

***Audit Committee Meeting***  
***April 7, 2026***

***Briefing Material***



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## Audit Committee Meeting Agenda

Tuesday, April 7, 2026, 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 8, 2025 meeting
2. Consideration and possible action on remediation implemented for findings of external /internal network penetration and phishing testing reports
3. Consideration and possible action on the independent audit of the financial statements for the year ended December 31, 2025\*
  - A. Report from Committee Chair, Mark Williams, on the exit conference with the independent auditors
  - B. Report from the auditors \*
4. Consideration and possible action regarding the scope of the audit of the financial statements of the TLHIGA for the year ending December 31, 2026
5. Consideration and possible action regarding expansion of, or revision to, the 2026 Audit Plan in response to certain findings in the 2025 financial statements audit
6. Consideration and possible action regarding the issuance of a Request for Proposal (RFP) to select and engage an independent certified public accounting firm to audit the financial statements of the Association for the year ending December 31, 2026 \*
7. Consideration and possible action regarding the write-off of certain liabilities\*
8. Executive Session
  - A. Discussion of any confidential matters from the audited financial statements for the year ended December 31, 2025
  - B. Review of the results of the RFP to select and engage an independent CPA firm
  - C. Advice from counsel
9. Consideration and possible action on items discussed in Executive Session\*
10. Consideration and possible action regarding the review of the TLHIGA's 2025 operating expenses and the final budget variance report
11. Consideration and possible action regarding the Audit Committee's 2026 Calendar of Activities

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

All Texas Life and Health Insurance Guaranty Association Board of Directors and Committee meetings will be conducted in accordance with its Antitrust Compliance Policy and applicable laws.
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## Open Meeting Information

<b>Status</b>	Accepted
<b>TRD</b>	2026001771
<b>Submitted Date/Time</b>	03/30/2026 08:17 AM CDT
<b>Agency</b>	Texas Life and Health Insurance Guaranty Association
<b>Committee</b>	Audit
<b>Meeting Date</b>	04/07/2026
<b>Meeting Time</b>	09:00 AM
<b>Address</b>	1717 West 6th Street
<b>City</b>	Austin
<b>State</b>	TX
<b>Additional Information</b>	Call TLHIGA at (800) 982-6362 or go to <a href="http://www.txlifega.org">www.txlifega.org</a>

## Agenda

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

Consideration and possible action:

- 1) Consent agenda;
- 2) Remediation implemented for findings of external/internal network penetration and phishing testing reports;
- 3) Independent audit of the financial statements for the year ended December 31, 2025;
- 4) Scope of the audit of the financial statements of the TLHIGA for the year ending December 31, 2026;
- 5) Expansion of, or revision to, the 2026 Audit Plan in response to certain findings in the 2025 financial statements audit;
- 6) Issuance of a Request for Proposal to select and engage an independent certified public accounting firm to audit the financial statements of the Association for the year ending December 31, 2026;
- 7) Write-off of certain liabilities;
- 8) Executive Session;
- 9) Items discussed in Executive Session;
- 10) Review of the TLHIGA's 2025 operating expenses and the final budget variance report;
- 11) Committee's 2026 Calendar of Activities.

## **Item 1**

Consideration and possible action on consent agenda item

A. Summary of the official minutes of the April 8, 2025 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 8, 2025, Committee meeting (included on pages 1-2 through 1-7).

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 8, 2025 meeting.



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**SUMMARY OF THE OFFICIAL MINUTES OF THE  
APRIL 8, 2025 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 1:32 PM Central Time on April 8, 2025. 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  
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: Dan Price

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 24, 2025 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 8, 2025. 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 22, 2024.

Upon a motion made by Director Williams and seconded by Director Frigo, 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 22, 2024 meeting.

**Item 2 Consideration and possible action on the independent audit of the financial statements for the year ended December 31, 2024**

Chair Frigo reported on his exit conference with Ms. Patel, Principal with CliftonLarsonAllen (“CLA”), that was held on April 8, 2025. He stated that there were no difficulties to report concerning the audit.

Ms. Patel presented the audited financial statements for the year ending December 31, 2024. 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 Frigo and seconded by Director Williams, the Committee recommended 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 2024 financial audit report as presented.

**Item 3 Consideration and possible action regarding expansion of, or revision to, the 2025 Audit Plan in response to certain findings in the 2024 financial statements audit**

The Committee reviewed the 2025 Audit Plan provided in the meeting briefing book and had no changes to recommend.

**Item 4 Consideration and possible action regarding the scope of the audit of the financial statements of the TLHIGA for the year ending December 31, 2025**

Mr. Boles reported that the Committee is given the opportunity to review and make changes to the scope of the audit of the financial statements before the audit plan is approved, in accordance with its Charter. He noted that in 2006 when the TLHIGA was doing a great deal of in-house adjudication regarding premium billing collections and claims handling, the Committee recommended the audit include an examination of the TLHIGA's in-house adjudication practices. He also noted that in 2017, upon the recommendation of the Committee, the Board of Directors authorized a consulting engagement for an enhanced internal control review of cash receipts, disbursements and investment transactions which was conducted in conjunction with the 2017 year-end financial audit.

Mr. Boles reported on the TLHIGA's current volume of claims, disputes, appeals, and settlements being administered both in-house and by TPAs for several insolvencies, and the TLHIGA procedures and internal controls in place to verify these items are being processed correctly.

The Committee discussed the scope of the 2025 annual financial audit process in detail and determined no expansion to the scope of the 2025 annual financial audit was needed.

**Item 5 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, 2025**

Mr. Boles stated that an auditor may only conduct the audit of the TLHIGA financial statements for seven consecutive years. He said the current auditor, Bhakti Patel of CliftonLarsonAllen, has conducted the TLHIGA audit of financial statements for the past six years.

The Committee and staff reviewed the engagement letter and discussed the effectiveness, appropriateness, and fees of the current auditors.

Chair Frigo directed further discussion on this item be conducted in Executive Session.

**Item 6 Consideration and possible action regarding the implementation of the new accounting standards**

Mr. Boles reported on new Government Accounting Standards Board ("GASB") standard, GASB 102, which is required to be implemented in 2025 and GASB 103, which is required to be implemented in 2026. He reported management discussed early adoption of GASB 103 with the Committee during its October 2024 meeting to avoid implementing a potentially significant new standard while searching for a new auditor in the same year. Mr. Boles stated the Committee authorized management to review the possible resources for assisting the TLHIGA in implementing the new standards.

Ms. Patel provided a high-level review of GASB 102-Certain Risk Disclosures and the potential impact it could have on the TLHIGA's financial disclosures. Mr. Patel stated GASB 102 should not

change TLHIGA's numbers but may require additional substantial disclosures. Ms. Patel and management both agree that the new standard will require significant review and analysis to determine the applicability to the TLHIGA

Ms. Patel also reviewed GASB 103-Financial Reporting Model Improvements which requires additional information to be presented in the required supplementary information (RSI), i.e., the Management Discussion and Analysis. As with GASB 102, this standard will require extensive review and analysis to determine what is applicable to the TLHIGA and how it should be presented. Also, similar to GASB 102, this standard will not change the TLHIGA's numbers but will require new information to be presented.

Mr. Boles stated due to the complexity of the review and analysis of both standards, management is recommending that the TLHIGA pursue a separate engagement for assistance in implementing the GASB standards.

Ms. Patel noted that CLA would not have a conflict if the audit team were the ones engaged to perform this service but could also accommodate having an independent team perform the engagement or some combination of the two. Management recommended that an independent team provide the services requested.

Ms. Patel stated she was unable to provide the exact cost for the possible engagement because the time and effort required for this work is unknown, so she suggested a time and materials contract with a not-to-exceed amount cap.

The Committee requested staff finalize the details of an engagement proposal for a statement of work to assist TLHIGA in implementing GASB 102 and GASB 103 which should include a not-to-exceed cap so that the Committee may review and recommend the engagement to the Board of Directors at its next meeting to be held on April 22, 2025.

Ms. Patel left the meeting.

**Item 7 Consideration and possible action regarding the review of the necessity of obtaining proposals for a firm to perform a network penetration test**

Mr. Boles reported the Audit Plan for 2025, approved by the Board and filed with the Texas Department of Insurance, calls for the Committee to "review the necessity to perform and engage, if necessary, a firm to perform a network penetration test." He stated the last testing was conducted in late 2023 and reported in April 2024.

Mr. Boles reported that the network penetration test includes an external network penetration test, an internal network penetration test, and a social engineering test.

The Committee requested the TLHIGA staff develop and send out a Request for Proposals ("RFP") to perform a network penetration test and provide the Committee with the submitted proposals for review at its October 2025 meeting.

Chair Frigo stated the time to be 2:29 P.M. on April 8, 2025, 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.

**Item 8 Executive Session**

CONFIDENTIAL DISCUSSION.

**Item 9 Consideration and possible action on items discussed in Executive Session**

Chair Frigo stated the time to be 2:39 P.M. on April 8, 2025, 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.

Upon a motion made by Director Williams and seconded by Director Frigo, the Committee recommended 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 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, 2025.

**Item 10 Consideration and possible action regarding the review of the TLHIGA's 2024 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 2024 Budget Variance Report and reported on several specific line items of the report. The Committee had no concerns with the budget variances discussed.

**Item 11 Consideration and possible action regarding the Audit Committee's 2025 Calendar of Activities**

After discussion, it was determined that the next meeting will be held on October 15, 2025 at 8:30 AM CT.

**Adjournment**

There being no further business, the meeting was adjourned at 2:56 P.M. local time.

**Certification**

The undersigned certifies that the foregoing is a true and accurate written summary of the proceedings of the April 8, 2025 meeting of the Audit Committee of the Board of Directors, approved by the Audit Committee at its meeting held on October 15, 2025.

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Mark Williams, Audit Committee Chair

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## **Item 2**

Consideration and possible action on remediation implemented for findings of external/internal network penetration and phishing testing reports



April 7, 2026 Audit Committee Meeting

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## **NETWORK PENETRATION TEST REPORT**

During its October 28, 2025 meeting, the Board of Directors accepted the recommendation of the Audit Committee and authorized the engagement of CliftonLarsonAllen (“CLA”) to conduct external network penetration, internal network penetration, and social engineering testing.

CLA conducted the testing in December 2025 and January 2026. Their three reports on the testing were received January 16, 2026. The following will mention only the high level findings to avoid publicly exposing any TLHIGA risks or vulnerabilities prior to remediation activities. The detailed reports were confidentially provided to the Board of Directors and discussed, along with recommended remediation steps, during the Executive Session of the January 27, 2026 Board of Directors meeting.

External Penetration Test – This test was performed to identify potential vulnerabilities on the external network perimeter that could be exploited to gain unauthorized access to confidential information, modify or destroy data, or operate trusted business systems for non-business purposes. The report describes CLA’s four-phase testing against the external network perimeter from the Internet, the TLHIGA’s best practices observed, and five specific findings from the testing. CLAs findings are reported in four severity level categories: low, medium, high, and critical. CLS’s five findings were four of medium severity and one of low severity.

Internal Penetration Test – This testing was performed to identify potential vulnerabilities on the internal network to gain unauthorized access to confidential information, modify or destroy data, or operate trusted business systems for non-business purposes. CLA’s approach to this test was modeled after Open Source Security Testing Methodology Manual (OSSTMM), the Penetration Testing Execution Standard (PTES), National Institute of Standards and Technology Special Publication 800-115 (NIST SP 800-115), and CLA’s 20 years of experience conducting testing. This portion of their work was divided into penetration testing and a configuration audit.

The TLHIGA placed a CLA laptop on the internal network to conduct testing to find vulnerabilities and associated risks. The TLHIGA intentionally stood down or modified certain controls, thus relaxing its security posture to allow CLA to evaluate several layers of security.

During the testing, CLA identified best practices in place by the TLHIGA, including the use of the EDR solution and Microsoft Defender. These practices detected and responded to multiple instances of exploitations during the test, including authentication relay attacks, attempts to extract credentials from systems, and responding by isolating a compromised user account.



April 9, 2024 Audit Committee Meeting

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CLA's testing identified fifty-six unique findings in the four severity security level categories. Three were identified as critical, eighteen as high, twenty-six as medium and nine as low. CLA stated the TLHIGA's number of critical and high vulnerabilities were lower than peer organizations.

Remote Social Engineering (Email Phishing) Test – This test was intended to entice TLHIGA employees into providing sensitive information or take an action outside the scope of their responsibilities. Its attacks focused on a lack of understanding or a failure to apply administrative policies and procedures designed to safeguard the TLHIGA's resources and information.

During their email phishing campaign, CLA noted the TLHIGA uses best practices including the configuration of Microsoft spam filters to block phishing emails and no TLHIGA employees clicked on any links or provided information after CLA was whitelisted to allow phishing emails through the spam filters.

Remediation Activities - TLHIGA management has shared the reports, including the detailed supplemental information, with its network consulting firm and is evaluating CLA's recommended remediation to address any vulnerabilities or risks detailed in the reports. The remediation steps implemented by the TLHIGA will be added to the Management Response section for each CLA finding.

### **Item 3**

Consideration and possible action on the independent audit of the financial statements for the year ended December 31, 2025

- A. Report from Committee Chair, Mark Williams, on the exit conference with the independent auditors
- B. Report from the auditors



April 7, 2026 Audit Committee Meeting

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## **INDEPENDENT AUDIT OF THE FINANCIAL STATEMENTS**

Audit Committee Chair, Mark Williams, will report on his exit conference with the independent auditor, as well as any other issues arising from the annual financial audit.

Bhakti Patel, audit partner with CliftonLarsonAllen, LLP, will attend the Committee's April 7, 2026, meeting to review and discuss their draft audit report on the December 31, 2025 financial statements and other reports that her firm has prepared. Confidential drafts of the audited financial statements, including the auditor's opinion, Management Discussion and Analysis (MD&A) and footnote disclosures were distributed separately to the Committee and counsel.

A draft resolution with a recommendation to the Board of Directors regarding the 2025 financial audit is presented on page 3-2 for the Committee's consideration after its review of the reports and discussion with the auditor.



April 7, 2026 Audit Committee Meeting

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**RESOLUTION RECOMMENDING ACCEPTANCE  
OF THE 2025 FINANCIAL AUDIT**

The Audit Committee recommends 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 accepts the year-end 2025 financial audit report as presented.

## **Item 4**

Consideration and possible action regarding the scope of the audit of the financial statements of the TLHIGA for the year ending December 31, 2026



## **SCOPE OF 2026 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 evaluate the findings of the financial audit for the year ending December 31, 2025 to consider whether the scope of the annual financial audit that will be conducted for the year ending December 31, 2026 should be adjusted.

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.

1. 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.
2. 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 to procedures 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, 2026, 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 2026 financial audit.

## **Item 5**

Consideration and possible action regarding expansion of, or revision to, the 2026 Audit Plan in response to certain findings in the 2025 financial statements audit



## **2026 AUDIT PLAN**

On pages 5-2 through 5-4 is the 2026 Audit Plan (“the Plan”) adopted by the Board of Directors on October 28, 2025. It was subsequently filed with the Texas Commissioner of Insurance, as statutorily required.

The Committee will review and discuss the Plan to ensure the Committee is fulfilling all its duties and responsibilities and to determine whether any expansion or amendment of the Plan is warranted based on the draft audit report of the TLHIGA’s December 31, 2025, financial statements.



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## **AUDIT PLAN**

For Calendar Year 2026

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 2026.

The Audit Plan consists of elements related to the conduct and review of the financial statements audit for the year ending December 31, 2025 (“2025 Audit”), other audit projects related to the operations of the TLHIGA, plans for and scope of the 2026 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 2026 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 2026 meeting of the Board of Directors. At this meeting, the Committee will:

- Review the proposals submitted in response to the RFP for the engagement of a new independent certified public accountant for the audit of the financial statements ending December 31, 2026 and make a recommendation to the Board of Directors on engagement of an auditor,
- Meet with the independent auditor to review the audited financial statements for the year ending December 31, 2025, 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 2026,
- Review with the auditor its findings on any reviews or audits conducted in addition to, or as expansions of, the 2025 Audit,
- 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, 2026,
- Consider possible expansion of scope for the year ending December 31, 2026, 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 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 with the TLHIGA's general 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

The Committee or its Chair shall also:

- Present the 2025 Audit to the Board of Directors at its April 2026 meeting and make any recommendations of the Committee for approval and submission to the Texas Commissioner of Insurance.

**Fall 2026 Audit Committee Functions:**

The Audit Committee will convene in accordance with its Charter prior to the October 2026 meeting of the Board of Directors. At this meeting the Committee will:

- 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 2027, 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 2027 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 2026 financial audit and other reviews or audits to the Board of Directors,
- Ensure that the Audit Plan for Calendar Year 2027 approved by the Board of Directors is filed with the Commissioner of Insurance,
- Assess the adequacy of the Audit Committee's Charter, and
- Meet with the independent auditor prior to the commencement of the audit.

## **Item 6**

Consideration and possible action regarding the issuance of a Request for Proposal (RFP) to select and engage an independent certified public accounting firm to audit the financial statements of the Association for the year ending December 31, 2026



## AUDITOR ENGAGEMENT

At the October 28, 2025 Board of Directors meeting, the Board identified the necessity to issue a Request for Proposal (“RFP”) to engage an independent auditor to audit the TLHIGA’s financial statements for the year ending December 31, 2026. This was necessary to comply with the statutory requirement that the TLHIGA must change its auditor at least every seven years.

The Board reviewed the draft RFP presented by management, including the timeline of the RFP process, and authorized the TLHIGA to issue the RFP. The Board further authorized the Audit Committee to evaluate all proposals received and make a recommendation for the selection of an independent accounting firm to the Board at its April 2026 meeting.

Management sent the RFP to sixteen accounting firms on November 4, 2025. Those firms that responded with a notice of interest were invited to attend a proposer’s conference on January 14, 2026. Representatives from the firms attended the conference led by Bart Boles and attended by Audit Committee Chair Williams and Jarett Terry.

Management distributed the proposals that were received by the March 10, 2026 deadline to the Committee on March 12, 2026, along with the evaluation forms and instructions developed by the Committee and management. The Committee was asked to complete and return their evaluations by March 30, 2026. A compilation of the results of those evaluations was distributed to the Committee confidentially prior to the meeting.

During Executive Session, the Committee will review the proposals, references, and any other relevant material in order to make a recommendation to the Board on the selection of an independent auditor for the annual financial audit for the year ending December 31, 2026. That review should include discussions related to engagement conduct, relationships with the TLHIGA that could impair auditor independence, fees for services and any other relationship or professional matters as they pertain to the upcoming audit engagement.

A draft recommended resolution for the engagement of a specific firms is provided on page 6-2 and will be considered after the Executive Session discussion.



April 7, 2026 Audit Committee Meeting

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**RECOMMENDATION OF ENGAGEMENT OF AUDITOR  
FOR 2026 FINANCIAL AUDIT**

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 \_\_\_\_\_ as the independent certified public accounting firm for the Association.

**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 \_\_\_\_\_, to conduct an audit examination as of and for the year ending December 31, 2026.

## **Item 7**

Consideration and possible action regarding the write-off of certain liabilities



## **WRITE-OFF OF CERTAIN LIABILITES**

### **POTENTIAL LIABILITY**

The TLHIGA is currently carrying a liability in the amount of \$200,000 for possible exposure for a claim from the 2001 liquidation of Reliance Insurance Company (“Reliance”). This liability was established as the result of a lawsuit brought against Reliance prior to the entry of the liquidation order for denial of a disability claim. The suit was withdrawn when Reliance was placed into liquidation.

The claimant filed a proof of claim against the Reliance estate. The Reliance Liquidator denied the claim stating the disability did not meet the “any occupation” requirements under the policy.

The TLHIGA was originally advised the policy was issued by a non-admitted surplus lines predecessor to Reliance; therefore, there was no TLHIGA coverage. The records available were limited due to the collapse of the World Trade Center. Further investigation of the disability program that produced the policy by the legal consultant to the NOLHGA Task Force resulted in a determination that this was a valid Reliance policy. The TLHIGA then evaluated the medical records and found the Liquidator’s claim denial was in error as it appeared the claimants was totally disabled and unable to perform any occupation. The TLHIGA booked a liability equal to its \$200,000 statutory maximum for this potential claim. The policyholder was advised of the TLHIGA’s position.

Since the liability was established, the TLHIGA has not received the documents necessary to substantiate a claim under the policy. Management feels any statutory limitations have expired and requesting the Committee recommend to the Board that the full liability be written off.

### **FINANCIAL STATEMENT IMPACT**

The write-off of the liability will impact both the Statements of Net Position and the Statement of Revenues, Expenses and Changes in Net Position. The Accrued Expenses (Liability) will be reduced by \$200,000, and the Unrestricted Net Position (Net Position) will increase by \$200,000, both on the Statements of Net Position. On the Statement of Revenues, Expenses and Changes in Net Position, the Net Claims (Operating Expense) will be reduced by \$200,000.

A resolution is presented on page 7-2 for the Committee’s consideration.



April 7, 2026 Audit Committee Meeting

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## **RECOMMENDATION OF RESOLUTION TO WRITE-OFF CERTAIN LIABILITIES**

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 authorizes the write-off of the liability established in the Reliance Insurance Company insolvency in the amount of \$200,000.

## **Item 8**

### Executive Session

- A. Discussion of any confidential matters from the audited financial statements for the year ended December 31, 2025
- B. Review of the results of the RFP to select and engage an independent CPA firm
- C. Advice from counsel

## **Item 9**

Consideration and possible action on items discussed in Executive Session

## **Item 10**

Consideration and possible action regarding the review of the TLHIGA's 2025 operating expenses and the final budget variance report



April 7, 2026 Audit Committee Meeting

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## **REVIEW OF BUDGET VARIANCE REPORT AND EXPENSES**

On page 10-2 is the Budget Variance Analysis Report that provides the Committee with:

- A comparison of the 2025 actual expenses to the 2025 budgeted amounts for each expense account,
- The allocation of each account between fixed and variable costs, and
- The portion of the actual 2025 expenses that were allocated to insolvencies and are eligible for recovery through asset distributions.

On pages 10-3 through 10-8 are explanations of the actual to budgeted variances for the expense accounts for the Committee's review and discussion. These reports will help the Committee fulfill its responsibility of reviewing the TLHIGA's expenses annually. Management will be prepared to answer any questions.



2025 Budget Variance Analysis	2025 Actual	2025 Budget	Dollar Variance Over/(Under)	Percent Variance Over/(Under)	Weighted Percent Variance Over/(Under)					Allocations based on Staff Time Tracking						
						Budgeted Variable Costs	Actual Variable Costs	Dollar Variance Over/(Under)	Percent Variance Over/(Under)	Budgeted Fixed Costs	Actual Fixed Costs	Dollar Variance Over/(Under)	Percent Variance Over/(Under)	General Expense Allocation	Insolvent Estate Allocation	Percent Allocated to Insolvent Estates
5010 Accounting & Auditing	50,382.83	51,931.00	(1,548.17)	(2.98%)	(0.28%)	-	-	-	0.00%	51,931.00	50,382.83	(1,548.17)	(2.98%)	39,346.53	11,036.30	21.90%
5015 Board Meetings & Expenses	13,942.65	19,482.00	(5,539.35)	(28.43%)	(1.01%)	-	-	-	0.00%	19,482.00	13,942.65	(5,539.35)	(28.43%)	11,118.11	2,824.54	20.26%
5020 Bad Debt Expense	-	-	0.00	0.00%	0.00%	-	-	-	0.00%	-	-	-	0.00%	-	-	0.00%
5022 Bank Fees	13,731.23	10,050.00	3,681.23	36.63%	0.67%	-	-	-	0.00%	10,050.00	13,731.23	3,681.23	36.63%	10,713.64	3,017.59	21.98%
5030 Conferences	27,600.43	22,500.00	5,100.43	22.67%	0.93%	-	-	-	0.00%	22,500.00	27,600.43	5,100.43	22.67%	22,921.46	4,678.97	16.95%
5035 Copying & Printing	206.02	240.00	(33.98)	(14.16%)	(0.01%)	50.00	39.20	(10.80)	(21.60%)	190.00	166.82	(23.18)	(12.20%)	166.82	39.20	19.03%
5050 Dues & Subscriptions	12,778.06	11,678.00	1,100.06	9.42%	0.20%	-	-	-	0.00%	11,678.00	12,778.06	1,100.06	9.42%	10,407.96	2,370.10	18.55%
5052 Depreciation	121,055.62	120,196.69	858.93	0.71%	0.16%	-	-	-	0.00%	120,196.69	121,055.62	858.93	0.71%	95,876.72	25,178.90	20.80%
5055 Education & Training	21,068.70	9,250.00	11,818.70	127.77%	2.16%	-	-	-	0.00%	9,250.00	21,068.70	11,818.70	127.77%	17,191.18	3,877.52	18.40%
Employee Benefits:						-	-	-	0.00%				0.00%			0.00%
5060 Insurance	68,503.70	67,531.92	971.78	1.44%	0.18%	-	-	-	0.00%	67,531.92	68,503.70	971.78	1.44%	52,937.64	15,566.06	22.72%
5060 Retirement 401(K)	66,644.29	64,849.88	1,794.41	2.77%	0.33%	-	-	-	0.00%	64,849.88	66,644.29	1,794.41	2.77%	51,500.75	15,143.54	22.72%
5060 Compensated Absences	13,283.74	-	13,283.74	100.00%	2.43%	-	-	-	0.00%	-	13,283.74	13,283.74	100.00%	10,265.28	3,018.46	22.72%
5060 Medical Reimbursement	7,383.83	6,000.00	1,383.83	23.06%	0.25%	-	-	-	0.00%	6,000.00	7,383.83	1,383.83	23.06%	5,706.01	1,677.82	22.72%
5065 Insurance	67,719.00	66,050.15	1,668.85	2.53%	0.30%	-	-	-	0.00%	66,050.15	67,719.00	1,668.85	2.53%	55,192.79	12,526.21	18.50%
5075 Legal - Admin	24,644.62	38,685.00	(14,040.38)	(36.29%)	(2.56%)	-	-	-	0.00%	38,685.00	24,644.62	(14,040.38)	(36.29%)	24,644.62	-	0.00%
5075 Legal - Estate	94,066.44	99,315.00	(5,248.56)	(5.28%)	(0.96%)	99,315.00	94,066.44	(5,248.56)	(5.28%)	-	-	-	0.00%	-	94,066.44	100.00%
5085 National Assessments	1,195,619.00	599,999.98	595,619.02	99.27%	108.81%	589,000.00	1,057,518.00	468,518.00	79.54%	10,999.98	138,101.00	127,101.02	1155.47%	138,101.00	1,057,518.00	88.45%
5090 NOLHGA Dues	97,625.00	97,625.00	0.00	0.00%	0.00%	-	-	-	0.00%	97,625.00	97,625.00	-	0.00%	68,309.13	29,315.87	30.03%
5095 Office Rent	188,135.54	189,199.46	(1,063.92)	(0.56%)	(0.19%)	-	-	-	0.00%	189,199.46	188,135.54	(1,063.92)	(0.56%)	131,984.12	56,151.42	29.85%
5100 Office Supplies	5,290.47	15,307.64	(10,017.17)	(65.44%)	(1.83%)	-	-	-	0.00%	15,307.64	5,290.47	(10,017.17)	(65.44%)	4,340.99	949.48	17.95%
5105 Operating Leases	1,536.78	1,520.00	16.78	1.10%	0.00%	-	-	-	0.00%	1,520.00	1,536.78	16.78	1.10%	1,265.24	271.54	17.67%
5111 NOLHGA Mtgs	16,115.19	20,000.00	(3,884.81)	(19.42%)	(0.71%)	5,000.00	-	(5,000.00)	(100.00%)	15,000.00	16,115.19	1,115.19	7.43%	16,115.19	-	0.00%
5113 Property Taxes	621.01	887.00	(265.99)	(29.99%)	(0.05%)	-	-	-	0.00%	887.00	621.01	(265.99)	(29.99%)	525.10	95.91	15.44%
5115 Payroll Taxes	39,982.57	40,015.26	(32.69)	(0.08%)	(0.01%)	-	-	-	0.00%	40,015.26	39,982.57	(32.69)	(0.08%)	31,063.53	8,919.04	22.31%
5120 Postage	1,786.91	864.00	922.91	106.82%	0.17%	200.00	756.21	556.21	278.11%	664.00	1,030.70	366.70	55.23%	1,030.70	756.21	42.32%
5122 Professional Service - Admin	35,465.76	50,680.00	(15,214.24)	(30.02%)	(2.78%)	-	-	-	0.00%	50,680.00	35,465.76	(15,214.24)	(30.02%)	35,465.76	-	0.00%
5122 Professional Service - Estate	11,211.36	1,700.00	9,511.36	559.49%	1.74%	1,700.00	11,211.36	9,511.36	559.49%	-	-	-	0.00%	-	11,211.36	100.00%
5125 Repairs & Maintenance	-	2,000.00	(2,000.00)	(100.00%)	(0.37%)	-	-	-	0.00%	2,000.00	-	(2,000.00)	(200000.00%)	-	-	0.00%
5130 Salaries	643,796.00	618,796.00	25,000.00	4.04%	4.57%	-	-	-	0.00%	618,796.00	643,796.00	25,000.00	4.04%	452,779.24	191,016.76	29.67%
5132 Licensing	97,247.06	90,100.00	7,147.06	7.93%	1.31%	-	-	-	0.00%	90,100.00	97,247.06	7,147.06	7.93%	53,046.37	44,200.69	45.45%
5145 Temporary Personnel	-	-	0.00	0.00%	0.00%	-	-	-	0.00%	-	-	-	0.00%	-	-	0.00%
5135 Record Storage	1,020.00	1,044.00	(24.00)	(2.30%)	(0.00%)	-	-	-	0.00%	1,044.00	1,020.00	(24.00)	(2.30%)	22.74	997.26	97.77%
5140 Telephone	8,394.41	8,400.00	(5.59)	(0.07%)	(0.00%)	-	-	-	0.00%	8,400.00	8,394.41	(5.59)	(0.07%)	6,911.60	1,482.81	17.66%
5070 Interest	131,437.54	204,982.00	(73,544.46)	(35.88%)	(13.43%)	-	-	-	0.00%	204,982.00	131,437.54	(73,544.46)	(35.88%)	35,235.84	96,201.70	73.19%
<b>TOTAL</b>	<b>3,078,295.76</b>	<b>2,530,879.97</b>	<b>547,415.79</b>		<b>100.00%</b>	<b>695,265.00</b>	<b>1,163,591.21</b>	<b>468,326.21</b>		<b>1,835,614.97</b>	<b>1,914,704.55</b>	<b>79,089.58</b>		<b>1,384,186.06</b>	<b>1,694,109.70</b>	<b>55.03%</b>



ACCOUNT NUMBER	ACCOUNT NAME	2025 PERCENT VARIANCE	2025 WEIGHTED PERCENT VARIANCE	2025 VARIANCE EXPLANATION
5010	Accounting and Auditing	(2.98%)	(.18%)	At the time the budget was developed, the TLHIGA was not aware of the cost of the annual financial audit. The financial audit was slightly under budgeted.
5015	Board Meetings & Expenses	(28.43%)	(.64%)	The budget anticipated fully attended, in-person Board meetings in 2025. Committee meetings were all held virtually and all of the Board meetings were held hybrid with not all Board members attending meetings in-person.
5020	Bad Debt Expense	0%	0%	No expenses
5022	Bank Fees	36.63%	.43%	The increased banking activity due mostly from the BHICOT insolvency and some from the FHIC insolvency resulted in higher bank fees than anticipated.
5030	Conferences	22.67%	.59%	There was more in-person attendance at various conferences by staff and Directors than was anticipated.



ACCOUNT NUMBER	ACCOUNT NAME	2025 PERCENT VARIANCE	2025 WEIGHTED PERCENT VARIANCE	2025 VARIANCE EXPLANATION
5035	Copying & Printing	(14.16%)	0%	The TLHIGA continues to move toward paperless administration to cut costs.
5050	Dues & Subscriptions	9.42%	.13%	Some subscriptions increased more than expected.
5052	Depreciation	.71%	.10%	Depreciation was slightly higher due to the purchase of some low-cost capital assets.
5055	Education & Training	127.77%	1.37%	The cost of attending some educational events were higher than budgeted and the TLHIGA staff was able to attend more events in 2025. Certain meetings included an educational aspect.
5060	Employee Insurance	1.44%	.11%	The increase in health insurance renewals was slightly higher than anticipated.
5060	Employee Retirement	2.77%	.21%	The budget did not contain some contribution changes made by employees during the year.
5060	Compensated Absences	100%	1.54%	This is a new item in 2024 from the adoption of GASB 101 and represents the accrued time off of the employees. There was no budget for this line item. It will be added in 2026 using anticipated employee time off which is difficult to estimate.



ACCOUNT NUMBER	ACCOUNT NAME	2025 PERCENT VARIANCE	2025 WEIGHTED PERCENT VARIANCE	2025 VARIANCE EXPLANATION
5060	Employee Medical Reimbursement	23.06%	.16%	The budget is set at the maximum allowed for medical reimbursements. Employees used both the current year allocation and some of the roll forward from prior years.
5065	Insurance	1.44%	.11%	Renewals for the TLHIGA's Business Owner's, Umbrella and Workers Comp policies were more than expected.
5075	Legal-Admin	(36.29%)	(1.63%)	Management develops the budget amount from expense experience in the prior calendar year and then adjusts for anticipated changes in the current year. Actual expenses were lower than anticipated due to the reduction in engaged counsel.
5075	Legal-Estate	(5.28%)	(.61%)	There was slightly less estate specific legal work than was budgeted.
5085	National Assessments	99.27%	68.95%	This expense is the most difficult to estimate as the TLHIGA is not privy to the expenses of the various NOLHGA insolvencies. Management uses prior year numbers and any knowledge of large changes in expenses. In 2025, the Global companies created significantly more expenses than anticipated while the FHIC and BHICOT insolvencies began to wind down in the latter part of the year.



<b>ACCOUNT NUMBER</b>	<b>ACCOUNT NAME</b>	<b>2025 PERCENT VARIANCE</b>	<b>2025 WEIGHTED PERCENT VARIANCE</b>	<b>2025 VARIANCE EXPLANATION</b>
5090	NOLHGA Dues	0%	0%	The TLHIGA was made aware of the amount prior to the issuance of the budget.
5095	Office Rent	(.56%)	(.12%)	Operating expenses and parking expenses were slightly lower than expected.
5100	Office Supplies	(65.44%)	(1.16%)	Management budgets office supplies based on prior year activity with adjustments for anticipated activity for the coming year. Due to the continuing move to electronic communications, claims, banking, etc., the TLHIGA purchased much less than anticipated.
5105	Operating Leases	1.10%	0%	The pass-through lease expenses were slightly more than anticipated.
5111	NOLHGA Meetings	(19.42%)	(.45%)	The budget anticipated full attendance at all in-person NOLHGA meetings. The meetings continue to be hybrid which, along with reduced attendance, has resulted in lower costs than expected.
5113	Other Taxes	(29.99%)	(.03%)	The estimate for taxes assumes, based on past trends, a certain increase in rates and new assets for property taxes. These did not materialize in 2025.



ACCOUNT NUMBER	ACCOUNT NAME	2025 PERCENT VARIANCE	2025 WEIGHTED PERCENT VARIANCE	2025 VARIANCE EXPLANATION
5115	Payroll Taxes	(.08%)	0%	The budget assumes certain tax rates from the state which were slightly lower than expected.
5120	Postage	106.82%	.11%	The estimate was based on prior years, adjusted for an anticipated assessment mailing and additional cost for in-house policy administration. The Global, FHIC and BHICOT insolvencies cost more than anticipated.
5122	Professional Services-Admin	(30.02%)	(1.76%)	The use of the TLHIGA's IT vendor was less than estimated and decreases in fees for other vendors was more than anticipated.
5122	Professional Services-Estate	559.49%	1.10%	The costs of the allocated IT expenses along with estate related vendor services were greater than estimated
5125	Repairs & Maintenance	(100.00%)	(.23%)	There were no repair or maintenance costs in 2025.
5130	Salaries	4.04%	2.89%	The budget did not include the accrual of certain compensation that causes the budgeted amount to differ slightly from the actual.



ACCOUNT NUMBER	ACCOUNT NAME	2025 PERCENT VARIANCE	2025 WEIGHTED PERCENT VARIANCE	2025 VARIANCE EXPLANATION
5145	Temporary Personnel	0%	0%	The TLHIGA did not use temporary personnel in 2025.
5132	Licensing	7.93%	.83%	The licensing fees for the TLHIGA imaging, network administration and policy administration systems were more than expected in 2025, including increases in the imaging system and the accounting system.
5135	Record Storage	(2.30%)	0%	The increase in fees was less than anticipated.
5140	Telephone	(.07%)	0%	The expenses were slightly lower than expected.
5070	Interest	(35.88%)	(13.43%)	The interest expense has been adjusted to remove the interest from investments as that is netted against interest income. The remaining interest expenses are from the capital lease and intercompany borrowing. The capital lease interest is known and there is no variance. The intercompany interest is from the FHIC and BHICOT insolvencies and cannot be accurately estimated as the amount each insolvency needs to borrow monthly to cover its expense cannot be accurately forecasted. The borrowings were less than expected and resulted in lower interest costs.

## **Item 11**

Consideration and possible action regarding the Audit Committee's 2026  
Calendar of Activities



## **COMMITTEE'S CALENDAR OF ACTIVITIES AND PLANNING FOR 2026, INCLUDING NEXT MEETING DATE**

On pages 11-2 and 11-3 are the portions of the Calendar of Activities relating to the 2026 meeting dates, activities, and agenda items for the Audit Committee. The tentative meeting dates and agenda 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 **Monday, October 12, 2026**, one week before the October Board of Directors meeting.

The list of items to be addressed during the October 12, 2026, meeting tentatively includes the following:

- Develop the 2027 Audit Plan and prepare a recommendation to the Board of Directors for adopting and filing it with the Commissioner of Insurance,
- Conduct the annual review of the Committee Charter,
- Review the TLHIGA's commercial insurance program to confirm the adequacy to mitigate anticipatable risks, and
- Review the assumptions that will be used for developing the 2027 Operating and Capital Expenditure budgets that will be presented to the Board of Directors at its January 2027 meeting.



2026 Calendar of Activities (AUDIT COMMITTEE) updated as of 1/30/26

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
17	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.	
21	ED		4/1/26	<b>EXECUTIVE DIRECTOR</b> (or staff) will file the final agenda for the April 7, 2026 Audit Committee meeting with the Texas Secretary of State's office.	
22	AUD	CH	4/6/26	<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 2026 Audit Plan.	
23	AUD	CH	4/7/26 9:00 AM virtual	<p><b>Audit Committee Meeting</b></p> <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 2026 (current year's) Audit Plan based on findings in the annual financial audit</li> <li>- Review the independence and performance of the auditor</li> <li>- Consider the scope of the financial statements audit as of December 31, 2026</li> <li>- Determine whether additional reviews should be conducted through consulting arrangements with an auditor</li> <li>- Review the necessity to select a new auditor</li> <li>- Develop a recommendation for engagement of auditor for audit of financial statements as of December 31, 2026</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> </ul>	
24	AUD	CH	4/10/26	<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 21, 2026 Board of Directors meeting	
26	BOD AUD	CH CH	4/21/26 8:30 AM	<p><b>Board of Directors Meeting</b></p> <p><b>AUD COMM CHAIR</b> will provide a report to the Board of Directors that includes the following:</p> <ul style="list-style-type: none"> <li>- A recommendation regarding the current year's annual financial audit</li> <li>- A recommendation on whether the current year's Audit Plan should be revised</li> <li>- A recommendation regarding the engagement of the auditor for the audit of the financial statements as of December 31, 2026</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</li> </ul>	



2026 Calendar of Activities (AUDIT COMMITTEE) updated as of 1/30/26

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
27	ED		4/22/26	<b>EXECUTIVE DIRECTOR</b> will notify selected audit firm of the Board of Directors' engagement decision	
28	ED		4/29/26	<b>EXECUTIVE DIRECTOR</b> will file the 2025 Annual Report with the Commissioner of Insurance	
40	AUD	CH	9/30/26	<b>AUD COMM CHAIR</b> will review the draft agenda for the October 19, 2026 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.	
42	ED		10/13/26	<b>EXECUTIVE DIRECTOR</b> (or staff) will file the final agenda for the October 19, 2026 Audit Committee meeting with the Texas Secretary of State's office.	
43	AUD AUD	CH	10/20/26 9:00 AM virtual	<b>Audit Committee Meeting</b> - Develop the 2027 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 2027 budgets that will be presented to the Board of Directors at its January 26, 2027 meeting - Annual review of the Committee's Charter	
45	BOD AUD	CH CH	10/27/26 8:30 AM	<b>Board of Directors Meeting</b> - Action to fill officer and committee vacancies - Action to engage an auditor to conduct the annual financial audit as of YE 2026 - Action to adopt the 2027 Audit Plan and to file it with the Commissioner of Insurance - Action to select a firm to conduct network penetration testing - 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 - Report on governance issues regarding Directors' feedback and BOD performance - Executive Director's report on operations - Regular operational and financial approvals (i.e. minutes, NOLHGA invoice, future meetings, financial statements, etc.)	