

***Audit Committee Meeting  
October 22, 2024***

***Briefing Material***



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## Audit Committee Meeting Agenda

Tuesday, October 22, 2024, 9:00 AM Central Daylight Savings Time

Video/Audio Conference Call

Audio Toll Free Dial In Number: 1.346.248.7799

Meeting ID: 2222127774      Password: 537081973

1. Consideration and possible action on consent agenda item \*
  - A. Summary of the official minutes of the April 9, 2024, meeting
2. Consideration and possible action regarding the scope of the audit of the financial statements of the TLHIGA for the year ending December 31, 2024
3. Consideration and possible action regarding recommending the engagement of the independent auditor for the upcoming audit of the financial statements of the TLHIGA for the year ending December 31, 2024 \*
4. Consideration and possible action regarding the implementation of the new accounting standard GASB 101-Compensated Absences in 2024
5. Consideration and possible action regarding a change in the Committee's schedule\*
6. Executive Session
  - A. Advice from Counsel
7. Consideration and possible action on items discussed in Executive Session
8. Consideration and possible action regarding the Audit Plan for calendar year 2025\*
9. Consideration and possible action regarding the TLHIGA's commercial insurance coverages
10. Consideration and possible action regarding the development of the TLHIGA's 2025 Operating and Capital Expenditures Budgets
11. Consideration and possible action regarding the Committee's Calendar of Activities and planning for 2025

\* denotes items the Executive Director recommends actions be taken at this meeting



## Open Meeting Information

**Agency Name:** Texas Life and Health Insurance Guaranty Association  
**Date of Meeting:** 10/22/2024  
**Time of Meeting:** 09:00 AM (Local Time)  
**Board:** Texas Life and Health Insurance Guaranty Association  
**Committee:** Audit  
**Status:** Accepted  
**Street Location:** 1717 West 6th Street, Suite 230  
**City Location:** Austin  
**Meeting State:** TX  
**TRD:** 2024005938  
**Submit Date:** 10/10/2024  
**Emergency Mtg:** No  
**Additional Information Obtained From:** Bart A. Boles, Executive Director  
1717 West 6th Street, Suite 230  
Austin, TX 78703  
Tel: 800-982-6362

The Audit Committee Meeting will be held as a videoconference/teleconference. Attendees also have the option to attend the meeting in-person at 1717 West 6th Street, Suite 230, Austin, TX 78703.

Teleconference meeting access information:  
Dial in Number (Toll Free): 1.346.248.7799  
Meeting ID: 2222127774  
Password: 537081973

Additionally - to obtain a complete PDF copy of the meeting material please go to [www.txlifega.org](http://www.txlifega.org).

**Agenda:** Consideration and possible action on:

- 1) Consent agenda;
- 2) Scope of the audit of the financial statements of the TLHIGA for the year ending December 31, 2024;
- 3) Recommending the engagement of the independent auditor for the upcoming audit to the financial statements of the TLHIGA for the year ending December 31, 2024;
- 4) Implementation of the new accounting standard GASB 101-Compensated Absences in 2024;
- 5) Change in the Committee's schedule;
- 6) Executive Session;
- 7) Item discussed in Executive Session;
- 8) Audit Plan for calendar year 2025;
- 9) TLHIGA's commercial insurance coverages;
- 10) Development of the TLHIGA's 2025 Operating and Capital Expenditures Budgets;
- 11) Committee's Calendar of Activities and planning for 2025.

## **Item 1**

Consideration and possible action on consent agenda item

A. Summary of the official minutes of the April 9, 2024, meeting



## CONSENT AGENDA

The following routine, recurring item has been placed on the consent agenda and the related materials were distributed in advance to the Committee for its review:

1. The draft summary of the official minutes of the April 9, 2024, Committee meeting (included on pages 1-2 through 1-5).

The following is a draft resolution to approve the consent item:

**RESOLVED**, that the Audit Committee of the Board of Directors of the Texas Life and Health Insurance Guaranty Association approves the written summary of the official minutes of its April 9, 2024, meeting.



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**SUMMARY OF THE OFFICIAL MINUTES OF THE  
APRIL 9, 2024 MEETING OF THE  
AUDIT COMMITTEE OF THE BOARD OF DIRECTORS**

A meeting of the Audit Committee (the “Committee”) of the Board of Directors (the “Board of Directors” or the “Board”) of the Texas Life and Health Insurance Guaranty Association (the “Association” or “Guaranty Association” or “TLHIGA”) was called to order by the Committee Chair, Dean Frigo, at 1:33 PM Central Time on April 9, 2024. The meeting was held as a videoconference and teleconference meeting in accordance with Section 463.059 of the Texas Insurance Code and was conducted in accordance with the Texas Open Meetings Act.

All Audit Committee members whose names are set forth below were present for all or part of the meeting and a quorum was present for all votes.

Dean Frigo  
Pati McCandless  
Mark Williams

Also, in attendance for all, or part, of the meeting were the following employees of the TLHIGA or contractors of the TLHIGA:

Employees: Bart Boles      Jarett Terry      Topping Haggerty      Brandy Nichols  
General Counsel: Jacqueline Rixen

Also, in attendance for all, or part, of the meeting were:

Bhakti Patel, Principal with CliftonLarsonAllen, LLC  
Shawn Martin, Texas Department of Insurance (“TDI”)

Chair Frigo noted that proper notice of the meeting was filed on March 27, 2024 and published in the Texas Register in accordance with the Texas Open Meetings Act. He directed that a copy of the notice be attached and be made a part of this written summary of the official minutes of the meeting. Chair Frigo declared a quorum of the Committee was present in accordance with the Texas Open Meetings Act.

*This is a written summary of the proceedings of the meeting of the Audit Committee of the Board of Directors of the Texas Life and Health Insurance Guaranty Association on April 9, 2024. The official minutes are recorded digitally. The compact disc(s) or digital recordings relating to the open portion of the meeting and all related non-confidential written materials provided to the Committee for such meeting are kept in secure storage at the Association’s office. The compact disc(s) or digital recordings relating to the Executive Session portion of the meeting and all related confidential written material related to the Executive Session portion of the meeting are custodied with the Association’s bank. Details regarding matters described in this summary can be obtained by reviewing the official minutes. The non-confidential written material related to the meeting provided to the Committee should be deemed an attachment to this summary.*

**Item 1 Consideration and possible action on consent agenda item**

The Committee considered the written summary of the official minutes of its last meeting that was held on October 2, 2023.

Upon a motion made by Director Williams and seconded by Director McCandless, the Committee unanimously adopted the following resolution:

**RESOLVED**, that the Audit Committee of the Board of Directors of the Texas Life and Health Insurance Guaranty Association approves the written summary of the official minutes of its October 2, 2023, meeting.

**Item 2 Consideration and possible action on the independent audit of the financial statements for the year ended December 31, 2023 (the “2023 financial statements audit”)**

Chair Frigo reported on his exit conference with Ms. Patel, Principal with CliftonLarsonAllen (“CLA”), that was held on April 8, 2024. He stated that there were no difficulties to report concerning the audit.

Chair Frigo stated the Committee will return to this item when Ms. Patel joins the meeting.

**Item 3 Consideration and possible action regarding the network penetration and social engineering testing report (taken out of order)**

Mr. Boles reported that on October 24, 2023, the Board of Directors accepted the recommendation of the Audit Committee and authorized the engagement of Security Compliance Associates (SCA) to conduct network penetration and social engineering testing. He stated that SCA conducted the testing in February and March of 2024.

Mr. Boles reported there were three reports generated from the testing that were distributed to the Committee in advance of this meeting: an External Penetration Test Report, Internal Penetration Test Report, and a Phishing Assessment Report.

Mr. Boles requested that further discussion on this item be conducted in Executive Session.

Mr. Rixen stated that the Texas Government Code section 551.089 permits these reports to be discussed in Executive Session.

Bhakti Patel joined the meeting.

**Item 2 (continued) Consideration and possible action on the independent audit of the financial statements for the year ended December 31, 2023 (the “2023 financial statements audit”)**

Ms. Patel presented the audited financial statements for the year ending December 31, 2023. She provided a summary of the scope of work and deliverables, the audit results and financial highlights, and specific required communications. Ms. Patel noted that there were no material weaknesses or significant deficiencies identified with the TLHIGA's internal controls, no written recommendations were provided to management, and that the firm was providing an unmodified opinion.

Ms. Patel stated that while conducting the audit there were no significant difficulties or disagreements with TLHIGA management.

Upon a motion made by Director McCandless and seconded by Director Williams, the Committee recommends the following resolution be presented for adoption by the Board of Directors:

**RESOLVED**, that the Board of Directors of the Texas Life and Health Insurance Guaranty Association accepts the year-end 2023 financial audit report as presented.

Ms. Patel left the meeting.

#### **Item 4 Executive Session**

Chair Frigo stated the time to be 1:58 P.M. on April 9, 2024, and that he was recessing the regular session of the meeting in order for the Committee to meet in Executive Session, pursuant to the Texas Open Meetings Act.

Chair Frigo stated the time to be 2:18 P.M. on April 9, 2024, and the Executive Session of the Committee meeting had concluded and that he was reconvening the regular session of the Committee pursuant to the Texas Open Meetings Act.

#### **Item 5 Consideration and possible action on items discussed in Executive Session**

No actions were necessary from the Executive Session.

#### **Item 6 Consideration and possible action regarding expansion of, or revision to, the 2024 Audit Plan in response to certain findings in the 2023 financial statement audit**

The Committee reviewed the 2024 Audit Plan provided in the meeting briefing book and had no changes to recommend.

#### **Item 7 Consideration and possible action regarding the review of the TLHIGA's 2023 operating expenses and the final budget variance report**

Mr. Boles reported the TLHIGA provides the Committee with a Budget Variance Report every year at its April meeting after the prior year's expenses have been closed.



Mr. Terry reviewed the 2023 Budget Variance Report and reported on several specific line items of the report. The Committee had no concerns with the budget variances discussed.

**Item 8 Consideration and possible action regarding the responsibilities and the duties as set forth in the Audit Committee's Charter**

The Committee reviewed the Committee's Charter and had no changes to recommend.

**Item 9 Consideration and possible action regarding the Audit Committee's 2024 Calendar of Activities**

After discussion, it was determined that the next meeting will be held on October 15, 2024 at 1:30PM CT.

**Adjournment**

There being no further business, the meeting was adjourned at 2:38 P.M. local time.

**Certification**

The undersigned certifies that the foregoing is a true and accurate written summary of the proceedings of the April 9, 2024 meeting of the Audit Committee of the Board of Directors, approved by the Audit Committee at its meeting held on October 15, 2024.

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Dean Frigo, Audit Committee Chair

## **Item 2**

Consideration and possible action regarding the scope of the audit of the financial statements of the TLHIGA for the year ending December 31, 2024



## **SCOPE OF 2024 FINANCIAL AUDIT**

The Audit Committee of the Board of Directors for the Texas Life and Health Insurance Guaranty Association, in accordance with its charter, will consider the scope of the annual financial audit that will be conducted for the year ending December 31, 2024.

The TLHIGA is statutorily required to have a financial audit performed each year. The Committee reviews the necessity to expand the scope of the audit to include other items that may warrant an enhanced review and may make a recommendation to the Board on such expansion.

Prior expansions have been recommended by the Committee and authorized by the Board. The Committee requested an expansion of the scope of the audit by the independent auditor for the year ended December 31, 2006, to include an examination of the in-house claims adjudication. Prior to this request, the Board of Directors and the Committee used agreed-upon procedure engagements to examine particular areas of the TLHIGA's operations.

In conjunction with the 2017 year-end financial audit, the Board entered into a consulting engagement with the TLHIGA's audit firm for an enhanced internal control review of cash receipts, disbursements, and investment transactions. The results were communicated by the auditor to the Committee and the Board. No adjustments were deemed necessary after the review of the results.

The Committee will discuss the necessity for an expansion of the scope of the audit for the year ending December 31, 2024, or a consulting engagement on any particular financial activities, and make a recommendation to the Board of Directors should it decide additional items should be reviewed in conjunction with the year-end 2024 financial audit.

### **Item 3**

Consideration and possible action regarding recommending the engagement of the independent auditor for the upcoming audit of the financial statements of the TLHIGA for the year ending December 31, 2024



## ENGAGEMENT OF INDEPENDENT AUDITOR

The Audit Committee will discuss the TLHIGA’s professional relationship with its current independent auditor as described in the Committee’s Charter and the 2024 Audit Plan, including engagement conduct, relationships that could impair auditor independence, fees for services, and any other relationship or professional matters that pertain to the previous and upcoming audit engagements. In addition to the annual financial audit, the current audit firm also reviews and files the TLHIGA’s Federal Return of an Organization Exempt from Income Tax (Form 990).

Section 31 of Title 28 of the Texas Administrative Code related to audit coverages for guaranty associations states, in part, “An independent certified public accountant may not perform the financial audit required by §31.201(1) for more than seven consecutive years.” The TLHIGA’s current auditors, CliftonLarsonAllen, LLP (“CLA”), were first engaged for the year-end 2012 financial audit and completed seven consecutive audits with Jerry McMillon serving as the audit partner with the year-end 2018 audit. The Committee then issued an RFP for a new auditor and the incumbent firm was allowed to submit a bid with a new audit partner. The Committee reviewed several proposals and recommended the selection of CLA to the Board of Directors who agreed and engaged CLA with Bhakti Patel as the new audit partner. The engagement for the financial audit of the year ending December 31, 2024, will be Ms. Patel’s sixth year, if the Committee chooses to accept the engagement proposal. A history of CliftonLarsonAllen, LLP engagements with the TLHIGA is presented in the following table for reference.

YEAR ENDING	FEES	AUDIT PARTNER
2014	\$27,600	Jerry McMillon
2015	\$28,500	Jerry McMillon
2016	\$29,000	Jerry McMillon
2017	\$29,500	Jerry McMillon
2018	\$30,000	Jerry McMillon
2019	\$30,900	Bhakti Patel
2020	\$33,260	Bhakti Patel
2021	\$33,758	Bhakti Patel
2022	\$39,052	Bhakti Patel
2023	\$48,314	Bhakti Patel
<b>2024*</b>	<b>\$48,431</b>	<b>Bhakti Patel</b>

\*Estimate based on engagement letter proposal (includes expenses of new GASB standards implementation)

A copy of the confidential, engagement letter proposed by CLA for the examination of the TLHIGA's financial statements for the year ending December 31, 2024, was distributed separately to the Committee members in advance of the meeting.

After the review of the engagement letter and other considerations, the Committee will make a recommendation to the Board of Directors for the engagement of an independent public accounting firm for the examination of the TLHIGA's financial statements as of and for the year ending December 31, 2024. On page 3-3 is a draft resolution to be considered for presentation to the Board of Directors.



**RECOMMENDATION OF ENGAGEMENT OF AUDITOR  
FOR FINANCIAL AUDIT  
FOR THE YEAR ENDING DECEMBER 31, 2024**

The Audit Committee recommends that the following resolution be presented to the Board of Directors for consideration and possible adoption.

**RESOLVED**, that the Board of Directors of the Texas Life and Health Insurance Guaranty Association approves the selection of CliftonLarsonAllen, LLP as the independent certified public accounting firm for the TLHIGA.

**FURTHER RESOLVED**, that the Board of Directors authorizes the Chair of the Audit Committee, on behalf of the Texas Life and Health Insurance Guaranty Association to engage the independent certified public accounting firm of CliftonLarsonAllen, LLP, to conduct an audit examination as of and for the year ending December 31, 2024.

## **Item 4**

Consideration and possible action regarding the implementation of the new accounting standard GASB 101-Compensated Absences in 2024





## NEW ACCOUNTING STANDARDS

**GASB 101-Compensated Absences:** In June 2022, the Governmental Accounting Standards Board (“GASB”) released GASB Statement No 101-Compensated Absences that went into effect for fiscal years beginning after December 15, 2023. For the TLHIGA, GASB 101 went into effect for the 2024 fiscal year, which is calendar year 2024.

According to GASB, Statement 101 requires liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used.

This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee’s pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.

With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount

that normally would be liquidated with expendable available financial resources.

Management has accumulated the data for the TLHIGA employees' leave balances and performed the calculations for the liability using the following assumptions:

*Vacation leave:* Accumulates, attributable to services rendered and is going to be used or paid out per the TLHIGA leave policy which includes a rollover cap at 40 hours. 100% pay rate used.

*Sick Leave:* Accumulates, attributable to services rendered and is estimated to be 50% used and is not paid out per the TLHIGA leave policy with an unlimited rollover. 50% pay rate used.

*PTO:* Accumulates, attributable to services rendered and is limited to 16 hours per year. PTO is estimated to be 100% used and is not paid out per the TLHIGA leave policy and there is no rollover. 100% pay rate used.

The total calculated liability includes payroll taxes (FICA).

At August 31, 2024, the calculated liability is \$73,414.91. As of 12/31/24, the estimated liability is \$60,541.40. The year-end estimate includes all the accumulated leave (limited to the 40 hours that are allowed to be rolled over for vacation time), but not estimated time off so the actual liability may be lower as staff takes time off, but it cannot be higher.

As with any new accounting standard, the TLHIGA must consider materiality and the impact on the TLHIGA's financial statements. Management has reviewed this question and based on the current level of liabilities for the TLHIGA, management has established a \$100,000 materiality level for liabilities. That is .35% of total liabilities as of August 31, 2024. The TLHIGA has previously applied this threshold in the decision recognizing a liability for the deferred compensation plan. That decision was reviewed and accepted by the TLHIGA's auditor. At this time, management does not recommend recognizing this liability but will monitor the balance and would recognize the liability at the point where it reaches \$100,000 or there is a substantial reduction in total liabilities such that the value of the compensated absences exceeds 1.5% of total liabilities.

This decision has been communicated to the TLHIGA's auditors and at the time of the writing of this material, the auditor has not responded. The auditor has included a fee for the review of GASB 101 in their statement of work and will have a recommendation for the year end financial statements.

**GASB 100-Accounting Changes and Error Corrections:** Also in June 2022, GASB released Statement 100-Accounting Changes and Error Corrections that became effective for fiscal years beginning after June 15, 2023. For the TLHIGA, GASB 100 became effective for the 2024 fiscal year.

According to GASB, this Statement defines *accounting changes* as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting

entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated.

Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). For periods that are earlier than those included in the basic financial statements, information presented in RSI or SI should be restated for error corrections, if practicable, but not for changes in accounting principles.

Management has reviewed this new standard and concluded that it has no impact on the TLHIGA financial statements. The auditor has included \$0 charge for the review of GASB 100 which indicates they also do not see an impact of the TLHIGA's financial statements for GASB 100. As with all accounting standards, management will continue to review transactions for future applicability.

**Upcoming Standards:** GASB has promulgated two new standards that are required to be adopted in 2025 and 2026. GASB 102-Certain Risk Disclosures will be adopted in 2025 and GASB 103-Financial Reporting Model Improvements will be adopted in 2026. Both standards have the potential to have an impact on the THLIGA's financial statements with GASB 103 likely having a substantial impact that may require an additional engagement to ensure proper implementation. Having early auditor engagement will be key in a smooth implementation of both standards.

## **Item 5**

Consideration and possible action regarding a change in the Committee's schedule



## **AUDIT COMMITTEE SCHEDULE CHANGES**

In response to the implementation of GASB 101 and in anticipation of the upcoming new GASB standards mentioned in Item 4, management is recommending that the Committee consider changing the timing of the engagement of the auditor for the annual financial audit. Management is recommending that the Committee review the auditor's engagement letter and make its recommendation to the Board at the Committee's April meeting each year.

The reasons for this change include:

- Should the Committee or Board need to change auditor for any reason, trying to find a new auditor two months before the end of the year would be extremely difficult.
- New GASB standards may require an additional engagement that may cause difficulty if the engagement is performed by a different firm than the one performing the audit.
- Per auditing standards, the auditor cannot perform any review of accounting standards or other accounting questions before an engagement is authorized and both parties agree to the terms.
- Should the TLHIGA need to engage a firm for an issue outside the financial audit, it would have to disclose that engagement if there was a different firm performing the audit which could be construed as "auditor shopping".

Management has reviewed this timing change with the current auditor and they have expressed no issue with the change. They are willing to provide the engagement letter for the April, or any other meeting. The auditor confirmed that executing the engagement letter earlier would allow them the freedom to review issues brought to them during the year. They did caution that they are still restricted on issuing any opinions until after they have completed their audit but can comment on methodologies and interpreting standards.

The Committee has options on how to address this change.

Option One - The simplest option is to move the auditor engagement item from the Committee's October meeting to the April meeting. The Committee's April meeting would then include the audit results review for the prior year's financial statements, the review of the prior year's budget

variance report, and the engagement of the auditor. Some of the other April agenda items could be moved to the October meeting. The Committee's charter states "Independent auditors are ultimately responsible to the Board of Directors. The Audit Committee shall review the independence and performance of auditors and annually recommend to the Board of Directors the appointment or discharge of the independent auditors." As there is no mention of when the engagement is reviewed and recommended in the Charter, this would not require a change to the Committee's Charter. The only change would be to the Audit Plan to move the related functions from the Fall meeting to the Spring meeting. Should the Committee decide to move the related engagement functions to the April meeting, the Committee can make the change in its 2025 Audit Plan at the October 22<sup>nd</sup> meeting and report it to the Board of Directors during the October 29<sup>th</sup> meeting. No other action is necessary.

Option Two - The Committee could move its October meeting to July and perform all its Fall duties at the July meeting, including reviewing the engagement and recommending engagement to the Board. The Committee's Charter does reference the review of the budget assumptions at the October meeting so this change would require changes to both the Charter and the Audit Plan. The Board of Directors would then need to approve the changes to the Committee's Charter. Should the Committee choose to move the October meeting to July, management will draft changes to the Committee's Charter for review at the Committee's April 2025 meeting. Any change would then be submitted to the Board of Directors at its April 2025 meeting.

Option Three - The Committee can keep the current schedule and deal with any substantial change from new standards on a case-by-case basis with separate engagements as needed.

The Committee should also consider the impact of a schedule change when an RFP for a new auditor is necessary. The Committee will recommend an RFP at its April meeting that will be decided by the Board at its April meeting. When an RFP is authorized, the Committee obviously cannot recommend the engagement of an auditor at the same time so the Committee will need to decide the timing of the engagement during those years. The Committee can decide to review the results of the RFP and the subsequent engagement at its regular October meeting or have a special meeting earlier depending on the circumstances at the time.

## **Item 6**

Executive Session

A. Advice from Counsel

## **Item 7**

Consideration and possible action on items discussed in Executive Session



## **Item 8**

Consideration and possible action regarding the Audit Plan for calendar year 2025



## **AUDIT PLAN FOR CALENDAR YEAR 2025**

The Audit Committee of the Board of Directors for the Texas Life and Health Insurance Guaranty Association, in accordance with its charter, has developed the draft Audit Plan for Calendar Year 2025 shown on pages 8-2 through 8-4. Should the Committee adopt the change in schedule recommended in Item 5, management will have an alternative 2025 Audit Plan available for review.

On page 8-5 is a draft recommendation of a resolution for the Board of Directors to adopt the Audit Plan for Calendar Year 2025 and authorize the Senior Accountant to file the plan with the Texas Commissioner of Insurance.

A follow-up review of the Audit Plan for Calendar Year 2025 will be included as an agenda item for the Committee's meeting in April 2025. This will allow the Committee the opportunity to adjust the Audit Plan for Calendar Year 2025 for any items identified in the audit of the financial statements for the year ending December 31, 2024.



## **AUDIT PLAN**

For Calendar Year 2025

The Audit Committee of the Board of Directors for the Texas Life and Health Insurance Guaranty Association (“TLHIGA”), in accordance with 28 TAC §31.205 and its adopted Audit Committee Charter, has developed the following Audit Plan for calendar year 2025.

The Audit Plan consists of elements related to the conduct and review of the financial statements audit for the year ending December 31, 2024 (“2024 Audit”), other audit projects related to the operations of the TLHIGA, plans for and scope of the 2025 annual financial audit, as well as other aspects of the Committee’s responsibilities as set forth in the Charter of the Audit Committee. In this Audit Plan, the term "audit" refers to the annual financial audit as well as any additional audits or reviews that may be conducted.

### **Spring 2025 Audit Committee Functions**

The Audit Committee or its delegate shall meet and interface with the independent auditor prior to the commencement of, and during, the audit as necessary.

The Audit Committee will convene in accordance with its charter prior to the April 2025 meeting of the Board of Directors. At this meeting, the Committee will:

- Meet with the independent auditor to review the audited financial statements for the year ending December 31, 2024, and to discuss with the auditor the Report on Internal Controls and the Report to the Board of Directors,
- Review with the auditor: any significant audit findings by the auditor together with management’s response; any problems or difficulties that the auditor may have encountered in the course of the audit work; any restrictions on scope of activities or access to required information; any disagreements with management; any significant changes in the audit plan; and any significant financial risk exposures and the steps management has taken to monitor, control, and report such exposures,
- Review the independent auditor's judgment related to the quality and appropriateness of the TLHIGA's accounting principles as applied in its financial reporting,
- Review the necessity to revise the Audit Plan for Calendar Year 2025,
- Review with the auditor its findings on any reviews or audits conducted in addition to, or as expansions of, the 2024 Audit,

- Review and approve any consulting engagements to be performed by the independent auditor, or other consulting firms, as well as any other engagements undertaken at the request of management that are beyond the scope of the audit engagement,
- Review accounting pronouncements and changes with management, including the potential impact to the financial statements,
- Review the necessity to perform and engage, if necessary, a firm to perform a network penetration test,
- Review with the TLHIGA's counsel, any legal matters that may have a material impact on the financial statements, the TLHIGA's compliance policies and any material reports or inquiries received from regulators or government agencies, and
- Assess the adequacy of the Audit Committee's Charter.

The Committee or its Chair shall also:

- Present the 2024 Audit to the Board of Directors at its April 2025 meeting and make any recommendations of the Committee for approval and submission to the Texas Commissioner of Insurance.

**Fall 2025 Audit Committee Functions:**

The Audit Committee will convene in accordance with its Charter prior to the October 2025 meeting of the Board of Directors. At this meeting the Committee will:

- Review the engagement proposal from the independent certified public accountant and make recommendation to the Board of Directors on engagement of an auditor,
- Make a determination as to the type of audit(s), including, but not limited to, those audit types identified in § 31.204(2)-(4) of Title 28 of the Texas Administration Code (compliance audit or review, economy and efficiency audit or review, effectiveness audit or review, internal controls audit or review), in addition to the annual financial audit to be conducted as of and for the year ending December 31, 2025,
- Consider possible expansion of scope for the year ending December 31, 2025, audit to include specific financial and/or managerial policies and procedures,
- Review the independence and performance of the auditor and recommend to the Board of Directors the appointment or discharge of the independent auditors,
- Review the fees and other significant compensation paid to the independent auditors,
- Review with the independent auditor, the plan for the audit, including; audit scope, staffing, locations, reliance upon management and general audit approach, and
- Develop the Audit Plan for Calendar Year 2026, consistent with the rules and regulations of the Texas Department of Insurance, for filing with the Commissioner of Insurance.

The Committee or its Chair shall also:

- Present the Committee's recommended Audit Plan for Calendar Year 2026 to the Board of Directors for review and consideration at the Board of Director's Fall meeting; recommend the engagement of the independent auditor for the 2025 financial audit and other reviews or audits to the Board of Directors,
- Ensure that the Audit Plan for Calendar Year 2026 approved by the Board of Directors is filed with the Commissioner of Insurance,
- Meet with the independent auditor prior to the commencement of the audit.



October 22, 2024 Audit Committee Meeting

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## **RECOMMENDATION ON ADOPTION OF AUDIT PLAN FOR CALENDAR YEAR 2025**

The Audit Committee recommends that the following resolution be presented to the Board of Directors for consideration and possible adoption.

**RESOLVED**, that the Board of Directors of the Texas Life and Health Insurance Guaranty Association hereby adopts the Audit Plan for Calendar Year 2025 for the Texas Life and Health Insurance Guaranty Association.

**FURTHER RESOLVED**, that the Board of Directors authorizes the Senior Accountant to file the Audit Plan for Calendar Year 2025 with the Commissioner of Insurance after final approval by the Chair of the Audit Committee.

## **Item 9**

Consideration and possible action regarding the TLHIGA's commercial insurance coverages



## **ANNUAL COMMERCIAL INSURANCE COVERAGE REVIEW**

On October 25, 2011, the Charter of the Audit Committee was amended to include the following:

“On an annual basis, the Committee will review the commercial insurance program of the Association (“the insurance program of the Association”) with a view to confirming such program’s adequacy to mitigate anticipatable risks efficiently and cost effectively. To perform this review, the Committee will require the Executive Director, in consultation with the Association’s insurance broker, each year to summarize in writing the existing insurance program of the Association and to provide recommendations with respect to such program. After reviewing the Executive Director’s annual insurance program report, the Committee shall make any necessary or appropriate recommendations regarding the insurance program of the Association to the Board.”

This report will present a summary of the TLHIGA’s commercial insurance coverages, discuss the adequacy of these coverages with respect to operations and activities, describe one type of coverage that is not currently provided under any of the TLHIGA’s policies, and conclude with a summary and recommendation.

### **SUMMARY OF EXISTING INSURANCE COVERAGES**

The TLHIGA currently has the following five commercial insurance coverages through Watkins Insurance:

1. Business Owner’s Insurance,
2. Commercial Umbrella Insurance,
3. Workers Compensation and Employers Liability,
4. Financial Institution Bond for Insurance Companies,
5. Cyber Liability Insurance.

and the following coverage through Donald Gaddis Company:

1. Directors and Officers Insurance.



**BUSINESS OWNER’S INSURANCE POLICY**

This policy has three components: Commercial General Liability, Business Owner’s Property, and Hired/Non-Hired Auto Insurance.

Insurance Company: Hartford Fire Insurance Company  
 Coverage Period: 11/3/24-11/3/25  
 Annual Premium: \$ 4,225 (11/3/23-11/3/24 premium was \$ 3,889)  
 Policy Number: 65SBAAU50LB

**Commercial General Liability Coverage**

DESCRIPTION	LIMITS OF INSURANCE
Each Occurrence	\$ 1,000,000
Annual Aggregate	\$ 2,000,000
Damage to Rented Premises	\$ 1,000,000
Medical Expense (per claim per person)	\$ 15,000
Employment Related Practices	\$ 25,000*
No Applicable Deductible Per Claim	
*\$ 5,000 Deductible	

**Business Owner’s Property Coverage**

DESCRIPTION	LIMITS OF INSURANCE
Main Office – 1717 West 6 <sup>th</sup> St., Ste. 230	
Contents	\$ 450,441
Valuable Papers	\$ 25,000
Accounts Receivable	\$ 125,000
Employee Dishonesty	\$ 25,000
Business Income/Extra Expense	Actual Loss
Fine Arts	\$ 10,000
\$ 500 Deductible Per Occurrence	

**Hired/Non-Owned Auto Liability Coverage**

DESCRIPTION	LIMITS OF INSURANCE
Each Occurrence	\$ 1,000,000

**COMMERCIAL EXCESS (UMBRELLA) INSURANCE POLICY**

Insurance Company: Hartford Fire Insurance Company  
Coverage Period: 11/3/24-11/3/25  
Annual Premium: \$ 0 (11/3/23-11/3/24 premium was \$ 0)  
Policy Number: 65SBAAU50LB

DESCRIPTION	LIMITS OF INSURANCE
Annual Aggregate	\$ 5,000,000
Bodily Injury and Property Damage (per occurrence)	\$ 5,000,000
Personal and Advertising Injury (per person or organization)	\$ 5,000,000
Retained	\$ 10,000

**WORKERS COMPENSATION & EMPLOYERS LIABILITY INSURANCE POLICY**

Insurance Company: Hartford Fire Insurance Company  
Coverage Period: 11/3/24-11/3/25  
Annual Premium: \$ 410 (11/3/23-11/3/24 premium was \$490)  
Policy Number: 65WECAU50V8

DESCRIPTION	LIMITS OF INSURANCE
Workers Compensation – TX Law	per TX law
Employers Liability	
Bodily Injury by Accident (each accident)	\$ 1,000,000
Bodily Injury by Disease (policy limit)	\$ 1,000,000
Bodily Injury by Disease (each employee)	\$ 1,000,000

**CYBER LIABILITY INSURANCE**

Insurance Company: Swiss Re Corporate Solutions America Insurance Company  
Coverage Period: 11/1/23-11/1/24  
Annual Premium: \$ 7,338 (11/1/22-11/1/23 premium was \$7,000)  
Policy Number: C-4LHR-072175-CYBER-2023-01

DESCRIPTION	LIMITS OF INSURANCE
Per Claim	\$ 3,000,000
Aggregate	\$ 3,000,000
Deductible	\$ 10,000

**FINANCIAL INSTITUTION BOND FOR INSURANCE COMPANIES**

Insurance Company: Hartford Fire Insurance Company  
 Coverage Period: 12/1/24-12/1/25  
 Annual Premium: \$ 3,331 (12/1/23-12/1/24 premium was \$3,331)  
 Bond Number: 65 FI 0237498-23

DESCRIPTION	LIMITS OF INSURANCE
Fidelity	\$ 1,000,000
On Premises	\$ 1,000,000
In Transit	\$ 1,000,000
Forgery or Alteration	\$ 1,000,000
Securities	\$ 1,000,000
Computer Systems Fraud	\$ 1,000,000
ERISA Coverage Included	
\$ 25,000 Deductible Per Occurrence	

**DIRECTORS AND OFFICERS LIABILITY AND  
 EMPLOYMENT PRACTICES INSURANCE POLICY**

Insurance Company: Great American Insurance Company  
 Coverage Period: 8/1/24-8/1/25  
 Annual Premium: \$ 51,495 (8/1/23-8/1/24 premium was \$ 51,495)  
 Policy Number: DOL1345878  
 Policy Form: D56100-G

DESCRIPTION	LIMITS OF INSURANCE
Annual Aggregate	\$ 5,000,000
Retained	\$ 50,000

## **CLAIMS HISTORY**

The TLHIGA has never made a claim under the coverages discussed here nor are we aware of any potential or threatened claim.

## **ADEQUACY OF COVERAGE**

Of the policies in place, all coverage appears to be adequate and provides the TLHIGA with broad coverage for its various areas of exposure.

The TLHIGA does not have Errors and Omissions (“E&O”) insurance coverage, which is discussed below.

## **E&O INSURANCE**

E&O insurance has never been identified as a significant risk for the TLHIGA based on the focus of our activities being the portion toward the end of the insurance policy life cycle, meaning the final disposition of the policies’ benefits through cancellation/termination, assumption reinsurance transfer, and payment of claims. The TLHIGA is not involved in the application review, underwriting, policy issuance, or rescission processes. Quotes have never been obtained for this type of coverage, and the TLHIGA’s risk in this area has not changed.

## **SUMMARY AND RECOMMENDATION**

It appears the TLHIGA has adequate commercial coverage for any potential risks.

## **Item 10**

Consideration and possible action regarding the development of the TLHIGA's 2025 Operating and Capital Expenditures Budgets



## **ASSOCIATION'S BUDGETS**

The Operating Budget for calendar year 2025 will be prepared by staff and presented to the Board of Directors for their consideration and possible action at its January, 2025 meeting. While the exact amount of certain operating costs is known, others are projections based on past experience and anticipated future activities. The Operating Budget for 2025 does not include cost projections for rehabilitation or insolvency activities that may arise during 2025.

### ASSUMPTIONS FOR 2025

The budget assumptions detail provided on pages 10-2 to 10-5 is related to the facts, assumptions and methodologies used in estimating monthly and total administration costs for individual line items within the budget. A copy of the 2024 Operating Budget is provided on page 10-6 for reference.



**BUDGET ASSUMPTIONS FOR 2025**

<b>ACCOUNT NUMBER</b>	<b>ACCOUNT NAME</b>	<b>2024 BUDGET AMOUNT</b>	<b>2025 BUDGET ASSUMPTION</b>
5150	Accounting and Auditing	52,115	Cost is based on 2024 CPA firm's fees for the financial audit with estimated increase, Form 990 filing and incidentals. Cost is accrued each month.
5015	Board Meetings & Expenses	23,184	Cost is based on nine directors' and General Counsels' travel to four Board meetings per year. Cost estimate is based on 2024 travel expenses, including Board lunches and dinners.
5022	Bank Fees	7,800	Cost is based on bank fee structure. Interest income will be factored in.
5030	Conferences	25,350	Cost is based on travel expenses and registration fees for three Board members, two staff, and the General Counsel to attend the NOLHGA Legal Seminar and for the Executive Director and Senior Accountant to attend various industry conferences (NAIC, TALHI, IAIR and ILTCI)
5035	Copying & Printing	156	Cost is based on the 2024 average monthly expense.
5050	Dues & Subscriptions	9,518	Cost is based on the renewal expense of the TLHIGA's subscriptions and licenses. Examples include TALHI & IAIR dues and AM Best renewal.
5052	Depreciation	122,646	Cost is based on the TLHIGA's fixed asset depreciation schedule plus the depreciation of the lease asset.
5055	Education & Training	9,250	Cost is a flat amount set by the Executive Director after review with the Personnel Committee and Board of Directors.



**BUDGET ASSUMPTIONS FOR 2025**

<b>ACCOUNT NUMBER</b>	<b>ACCOUNT NAME</b>	<b>2024 BUDGET AMOUNT</b>	<b>2025 BUDGET ASSUMPTION</b>
5060	Employee Benefits	128,086	Cost is based on life, health, dental and disability insurance renewals for 2025, the Health Reimbursement Arrangement, 403(b) and 401(k) retirement plan contribution or matching. This item will be reviewed by the Personnel Committee.
5065	Insurance	68,813	Cost is based on commercial insurance renewals at 2025 rates for the TLHIGA's Business Owner's Policy, Commercial Umbrella Policy, Workers Comp & Employer's Liability Policy, Financial Institution Bond for Insurance Companies, Cyber Liability and D&O coverage.
5075	Legal	119,784	In 2025, the assumption for legal expenses will change. Due to new counsel, the TLHIGA is moving from an hourly rate model to a retainer model. The 2025 expenses will be based on the retainer adjusted for estimated overages.
5085	National Assessments	674,295	Cost is based on the average of 2024 MPC assessments and any new data or cost estimates from NOLHGA based on projections of insolvency activities.
5090	NOLHGA Dues	96,689	Cost is based on the TLHIGA's pro rata share of NOLHGA's estimated 2025 dues. The ratio is determined from the 2024 dues calculations and a projected increase due to an increase in insolvency activity.
5095	Office Rent	183,009	Cost is based on rent costs and employee parking costs in the TLHIGA's lease agreement and the average visitor parking costs from the prior year.





**BUDGET ASSUMPTIONS FOR 2025**

<b>ACCOUNT NUMBER</b>	<b>ACCOUNT NAME</b>	<b>2024 BUDGET AMOUNT</b>	<b>2025 BUDGET ASSUMPTION</b>
5100	Office Supplies	4,600	Cost is based on the 2024 expenses.
5105	Operating Leases	1,560	Due to the implementation of GASB 87 only one small lease is expensed rather than capitalized.
5115	Payroll Taxes	37,021	Cost is based on staff salaries and current tax rates.
5113	Other Taxes	894	Cost is based on estimate of 2025 ad valorem property taxes provided by the Travis County Tax Assessor/Collector.
5111	NOLHGA Meetings	20,400	Cost is based on travel expenses for the Executive Director and Senior Accountant to attend 4 MPC meetings each year and 5 additional task force meetings in 2025 and 2 staff, 3 Board members, and General Counsel to attend the NOLHGA 2024 Annual Meeting.
5120	Postage	984	Cost is based on 2024 costs and any projected large mailouts.
5122	Professional Services	41,160	Cost is based on ongoing fees plus an estimate for any known projects that may require outside vendors. Examples include the payroll vendor, the TLHIGA's IT vendor, the 401(k) and 403(b) administrator and the accounting system consultant as well as policy administration vendors.
5125	Repairs & Maintenance	2,000	Cost is a flat amount set by the Executive Director based on the prior year's expenses.
5130	Salaries	586,702	Cost is based on recommendations from the Executive Director and Personnel Committee and approved by the Board of Directors.



**BUDGET ASSUMPTIONS FOR 2025**

<b>ACCOUNT NUMBER</b>	<b>ACCOUNT NAME</b>	<b>2023 BUDGET AMOUNT</b>	<b>2024 BUDGET ASSUMPTION</b>
5132	Licensing	83,236	Cost is based on licensing fees for SaaS applications. It includes estimates for items such as the Accounting and Investment systems and 1099 Reporting software and Office 365.
5145	Temporary Personnel	0	Cost is based on estimated time needed to complete special projects and temporary staff as needed.
5135	Record Storage	1,044	Cost is based on current rates plus an increase based on historical increases for offsite storage.
5140	Telephone	8,484	Cost is based on current fixed rate plans.
	<b>TOTAL BUDGET</b>	<b>2,428,565</b>	



	2024 <u>Operating Budget</u>				Total 2024 Budget	Total 2023 Budget	Percent Change	Projected Variable 2024	Projected Fixed 2024	Projected Fixed 2023
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter						
5010 Accounting & Auditing	0	18,705	16,705	16,705	52,115	47,749	9.14%	-	52,115	47,749
5015 Board Meetings & Expenses	5,096	6,496	5,096	6,496	23,184	22,240	4.24%	-	23,184	22,240
5022 Bank Fees	1,950	1,950	1,950	1,950	7,800	10,020	-22.16%	-	7,800	10,020
5030 Conferences	3,100	0	19,150	3,100	25,350	20,325	24.72%	-	25,350	20,325
5035 Copying & Printing	39	39	39	39	156	2,940	-94.69%	20	136	2,740
5050 Dues & Subscriptions	3,262	762	4,262	1,232	9,518	6,488	46.70%	-	9,518	6,488
5052 Depreciation	31,166	30,493	30,493	30,493	122,646	124,953	-1.85%	-	122,646	124,953
5055 Education & Training	2,313	2,313	2,313	2,313	9,250	10,400	-11.06%	-	9,250	10,400
Employee Benefits:										
5060 Insurance	14,846	14,846	14,846	15,163	59,700	56,968	4.80%	-	59,700	56,968
5060 Retirement 401(k) & 457(b)	34,275	9,325	9,325	9,460	62,386	58,744	6.20%	-	62,386	58,744
5060 Medical Reimbursement	1,500	1,500	1,500	1,500	6,000	6,000	0.00%	-	6,000	6,000
5065 Insurance	0	0	53,205	15,608	68,813	70,137	-1.89%	-	68,813	70,137
5075 Legal - Admin	13,849	13,849	13,849	13,849	55,394	86,515	-35.97%	-	55,394	86,515
5075 Legal - Estate	46,044	46,044	46,044	46,044	184,174	34,617	432.03%	184,174	-	-
5085 National Assessments	168,574	168,574	168,574	168,574	674,295	504,193	33.74%	663,295	11,000	11,000
5090 NOLHGA Dues	96,689	0	0	0	96,689	97,180	-0.51%	-	96,689	97,180
5095 Office Rent	45,277	45,548	46,092	46,092	183,009	178,042	2.79%	-	183,009	178,042
5100 Office Supplies	1,150	1,150	1,150	1,150	4,600	8,974	-48.74%	-	4,600	8,974
5105 Operating Leases	390	390	390	390	1,560	1,520	2.63%	-	1,560	1,520
5111 NOLHGA Mtgs	0	0	6,800	13,600	20,400	16,300	25.15%	5,000	15,400	14,800
5113 Other Taxes	55	0	0	839	894	1,095	-18.32%	-	894	1,095
5115 Payroll Taxes	13,227	10,647	7,020	6,127	37,021	35,849	3.27%	-	37,021	35,849
5120 Postage	246	246	246	246	984	1,536	-35.94%	150	834	1,336
5122 Professional Service - Admin	10,390	8,890	10,390	9,790	39,460	38,460	2.60%	-	39,460	38,460
5122 Professional Service - Estate	0	0	0	1,700	1,700	14,700	-88.44%	1,700	-	-
5125 Repairs & Maintenance	500	500	500	500	2,000	2,000	0.00%	-	2,000	2,000
5130 Salaries	169,176	139,175	139,175	139,176	586,702	541,426	8.36%	-	586,702	541,426
5145 Temporary Personnel	0	0	0	0	0	0	0.00%	-	-	-
5132 Licensing	15,887	35,387	15,887	16,076	83,236	77,757	7.05%	-	83,236	77,757
5135 Record Storage	255	261	264	264	1,044	1,020	2.35%	-	1,044	1,020
5140 Telephone	2,121	2,121	2,121	2,121	8,484	8,100	4.74%	-	8,484	8,100
Total Administrative & Estate Cost	681,375	559,210	617,385	570,595	2,428,565	2,086,249	16.41%	854,340	1,574,225	1,541,839
5070 Interest	47,030	47,030	47,030	47,030	188,122	51,272	266.91%	-	188,122	40,473
Totals for Each Month	728,406	606,241	664,415	617,626	2,616,687	2,137,521	22.42%	854,340	1,762,347	1,582,312
Year To Date Total	728,406	1,334,646	1,999,061	2,616,687				32.65%	67.35%	

## **Item 11**

Consideration and possible action regarding the Committee's Calendar of Activities and planning for 2025



## **COMMITTEE’S CALENDAR OF ACTIVITIES AND PLANNING FOR 2023 AND 2024, INCLUDING NEXT MEETING DATE**

On pages 11-2 and 11-3 are the portions of the TLHIGA 2024 Calendar of Activities relating to the Audit Committee’s 2024 meeting dates, activities, and agenda items. Pages 11- 4 and 11-5 is the portion of the TLHIGA 2025 Calendar of Activities with the tentative Audit Committee meeting dates, agenda items, and projected activities. These items are subject to change at the Committee’s discretion. The items shown in red are specific responsibilities for the Committee Chair.

It is recommended that the next Audit Committee meeting be held on **Tuesday, April 8, 2025**, two weeks before the April Board of Directors meeting.

The list of items to be addressed during the April 8, 2025, meeting tentatively includes the following:

- Receive 2024 financial audit report from outside auditor,
- Meet confidentially with outside auditor,
- Prepare recommendation to Board of Directors regarding annual financial audit,
- Evaluate the necessity to revise the 2025 Audit Plan based on findings in the 2024 annual financial audit,
- Review the Committee’s Charter, and
- Review the actual expenses for calendar year 2024, including budget variance, segregation of fixed and variable expenses, and allocation of expenses to insolvencies.



2024 Calendar of Activities (AUDIT COMMITTEE) updated as of 9-25-24

Activity Reference No.	Board, Committee or Executive Director (BOD, A-I, PER, AUD, LEG, CORP GOV or ED)	Chair - CH (If applicable)	Activity Target Date	Activity Description	Date Completed
13	AUD	CH	3/15/24	<b>AUD COMM CHAIR</b> will review the draft agenda for the April 9, 2024 Audit Committee meeting with the Executive Director and/or Senior Accountant to determine the order of items and whether items should be added or deleted.	3/15/24
17	ED		3/28/24	<b>EXECUTIVE DIRECTOR</b> (or staff) will file the final agenda for the April 9, 2024 Audit Committee meeting with the Texas Secretary of State's office.	3/28/24
20	AUD	CH	4/5/24	<b>AUD COMM CHAIR</b> will meet with the outside financial auditor after the audit process has concluded to discuss significant audit findings, difficulties conducting the audit, disagreements with management, sufficiency of TLHIGA internal controls, possible expansion of the 2024 Audit Plan.	4/5/24
21	AUD		4/9/24 1:30 PM	<b>Audit Committee Meeting</b> <ul style="list-style-type: none"> <li>- Receive annual financial audit report from outside auditor</li> <li>- Meet confidentially with outside auditor</li> <li>- Prepare recommendation to Board of Directors regarding annual financial audit</li> <li>- Evaluate the necessity to revise the 2024 (current year's) Audit Plan based on findings in the annual financial audit</li> <li>- Review the necessity to select a new auditor</li> <li>- Review the actual expenses for the prior year, including final budget variance report, segregation of fixed and variable expenses, and allocation of expenses to insolvencies</li> <li>- Annual review of the Committee's Charter</li> </ul>	4/9/24
23	AUD	CH	4/12/24	<b>AUD COMM CHAIR</b> will ask staff to distribute the draft Audit Report to all Directors after the Audit Committee meeting in preparation for consideration during the April 23, 2024 Board of Directors meeting	4/12/24
25	BOD AUD	CH CH	4/22/24 8:30 AM	<b>Board of Directors Meeting</b> <b>AUD COMM CHAIR</b> will provide a report to the Board of Directors that includes the following: <ul style="list-style-type: none"> <li>- A recommendation regarding the annual financial audit</li> <li>- A recommendation on whether the current year's Audit Plan should be revised</li> <li>- Any revision to the Committee's Charter</li> <li>- A report on the other matters discussed by the Committee</li> </ul> <b>CORP GOV COMM CHAIR</b> will provide a report to the Board of Directors that includes the following: <ul style="list-style-type: none"> <li>- A recommendation regarding revisions to corporate governance policies and practices</li> <li>- A recommended response to the TDI corporate governance letter</li> <li>- Executive Session confidential discussion of financially troubled member insurance companies</li> <li>- Review and possible actions on various active member company receiverships</li> <li>- Executive Director's report on operations</li> <li>- Regular operation and financial approvals (i.e. minutes, NOLHGA quarterly invoice, future meetings, financial statements, etc.)</li> <li>- Corporate governance items, i.e. conflicts and antitrust statements and review review of the BOD Corporate Governance Guidelines</li> </ul>	4/22/24



2024 Calendar of Activities (AUDIT COMMITTEE) updated as of 9-25-24

Activity Reference No.	Board, Committee or Executive Director (BOD, A-I, PER, AUD, LEG, CORP GOV or ED)	Chair - CH (If applicable)	Activity Target Date	Activity Description	Date Completed
42	AUD	CH	9/27/24	<b>AUD COMM CHAIR</b> will review the draft agenda for the October 15, 2024 Audit Committee Meeting with the Executive Director and/or Senior Accountant to determine the order of items and whether additional items should be added or current items deleted.	9/17/24
45	ED		10/10/24	<b>EXECUTIVE DIRECTOR</b> (or staff) will file the final agenda for the October 22, 2024 Audit Committee meeting with the Texas Secretary of State's office.	
47	AUD		10/22/24 9:00 AM virtual	<b>Audit Committee Meeting</b> <ul style="list-style-type: none"> <li>- Consider the scope of the financial statements audit as of December 31, 2024.</li> <li>- Develop a recommendation for engagement of auditor for audit of financial statements as of December 31, 2024</li> <li>- Develop the 2025 Audit Plan and prepare recommendation to the Board of Directors for adopting and filing it with the Commissioner of Insurance</li> <li>- Review the TLHIGA's commercial insurance program to confirm the adequacy to mitigate anticipatable risks</li> <li>- Review the assumptions that will be used for developing the 2025 budgets that will be presented to the Board of Directors at its January 21, 2025 meeting.</li> </ul>	
48	BOD AUD	CH CH	10/29/24 8:30 AM	<b>Board of Directors Meeting</b> <b>AUD COMM CHAIR</b> will provide a report to the Board of Directors that includes the following: <ul style="list-style-type: none"> <li>- A recommendation regarding the engagement of an auditor to conduct the annual financial audit as of YE 2024</li> <li>- A recommendation on scope of YE 2024 audit</li> <li>- A recommendation to adopt the 2025 Audit Plan and to file it with the Commissioner of Insurance</li> <li>- A recommendation to engage a consulting firm to perform network penetration and social media testing</li> <li>- Annual review of commercial insurance coverages</li> <li>- Review of assumptions for development of 2025 Operating and Capital Expenditure Budgets</li> <li>- A report on the other matters discussed by the Committee</li> <li>- Executive Session confidential discussion of financially troubled member insurance companies</li> <li>- Consider revisions to Board of Directors Corporate Governance Guidelines</li> <li>- Review and possible actions on various active member company receiverships</li> <li>- Executive Director's report on operations</li> <li>- Regular operational and financial approvals (i.e. minutes, NOLHGA invoice, future meetings, financial statements, etc.)</li> </ul>	
49	AUD		10/30/24	<b>EXECUTIVE DIRECTOR</b> will notify selected audit firm of the Board of Directors' engagement decision and the candidates of the Board of Directors' General Counsel decision	



2025 Calendar of Activities (AUDIT COMMITTEE) updated as of 9/25/24

Activity Reference No.	Board, Committee or Executive Director (BOD, A-I, PER, AUD, LEG, CORP GOV or ED)	Chair - CH (If applicable)	Activity Target Date	Activity Description	Date Completed
15	AUD	CH	3/14/25	<b>AUD COMM CHAIR</b> will review the draft agenda for the April 8, 2025 Audit Committee meeting with the Executive Director and/or Senior Accountant to determine the order of items and whether items should be added or deleted.	
17	ED		3/27/25	<b>EXECUTIVE DIRECTOR</b> (or staff) will file the final agenda for the April 8, 2025 Audit Committee meeting with the Texas Secretary of State's office.	
20	AUD	CH	4/7/25	<b>AUD COMM CHAIR</b> will meet with the outside financial auditor after the audit process has concluded to discuss significant audit findings, difficulties conducting the audit, disagreements with management, sufficiency of TLHIGA internal controls, possible expansion of the 2025 Audit Plan.	
21	AUD AUD	CH	4/8/25 9:00 AM virtual	<b>Audit Committee Meeting</b> <ul style="list-style-type: none"> <li>- Receive annual financial audit report from outside auditor</li> <li>- Meet confidentially with outside auditor</li> <li>- Prepare recommendation to Board of Directors regarding annual financial audit</li> <li>- Evaluate the necessity to revise the 2025 (current year's) Audit Plan based on findings in the annual financial audit</li> <li>- Review the necessity to select a new auditor</li> <li>- Review the actual expenses for the prior year, including final budget variance report, segregation of fixed and variable expenses, and allocation of expenses to insolvencies</li> <li>- Annual review of the Committee's Charter</li> </ul>	
22	AUD	CH	4/11/25	<b>AUD COMM CHAIR</b> will ask staff to distribute the draft Audit Report to all Directors after the Audit Committee meeting in preparation for consideration during the April 22, 2025 Board of Directors meeting	
23	BOD AUD	CH CH	4/22/25 8:30 AM	<b>Board of Directors Meeting</b> <b>AUD COMM CHAIR</b> will provide a report to the Board of Directors that includes the following: <ul style="list-style-type: none"> <li>- A recommendation regarding the annual financial audit</li> <li>- A recommendation on whether the current year's Audit Plan should be revised</li> <li>- Any revision to the Committee's Charter</li> <li>- A report on the other matters discussed by the Committee</li> </ul> <ul style="list-style-type: none"> <li>- Executive Session confidential discussion of financially troubled member insurance companies</li> <li>- Review and possible actions on various active member company receiverships</li> <li>- Executive Director's report on operations</li> <li>- Regular operation and financial approvals (i.e. minutes, NOLHGA quarterly invoice, future meetings, financial statements, etc.)</li> <li>- Corporate governance items, i.e. conflicts and antitrust statements and review review of the BOD Corporate Governance Guidelines</li> </ul>	
24	ED		4/28/25	<b>EXECUTIVE DIRECTOR</b> will file the 2024 Annual Report with the Commissioner of Insurance	
38	ED		10/??-??/25	<b>EXECUTIVE DIRECTOR</b> and some <b>BOD</b> will attend the <b>NOLHGA MPC Meeting &amp; Annual Meeting</b> in [TBD]	
39	ED		10/3/25	<b>EXECUTIVE DIRECTOR</b> (or staff) will file the final agenda for the October 21, 2025 Audit Committee meeting with the Texas Secretary of State's office.	





2025 Calendar of Activities (AUDIT COMMITTEE) updated as of 9/25/24

Activity Reference No.	Board, Committee or Executive Director (BOD, A-I, PER, AUD, LEG, CORP GOV or ED)	Chair - CH (If applicable)	Activity Target Date	Activity Description	Date Completed
41	AUD AUD	CH	10/21/25 9:00 AM virtual	<b>Audit Committee Meeting</b> - Consider the scope of the financial statements audit as of December 31, 2025 - Develop a recommendation for engagement of auditor for audit of financial statements as of December 31, 2025 - Develop the 2026 Audit Plan and prepare recommendation to the Board of Directors for adopting and filing it with the Commissioner of Insurance - Review the TLHIGA's commercial insurance program to confirm the adequacy to mitigate anticipatable risks - Review the assumptions that will be used for developing the 2026 budgets that will be presented to the Board of Directors at its January 27, 2026 meeting.	
42	BOD AUD	CH CH	10/28/25 8:30 AM	<b>Board of Directors Meeting</b> <b>AUD COMM CHAIR</b> will provide a report to the Board of Directors that includes the following: - A recommendation regarding the engagement of an auditor to conduct the annual financial audit as of YE 2025 - A recommendation on scope of YE 2025 audit - A recommendation to adopt the 2026 Audit Plan and to file it with the Commissioner of Insurance - Annual review of commercial insurance coverages - Review of assumptions for development of 2026 Operating and Capital Expenditure Budgets - A report on the other matters discussed by the Committee - Executive Session confidential discussion of financially troubled member insurance companies - Consider revisions to Board of Directors Corporate Governance Guidelines - Review and possible actions on various active member company receiverships - Executive Director's report on operations - Regular operational and financial approvals (i.e. minutes, NOLHGA invoice, future meetings, financial statements, etc.)	
43	ED		10/29/25	<b>EXECUTIVE DIRECTOR</b> will notify selected audit firm of the Board of Directors' engagement decision	