March 26, 2026

Finance & Audit Committee Meeting Minutes

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

AGENDA

March 26, 2026 Finance & Audit Committee Meeting Agenda		
Item 1.	Call to Order and Establishment of a Quorum	Nick Lawrence, Designated Committee Chair
Item 2.	Discussion and Appropriate Approval of - December 12, 2025, F&A Committee Meeting Minutes	Nick Lawrence, Designated Committee Chair
Item 3.	Discussion and Appropriate Action: - 2025 Annual Financial Audit Review	Ronnie Ford, Director of Finance; Calhoun, Thomson+Matza LLP Representative
Item 4.	Discussion and Appropriate Action: - 2026 Finance YTD Update	Ronnie Ford, Director of Finance
Item 5.	Discussion and Appropriate Action: - Reserve Balance Review	Ronnie Ford, Director of Finance
Item 6.	Discussion and Appropriate Action: - Investment and Cash Management Policy Annual Review	Ronnie Ford, Director of Finance; Alex Bahun, Frost Bank
Item 7.	Discussion and Appropriate Action: - Annual Stamping Fee Analysis	Greg Brandon, Executive Director; Christian Robinson, Senior Data Analyst
Item 8.	Adjournment	Nick Lawrence, Designated Committee Chair

Item 1. Call to Order

Nick Lawrence, Chair of the Finance & Audit Committee, called the meeting to order on March 26, 2026 at 3:15 p.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 16, 2026, as required by the SLTX Plan of Operation, Section 2(c)(2).

Notice and agenda were submitted to the Office of the Secretary of State on March 20, 2026, in accordance with Section 2(c)(1) of the Plan and Chapter 551 of the Texas Gov't. code. All committee members were notified on March 4, 2026. Lawrence called roll to confirm member participation per Section 2(c)(6) of the Plan.

Committee Members Present

Nick Lawrence, Committee Chair
Jeff Klein
Leah Bennett

Other Board Members Present

Lezlee Liljenberg, Board Chair
Jim Bishop

ALSO PRESENT
Greg Brandon, Executive Director, SLTX
Ronnie Ford, Director of Finance, SLTX
Denisse Amezquita, Director of Human Resources, SLTX
Sholonda Stone, Director of ITS, SLTX
Toby Pick, Director of Policy Intake and Analysis, SLTX
Marissa G., Administrative Assistant, SLTX
Christian R., Sr. Data Analyst, SLTX
Sharmila S., UAT Lead, SLTX, via Teams
Yuba D., Financial Analyst, SLTX, via Teams
Jeff McWhirt, General Counsel, Mitchell Williams, Selig, Gates & Woodyard, PLLC
Michael Nored, General Counsel, Mitchell Williams, Selig, Gates & Woodyard, PLLC
Clark Thomson, CPA, Calhoun, Thomson + Matza, LLP
Nikki Mullins, Audit Manager, Calhoun, Thomson + Matza, LLP
Alex Bahun, Brokerage Advisor, Frost Investment Services, Frost Bank
David Dodd, Office of Financial Counsel, Texas Department of Insurance
Stephanie Caparelli, Office of Financial Counsel, Texas Department of Insurance

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 making 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: December 12, 2025, Meeting Minutes | Nick Lawrence, Committee Chair
Committee members received a copy of the December 12, 2025, meeting minutes. With no questions or comments, Lawrence asked for a motion for approval on minutes.
Motion: Liljenberg| Second: Bennett | Approved Unanimously

Item 3. Discussion and Appropriate Action: 2025 Annual Financial Audit Review | Ronnie Ford, Director of Finance; Clark Thomson, Calhoun + Thomson + Matza
Per section 2(c)(5)(c) of the Plan of Operation, the first regular meeting of the board in the calendar year is designated as the annual meeting during which the board must review operating expenses, schedule the fees and annual report for submission to the deputy commissioner of the Financial Regulation Division, or the deputy commissioner's designee.

Clark Thomson, managing partner at Calhoun + Thomson + Matza LLP, reported that the 2025 audit was conducted in accordance with U.S. generally accepted auditing standards. SLTX management provided full access to all requested information and demonstrated full cooperation. No material weaknesses in internal controls were identified, and the dated opinion dated May 24th, 2026, was unmodified.

Four corrected misstatements were noted:

1. A routine adjustment reclassifying $13,690,003 in securities maturing after one year as long-term investments.
2. A $412,194 entry to record fiduciary fund activity for year ending December 31, 2025.
3. A $96,149 adjustment to reclassify the current portion of lease liability at year-end.
4. A $2,190,736 entry to reclassify changes in fair value to the investment categories.

The engagement letter dated July 17, 2025, outlines audit responsibilities, professional standards, and SLTX's obligations, including maintaining auditor independence. Thomson asked if there were questions regarding the 2025 Audit. Hearing none, Mr. Thomson concluded the presentation. Lawrence asked if there were any questions for Ms. Ford or Mr. Thomson; none were raised.

Recommendation: Ford recommended the committee refer the 2025 Annual Financial Audit Review as presented to the full board for approval and submission to the Texas Department of Insurance, per the SLTX Plan of Operation. No motion was made.

Item 4. Discussion and Appropriate Action: 2026 Finance YTD Update | Ronnie Ford, Director of Finance

Ms. Ford presented financials:

- **Stamping Fee Revenue:** $148,284 (7%) under budget for February and $228,850 (18%) under YTD.
- **Investment Income:** $7,518 (6%) under for the month and $30,500 (12%) under YTD due to market declines.
- **Operating Expenses:** $115,706 (17%) under budget for February and $150,784 (11%) over YTD.
- **Salaries and Benefits:** $97,031 (22%) under budget for February and $189,790 (21%) over YTD due to timing difference of PTO accrued in January budgeted monthly.
- **Professional Services:** $11,713 (19%) under in February and $6,449 (6%) under budget YTD due to timing of legal, audit fees, and LemonLight payments.
- **Conference and Education:** $1,628 (19%) under in February; $4,940 (31%) under YTD, due to timing of events.
- **Travel and Entertainment:** $613 (111%) over for the month and $2,457 (63%) under YTD.
- **Occupancy and Operating:** $4,677 (10%) under in February and $13,252 (16%) under YTD.
- **General and Administrative:** $1,132 (1%) under for February and $4,942 (2%) under YTD.
- **Contingency Funds:** not used, resulting in savings of $3,394 for the month and $6,964 YTD.
- **Operating Income:** for February was $16,656. YTD, SLTX recorded a loss of $289,685, less than the budgeted income $56,752 for the month and $120,662 YTD. Primarily due to timing difference of PTO accrued in January budgeted monthly.
- **Investment Value:** increased by approximately $76,708 in February and $47,014 YTD.

Conclusion: Ms. Ford concluded the presentation. Lawrence asked if there were any questions or recommendations. Hearing none, no motion or recommendation was made.

Item 5. Discussion and Appropriate Action: Reserve Balance Review | Ronnie Ford, Director of Finance

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 2025, the fund balance was $32.8 million, $16,564,766 over the maximum for the year, which is $16,207,990. As of February, the year-to-date net loss of $242,671 resulted in a fund balance on February 28 of $32,530,085, still $16.3 million above the limit.

Conclusion: Ms. Ford concluded the presentation. Lawrence asked if there were any questions or recommendations. Hearing none, no motion or recommendation was made.

Item 6. Item 5. Discussion and Appropriate Action: Investment and Cash Management Policy Annual Review | Ronnie Ford, Director of Finance; Alex Bahun, Frost Bank Brokerage

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

Bahun's Presentation:

- 50% of holdings are in CDs
- 15% in U.S. Treasury Bills/Notes
- 3% in taxable domestic corporate fixed income securities
- 32% in taxable domestic income via open-ended mutual funds
- Total domestic fixed income: 35%

The portfolio is expected to generate about $1.3 million of income over the next 12 months and more than $11 million in total income plus principal maturities, providing ample liquidity.

Bahun noted that rising inflation and interest-rate uncertainty could affect reinvestment opportunities, but the laddered structure should help SLTX benefit if rates rise. He asked if there were any questions. Hearing none, the presentation concluded.

Conclusion: Lawrence asked Ms. Ford if there was a recommendation. No motion or recommendation was made.

Item 7. Discussion and Appropriate Action: Annual Stamping Fee Analysis | Greg Brandon, Executive Director; Christian Robinson, Sr. Data Analyst

Executive Director Greg Brandon began the annual stamping fee analysis presentation, noting that the annual review allows the committee and full board to evaluate the organization's stamping position. Senior Data Analyst, Christian Robinson, referenced the Plan of Operation, which requires the Board to recommend to the Commissioner of Insurance whether to adjust the stamping fee. Robinson presented the analysis and supporting data.

Historical Changes:

The stamping fee rate has changed approximately every 3.5 years.

- Previous rates included 0.06% from 2007-2016
- Increase to 0.15% in 2017 for SMART project costs
- Reduced to 0.075% in 2021
- Reduced again to 0.04 in 2024 (current rate)

Reserve Balance:

At the end of 2025, the unrestricted reserve fund balance was $32.8 million, which is $16.6 million over the maximum allowable balance of $16.2 million. The gap between the actual balance and the maximum has been narrowing, indicating progress in reserve management. The YTD net losses for 2026 were $242,671, resulting in a fund balance of $32.5 million as of February 28, 2026, still significantly above the maximum threshold.

Breakeven Analysis:

The breakeven rate is the rate at which the Stamping Office would need to assess fees to cover costs without incurring losses. The breakeven rate has been declining, from 0.055% two years ago to 0.049% in 2024, to 0.041% in the last year, indicating a growing contribution from investment income and stabilizing expenses.

Realized Rate vs. Stamping Fee Rate:
The current stamping fee rate is 0.04%. The realized rate, which reflects the total stamping fee revenue collected divided by the total premium reported, was 0.042 last year, slightly above the current stamping fee rate. Based on projections presented to the Board last year alongside the actuals in 2025, the stamping fee aligned strongly with $641,000 being projected and $642,000 being the actual stamping fee revenue for last year. Modeling came in consistent with what was projected and that gives confidence in the analytical framework SLTX is using to forecast premium.

Future Projections:
Projections indicate that under the current stamping fee rate of 0.04%, the reserve balance will continue to narrow the gap towards the maximum allowable balance.
Three scenarios were modeled for future stamping fee rates:

- **0.04% (current rate):** Best mirrors the operating environment and supports sustainable trajectory for reserve reduction.
- **0.03%:** Provides a moderate reduction in reserves but may require future increases if operational changes occur.
- **0.02%:** While it reduces the reserve gap, it would likely necessitate a subsequent increase due to potential increase in expenses.

The analysis indicates that maintaining the current stamping fee rate supports long-term stability without necessitating frequent adjustments that could burden industry members.

Recommendation: To recommend the Board take no action on the stamping fee rate at this time, maintaining the current rate of 0.04%, per Section 2(b)(7)(c) of the Plan of Operation.
Motion: Liljenberg | Second: Bishop | Approved Unanimously

Item 8. Adjournment | Nick Lawrence, Committee Chair
With no further business, the meeting adjourned at 4:08 PM.
Motion: Lawrence | Second: Bennet | Approved Unanimously

Leah Bennett

Leah Bennett, Secretary