

**BOARD OF DIRECTORS
of the
SURPLUS LINES STAMPING OFFICE OF TEXAS**

**AUDIT AND FINANCE COMMITTEE
CHARTER**

AUTHORITY

1. The Audit and Finance Committee (“Committee”) is a standing committee of the Board of Directors of the Surplus Lines Stamping Office of Texas (“Board”) established under Section 2 (c)(9)(A) and (10) of the Surplus Lines Stamping Office of Texas - Plan of Operation. The purpose of the Committee is to closely monitor the financial condition and operations of the Surplus Lines Stamping Office of Texas (the “Stamping Office”) to assure that it operates in a fiscally prudent and compliant manner; facilitate and oversee the annual independent audit of the Stamping Office; develop and recommend an annual budget of the Stamping Office; and recommend necessary changes to the stamping fee rate.

MEMBERSHIP

1. The chair of the Board will appoint three (3) members of the Board to serve as members of the Committee, two (2) members to serve a one-year term and one (1) member to serve a two-year term.
2. The chair of the Board will serve as an ex officio member of the Committee.
3. The chair of the Board will appoint the Chair of the Committee or, in the alternative, delegate to the Committee members the authority to elect the Chair of the Committee. The chair of the Board will fill vacancies on the Committee and may remove a Committee member at any time, with or without cause.

OPERATIONS

1. The Committee will meet quarterly or more frequently as it may determine necessary. The Chair of the Committee will preside over Committee meetings. A majority of Committee members will constitute a quorum. Committee approvals will require a vote of a majority of the Committee members present at a meeting at which a quorum is present.
2. The Committee is subject to and shall publish notice of its meetings as required by Chapter 551 of the Texas Government Code (Texas Open Meetings Act) and shall also be subject to Chapter 552 of the Texas Government Code (Texas Public Information Act).
3. The Committee will keep minutes of its meetings and will report its activities to the Board on a regular basis at the Board meeting immediately following the Committee meeting.
4. The Committee may invite any director, officer, employee, outside advisor or other individual who is not a Committee member to attend Committee meetings or meet with Committee

members, but such persons will not have voting power and will not serve as Committee members.

5. The Director of Finance of the Surplus Lines Stamping Office of Texas will serve as the Committee's staff liaison.
6. The Committee will review this charter annually and submit to the Board any proposed changes. The Board shall review and vote to submit the proposed changes to the Deputy Commissioner of the Financial Regulation Division of the Texas Department of Insurance or the Deputy Commissioner's designee in accordance with Section 2 (c)(11) of the Surplus Lines Stamping Office of Texas - Plan of Operation.

RESPONSIBILITIES

1. Report to the Board at regular Board meetings;
2. Develop and recommend to the Board requests for proposals, when necessary, in accordance with Section 2 (b)(8) of the Surplus Lines Stamping Office of Texas - Plan of Operation and the procurement policy of the Stamping Office, for the engagement of an independent audit firm to conduct the annually required independent audit of the book and records of the Stamping Office;
3. Review engagement proposals from independent audit firms, when applicable, and recommend to the Board an independent audit firm for engagement to conduct the annually required independent audit of the book and records of the Stamping Office;
4. Interact with all auditors and examiners reviewing the books, records, operational affairs, and/or the corporate governance of the Stamping Office, as needed, to assure direct and accurate auditor communication and reporting to the Board;
5. Review and evaluate the annual audit report of the Stamping Office and make recommendations to the Board for the release of financial statements and acceptance of the independent audit;
6. In coordination with the Executive Director and other appropriate executive management of the Stamping Office, make recommendations to the Board to address any management letter findings and/or other internal control recommendations arising from the annual independent audit;
7. Develop and recommend an Investment and Cash Management Policy to the Board in accordance with Section 2 (b)(6) of the Surplus Lines Stamping Office of Texas - Plan of Operation;
8. Annually review and recommend revisions to the Investment and Cash Management Policy to the Board as necessary;
9. Receive regular updates from Executive Management of the Stamping Office regarding the operations and financial status of the Stamping Office, including its projected reserves and related limits, unrestricted reserve fund balance, and operational needs, and regarding the Stamping Office's adherence to the Investment and Cash Management Policy;

10. Receive, evaluate and make a recommendation to the Board to refer to the deputy commissioner of the Financial Regulation Division of the Texas Department of Insurance, or a designee, the proposed annual budget for the operating and capital expenses and contingent expenses of the Stamping Office in accordance with Sections 2 (b)(7) and 3 (a)(4) of the Surplus Lines Stamping Office of Texas - Plan of Operation;
11. In coordination with the Executive Director and other appropriate executive management of the Stamping Office, develop and make a recommendation to the Board, when necessary, for a plan to reduce the actual reserves of the Stamping Office within a reasonable time; and
12. Evaluate the stamping fee rate annually based on the anticipated volume of surplus lines premium during the upcoming year and make a recommendation to the Board for a change in rate as needed.

Adopted by the Board of Directors of the Surplus Lines Stamping Office of Texas on December 10, 2020.

Rosemarie Marshall, Chair
Board of Directors
Surplus Lines Stamping Office of Texas