Special Meeting of the Board of Directors
Surplus Lines Stamping Office of Texas
June 10, 2020

Rosemarie Marshall, Chair of the Board, called the special meeting of the Board of Directors of the Surplus Lines Stamping Office of Texas to order on June 10, 2020 at 9:02am. The meeting location was the SLTX office located at 805 Las Cimas Parkway, Suite 300, Austin, Texas 78746.

Agenda

Item 1. Call to order; establishment of a quorum.

Item 2. Review Weaver & Tidwell Engagement Letter for SLTX 2019 Annual Financials

Item 3. Discussion and Appropriate Action Regarding Proposed TDI Plan of Operation

Item 4. Adjournment

Agenda Item 1: Call to order; establishment of a quorum.

Marshall stated that written notice of this special meeting to the Board and to the Commissioner or his delegate was provided on Monday, June 1, 2020. Marshall called the roll to determine which members are participating by telephone conference pursuant to Plan of Operations Section C.(6):

- Rosemarie Marshall, Chair Term expires 12/31/2020
- Penni Nelson, Vice Chair Term expires 12/31/2020
- Teri Brinson, Secretary Term expires 12/31/2021
- Lorrie Cheshier Term expires 12/31/2019
- Charles Gillenwater Term expires 12/31/2019
- Kori Johanson Term expires 12/31/2022
- Leslie Milvo Term expires 12/31/2021
- Randall Myers Term expires 12/31/2021

Marshall confirmed a quorum of five or more members was present pursuant to Texas Government Code Sec. 551.125(b)(2) and Plan of Operations Sec. C.6.

Marshall also confirmed participation by conference call of the following Stamping Office management staff, counsel, consultants, liaisons of Texas Department of Insurance staff and others.

- Greg Brandon, Executive Director, SLTX
- Donna Aug, Director of Finance, SLTX
- Cheyenne Herrera, Director of Operations, SLTX
- Denisse Orellana, Director of HR, SLTX
- Sholonda Stone, Director of IT, SLTX
- Ashley Corpus, Administrative Receptionist, SLTX
Marcelina Gutierrez, Communication Coordinator, SLTX
Alex Gonzales, General Counsel, Duane Morris
Don Meyer, TDI Liaison
Paul Rainey, TSLA Liaison
Moya McKenna, Texas Department of Insurance
Nicholas Souza, Texas Comptroller

Shirley Bowler, Texas Surplus Lines Reporter & Insurance News

This meeting was held by conference call pursuant to the Governor’s Proclamation of March 16, 2020. A conference call-in number was provided to members of the public in the public meeting notice.

Minutes were taken by the Board Secretary with the assistance of the staff.

Marshall made 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 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 not have a public comments session. Public and media attendees listening by telephone should mute their lines at all times.

3. Representatives of state agencies and members of the public are welcome to observe or record this Board meeting, but please refrain from asking questions or interjecting comments during the Board’s deliberations.

4. The state agency personnel present may be asked questions about their agency’s 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 your lines when not speaking.

**Item 2. Review Weaver & Tidwell engagement letter for SLTX 2019 Annual Financials**

Aug began by explaining many agencies denied the audit. Many were unable to complete the Task within the given timeframe. Weaver & Tidwell, an agency used in the past, agreed to preform the audit. Weaver did state the deadline could not be achieved but, promised to be as quick as possible. The cost was estimated to be $40-$45K.

Marshall asked if the board had any questions or comments related to the audit.

Aug recommended the board agree to engagement letter of Weaver & Tidwell to complete the 2019 Annual Financials.
Brinson made the first motion and Milvo seconded the motion. The motion passed unanimously.

**Item 3. Discussion and Appropriate Action Regarding Proposed TDI Plan of Operation.**

Brinson reminded the board that the revised Plan of Operation was approved at the March 21, special meeting. The then approved plan was submitted to TDI for final approval. Brinson noted the entire plan was rejected by TDI. It was announced the board had received the recommended comments to TDI’s suggested plan prior to the meeting.

Marshall suggested Brinson review each comment for the board. As requested, Brinson commenced with the comments written for section 1.b of the Plan of Operation and asked for any comments.

After hearing no discussion, Brinson proceeded to section 2. a2 and read the comments.

Cheshier expressed her appreciation for the working group and had no additional remarks.

Next, Brinson reviewed section 2. a3 in the Plan of Operation.

Cheshier stated she had concerns with the wording “unexcused” rather than “consecutive” in the seconded sentence of the amended wording. Brinson went into further discussion as to why the specific wording was selected.

Brinson then reviewed section 2. b4 of the Plan of Operation. She noted the clause was contradictory to the document. Meyer had no objections to the statement but had concerns the wording left TDI open to a wrongful termination lawsuit. Brinson acknowledged Meyer’s recommendation and advanced to the next section of comments.

Brinson read Section 2. b7, which pertained to the budget submission. Marshall asked for clarification on the timetable for the submission to TDI. Brinson indicated that the budget would be submitted to TDI by the September board meeting but would not necessarily need to be approve. She stated the purpose of the submission was to allow TDI time to review and comment if necessary. Marshall requested stating the budget adopted by the board at the December meeting needs to then be submitted to TDI. She requested the wording be added to the plan.

Brinson commenced to section 2. b8 of the document.

Meyer indicated TDI desired SLTX to follow comptroller procedures and TDI guidelines for bidding. Brinson and Milvo had concerns regarding Meyer’s statement. Milvo believed following TDI guidelines would take a tremendous amount of time and effort. Additional discussion ensued between the board.

Marshall suggested the discussion be saved for another time.

Gonzales advised caution when following the guidelines of a state agency. He stated the contract management manual is over 250 pages. Indicating that SLTX will comply with procedures is a very broad statement. He noted SLTX will have to abide by all guideless if none are specified. Gonzales also reminded the board that a procurement manager will need to be hired as a result.

Brinson noted following the guidelines would hinder progress making task difficult to complete.
Meyer also reminded the board that the hiring of a procurement manager is not revenue neutral.

Marshall stated the size of the organization and the amount of services needed did not constitute the hiring of a procurement manager.

Brinson stated all the comments from today’s meeting will take some time to incorporate. She then proceeded to section 2. c3, allowing non board members to attend executive session.

Cheshier and Gillenwater unanimously agreed all should be stricken. Johanson also acknowledged the comment requested was unusual.

With no further discussion, Brinson reviewed sections 2. c8-2. c9.

Meyer proposed SLTX supply the Deputy Commissioner with a copy of every committee charter.

Gonzales reminded the board to take into account the practical implications. He stated the purpose of the board is to approve their committees. Giving TDI the ability to preapprove took away that purpose.

Marshall and Brinson shared the same opinion as Gonzales. Waiting on TDI for approval or comments will slow progress down.

After hearing the opinions of the board, Meyer withdrew his initial statement. Marshall asked if there were any further comments. Hearing none, Brinson continued to the next section.

Brinson recommended section 3. a1-3. a2 be removed in its entirety. The board had no comments or objections.

Next, Brinson reviewed section 3. a5-3. a7 of the Plan of Operation. Meyer asked what issues TDI had with the original language.

Marshall stated the section was overlooked. The board had not additional comments.

Brinson continued to section 3. a8 and read the amended wording. Marshall advised the plan clearly state certain insurance and bonds be set in place to protect board members. Nelson agreed that a clear statement is necessary.

Lastly, Brinson announced additional clauses were added at the end of the Plan of Operation. The clauses were read, and the board had no comments.

Once all written comments were address Marshall asked if the board had any last-minute remarks not previously submitted to Brinson.

Gonzales asked to address section c1 on page 5, dealing with board meetings and duties. Gonzales reminded the board that SLTX is a governmental body which has a requirement to post meeting notices 72 hours in advance. He stated the current wording applied to others like a state board or commission and required a posting 7 days prior to the meeting. Gonzales indicate a 7-day waiting period would significantly delay progress. Gonzales also mentioned there is no waiver to dismiss the waiting period. Gonzales also addressed the title of the Chief Financial Deputy Commissioner, as the title changes frequently or every two years. Having a specific title could become an issue in the future.
Marshall suggested the title be removed and replaced with commissioner and his/her delegates.

Brinson stated the title will be amended everywhere it is listed on the document to avoid confusion and will continue to adhere to the Open Meetings act to avoid the 7-day waiting period.

Cheshier announced she had an additional comment regarding section 2. a5, the director’s conflict of interest statement. She wanted to ensure the full board had no objections to the wording.

Gonzales responded by stating the new board members will not have knowledge of the form. He assured Cheshier that adding “financial interest” will cover any substantial conflict. Gonzales had stated that TDI can change the statement at any time.

Cheshier felt the additional wording did not address all her concerns. Marshall also had similar reservations.

Meyer noted many of the boards he has served on addressed financial conflict. He believed Gonzales had a valid statement.

Johanson suggested the wording be changed and shared her recommendation. Alex agreed with the Johanson’s language.

Brinson reminded the board the comptroller can step in at any time during reviews. Gonzales advised that statement be removed from the document.

Marshall confirmed the first sentence will be reworded and the last will be removed. Brinson then rereads the full amended statement for the board. There was no further discussion.

Meyer directed the board to page 2. He stated the board was denied defense in the document. Meyer stated the current Plan of Operation offers defense for board members and requested it be added back in. Meyer was concerned the term “reckless disregard” was very broad. Gillenwater stated there has been a lack of institutional control in D&O lawsuits. Gonzales added that TDI employees have various protections and thinks board members should also have similar rights. Meyer urged the board to request protection and suggested Johanson review the document and list any recommendations. Johanson agreed.

Cheshier requested the board address section 3. c4 on page 9 of the document. She questioned whether the same language existed in the current Plan of Operation. She expressed her concern for the request for tax information.

Gonzales assured Cheshier the request should raise no concerns. Meyer verified the statement is also in the original plan as well. However, he noted the original statement did not specify board members.

Brinson asked for any additional comments or discussion. Hearing none, Marshall asked for a motion to approve written comments as presented (and revised) in response to TDI’s public hearing to consider amendments to the Plan of Operation for the Surplus Lines Stamping Office of Texas and for Teri Brinson, Board Secretary to testify at the TDI’s public hearing.

Nelson made the first motion and Cheshier seconded.
Marshall requested to poll the vote with respect to the motion. With confirmation from Counsel, Marshall called each board member one at a time. After all replied yes, the motion passed.

With no further discussion Marshall requested a motion to adjourn the meeting.

Brinson made the first motion and Johanson seconded.

The meeting adjourned at 11:04 a.m.

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Teri Brinson, Secretary