

TO ALL MEMBERS OF THE BOARD OF GOVERNORS FOR THE LOUISIANA CITIZENS PROPERTY INSURANCE CORPORATION AND THE PUBLIC

RE: LOUISIANA CITIZENS PROPERTY INSURANCE CORPORATION

 BOARD OF GOVERNORS MEETING

 NOVEMBER 9, 2017 MINUTES

Ladies and Gentlemen:

A special meeting of the Governing Board for the Louisiana Citizens Property Insurance Corporation was held on Thursday, November 9, 2017. The meeting was conducted at the offices of the Department of Insurance located at 1702 N. Third St. Baton Rouge, Louisiana, Hearing Room, commencing at 1:00 P.M.

Present were: Elizabeth Butler, Chairwoman

Eugene Montgomery, Vice Chair

Jeff Albright

Jason Dupree

Tom Glasson

Craig LeBouef (arrived following roll call)

Kevin Reinke

Renee Roberie

William (Bill) Starr

Rep. Talbot (arrived following roll call)

Brian Van Dreumel

Absent were: Brian Chambly

Gene Galligan

Sen. Smith

Also present: Commissioner Jim Donelon

Richard Newberry

Steve Cottrell

Paige Harper

Ricky Lindsey

Joe Sciortino

 Denise Gardner

Chairwoman’s Report

The meeting was called to order at 1:03 p.m. by the Vice Chair Montgomery. He announced that he was sitting in because of the retirement of former Chairwoman Denise Gardner. He wished Ms. Gardner luck in her retirement. Next, Vice Chair Montgomery asked Ms. Harper to call roll. There being a quorum present, he began with a report on the Executive Committee meeting scheduled to be held the previous week on November 1, 1017. A formal meeting could not be held due to the lack of a quorum, but Rep. Talbot and Vice Chair Montgomery met with LCPIC management to review the 2018 proposed budget. Vice Chair Montgomery noted that the proposed budget would be discussed with the Board in detail later in the meeting.

The next item of business the Vice Chair addressed was the election of a Board Chair. Mr. Starr nominated Ms. Elizabeth Butler, the Commissioner of Insurance’s new designee to the Board. Mr. Van Dreumel seconded the nomination. Vice Chair Montgomery called for a roll call vote. Prior to the vote, Mr. Albright asked for clarification as to whether the Commissioner had already appointed Ms. Butler to the Board as his designee. Vice Chair Montgomery responded in the affirmative. With no further discussion forthcoming, a roll call vote was taken and Ms. Butler was unanimously voted in as the new Chair of the Louisiana Citizens Property Insurance Corporation Board of Directors. Ms. Butler addressed the Board, thanking them for their support and letting them know that she has been an attorney for thirty years and with the LDOI for five years.

With the election complete, Vice Chair Montgomery handed the “gavel” over to Chair Butler, who took over the remainder of the meeting.

Next, she moved on to the second agenda item, the Board Committee membership. Chair Butler presented a proposal for each Committee (see attached) and asked for comments. Mr. Montgomery suggested that Mr. Van Dreumel be added to the Actuarial Committee since he is an actuary and Mr. Reinke asked that he be added to the Compensation Committee. Mr. Albright moved to approve the proposed committee membership with the requested additions. Mr. LeBouef seconded the motion. With no further discussion on the motion, a vote was taken. The motion passed unanimously.

The next item of business was the minutes of the September 14, 2017 meeting. After a review of the minutes, Mr. Dupree moved to approve the minutes. Mr. Albright seconded the motion. With no further discussion on the motion forthcoming, a vote was taken and the motion passed unanimously.

The next item on the agenda was the CEO Report.

CEO Report

1. Overview. Mr. Newberry began by giving an overview of the company. He highlighted the 2017 forecast versus the 2017 budget. The company is forecast to have a net income of $18.1 million in 2017, while the budget was only for $17.6 million. The increase was due to unexpected recoveries made within the reinsurance program. However, direct written premiums were under budget by approximately $20 million. Around 10,000 policies were depopulated, with another 5,000 lost in other ways. The situation was offset in part due to reinsurance expense being $6 million under budget and having an unearned premium reserve of $8 million. Additionally, operating costs were down again in 2017, at $786,000 under budget. This brings LCPIC to the proposed 2018 budget, which would be a net loss of $7.4 million. The budget is very conservative, but with reduced income and continued depopulation and attritional losses, the ending cash reflects a decrease of $33 million for 2018. After a lengthy discussion related to the budget and reinsurance, Mr. Newberry moved on to the next item on his agenda, the management report.

B/C) Management Report and Depopulation Update. Next Mr. Newberry talked about the management report. He pointed out that in September 2016 LCPIC had 65,681 policies. Prior to the 2017 round of depopulation there were 50,774 policies. As of the day of the Board meeting, 10,072 policies had been assumed, taking LCPIC’s count down to around 40,000 policies. However, the deadline for policyholders to opt out is February 28, 2018, so the final count will not be known until that date.

1. 2018 Slate of Officers. Mr. Newberry presented the slate of officers for 2018. He began by noting that Mr. Cottrell, the CFO would be retiring after working for LCPIC for 9.5 years. Mr. Newberry, as well as Commissioner Donelon, gave a farewell to Mr. Cottrell and thanked him for his service. Mr. Newberry also noted that Mr. Ramachandran, who was not in attendance, would also be retiring from LCPIC at the end of the year. The officers presented for 2018 were Mr. Newberry as CEO, Ms. Harper as General Counsel/Chief Administrative Officer/Corporate Secretary, Mr. Lindsey as CIO and Mr. Sciortino as VP of Accounting and Finance. Mr. Albright moved to accept the slate of officers. Mr. Starr seconded the motion. With no further discussion on the motion forthcoming, Chair Butler called for a vote. The motion was passed unanimously.

At this point in the meeting Commissioner Donelon took the opportunity to call upon Denise Gardner, the former Chair of LCPIC. He thanked her for her service and contributions to the LDOI and LCPIC.

1. Third Quarter Financials. Mr. Cottrell noted that the financials were given in advance to the Audit Committee, even though they were unable to formally meet, for a review. He asked Mr. LeBouef to comment. Mr. LeBouef stated that he had reviewed the financials and had a few questions, which Mr. Sciortino answered with no problem. He finds everything to be in order. Mr. LeBouef then moved that the Board approve the submission of the third quarter financials to the Department of Insurance. Mr. Albright seconded the motion. With no further discussion on the motion, Chair Butler called for a vote and the motion was approved unanimously.
2. 2018 Budget. Mr. Cottrell noted that Mr. Newberry had already spoken about the strategic direction of the budget. He introduced Mr. Sciortino, who would go over the numbers. The budgeted direct written premium for 2018 is $67.5 million, which is $22.5 million under 2017. In 2018 LCPIC is budgeting $14.6 million for operating expenses, which is $854,000 under the 2017 forecast. The bottom line is that there is a $7.4 million net loss budgeted for 2018. Budgeted surplus for 2018 is $140 million, down from $144 million in 2017. After completing an in depth look at the budget and answering questions from the Board, Mr. Montgomery and Rep Talbot commented that they spent time with LCPIC management going over the budget and feel it to be very thorough and detailed. Rep. Talbot also noted that there will be a Joint meeting of the House and Senate Insurance Committee’s on January 9th at 10:00 am to shed some light on the state of LCPIC. At that point, Mr. Dupree moved that the Board approve the proposed 2018 budget. Mr. Montgomery seconded. With no further discussion on the motion forthcoming, Chair Butler called for a vote. The motion was approved unanimously.
3. Commercial Rate Implementation. Mr. Cottrell reported that the Commercial Rate Filing that the Board previously voted to file, with a 5.2% increase, was approved as filed. He asked the Board to approve implementation of the filing. Mr. Van Dreumel moved to implement the 5.2% commercial rate increase approved by the LDOI. Mr. LeBouef seconded the motion. With no further discussion on the motion forthcoming, Chair Butler called for a vote. The motion was approved unanimously.
4. Complaints. Ms. Harper informed the Board that for the months of September and October 2017, only four complaints were received via the Department of Insurance. Two were claim related and two were policy related.

The next item on the agenda was the Executive Session. Chairwoman Butler asked if anyone from the public first wished to address the Board. With no speakers from the public, Chairwoman Bulter stated that she would entertain a motion to go into Executive Session to discuss potential and pending litigation and the HR Complaint Report. Mr. Montgomery so moved. Mr. LeBouef seconded the motion. The Chairwoman called for a roll call vote. The motion passed unanimously and the Board entered into Executive Session. Everyone except LCPIC staff and the Board were asked to leave the room.

--------------------------------------------------------------Executive Session-----------------------------------------------------------------

At the conclusion of the Executive Session, Chairwoman Butler asked for a motion to exit Executive Session and re-enter the public forum. Mr. Starr so moved. Mr. LeBouef seconded the motion. A roll call vote was taken. The motion passed unanimously. Chairwoman Butler noted that the Board had re-entered the public forum. She asked that the record reflect that the Board did not take any formal action while in Executive Session.

With the conclusion of the agenda, and with no further business to discuss, the meeting was adjourned at 2:35 pm.

**Adjourn**

**Paige M. Harper**

**General Counsel and Corporate Secretary/Chief Administrative Officer**

**Approved:**

I hereby certify that these are a true and correct copy of the November 9, 2017 minutes that were adopted by the Board of Directors of Louisiana Citizens Property Insurance Corporation on January 11, 2018.

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Paige M. Harper, Secretary