operation.

Motion: Klein | Second: Bishop | Approved Unanimously

Company Update

An overview of the organization was provided. SLTX currently has 28 employees, with Ronnie Ford recently hired as Director of Finance, as Donna Aug will retire in June.

Premium and Item Count

In 2024, SLTX processed a record \$16.6 billion in premiums and over 830,000 policies, totaling 1.3 million items. The high filing volume and low late filings were credited to the efficiency of the SMART system. As of February 2025, nearly \$6 billion in premiums have been written, showing a strong start to the year. Record item counts were also reported, with 204,645 total items and 130,000 policies year-to-date.

The presentation concluded. Liljenberg asked for any questions or discussion. Hearing none, she asked if there was a board recommendation. Brandon confirmed there was not.

Item 8. Election of 2025 Officers | Chair of the Board

The SLTX Board of Directors held an election for the 2025 Executive Committee members. The members and positions are as follows:

- Liljenberg nominated herself for Board Chair and was unanimously elected.
- Klein nominated himself for Vice Chair and was unanimously elected.
- Bennett nominated herself for Secretary and was unanimously elected.

Item 9. Committee Appointments | Lezlee Liljenberg, Chair of the Board

(a) Finance & Audit Committee

- Chair – Cables
- Vice Chair - Lawrence
- Secretary - Nathal

(b) Board Orientation & Training Committee

- Chair – Bishop
- Vice Chair - Bennett
- Secretary - Klein

(c) Plan of Operation Committee

- Chair – Klein
- Vice Chair - Bridges
- Secretary - Harrison

Item 8. Adjournment | Lezlee Liljenberg, Chair of the Board

With no further business, the meeting adjourned at 10:43 AM.

Motion: Nathal | Second: Bennett | Approved Unanimously

A handwritten signature in black ink, appearing to read "Leah Bennett", written over a horizontal line.

Leah Bennett, Secretary