

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

 MAY 11, 2017 MINUTES

Ladies and Gentlemen:

A meeting of the Governing Board for the Louisiana Citizens Property Insurance Corporation was held on Thursday, May 11, 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: Denise Gardner, Chairwoman

 Jeff Albright (arrived following roll call)

Eric Berger

Jason Dupree

Thomas Enright

Gene Galligan

Tom Glasson

Craig LeBouef

Sen. Smith

Brian Van Dreumel

Absent were: Eugene Montgomery

Kevin Reinke

William (Bill) Starr

Rep. Talbot

William Waldrop

Also present: Commissioner Jim Donelon

Richard Newberry, CEO

Steve Cottrell

Paige Harper

 Vijay Ramachandran

 Ricky Lindsey

Chairwoman’s Report

Chairwoman Gardner called the meeting to order at 1:11 p.m., asking Ms. Harper to call roll. There being a quorum present, she began by welcoming Mr. Tom Glasson, of AIG, to the Board of Directors as a representative of the AIA and an appointee of Governor Edwards. Chairwoman Gardner then reminded the Board members of the May 15th deadline to submit their 2.1 financial disclosures to the Board of Ethics. Failure to file the disclosure brings a hefty fine. Finally, she updated the Board on the status of the three bills brought to the Legislature with regard to LCPIC. One was to create reciprocity for non-resident agents to place business in LCPIC, as long as the residual market in their home state allowed Louisiana agents to place business there as well. The next was a bill that was supported fully by the LCPIC Board. It would change how LCPIC manages the depopulation process. The third bill was written by Sen. Allain, which would have created a grant program utilizing LCPIC surplus for the retrofitting of homes in four coastal parishes. The LCPIC supported bill and Sen. Allain’s bill somehow became attached and both stalled in the Legislature. Neither will move forward.

Next, she moved on to the second agenda item, the minutes of the March 9, 2017 meeting. After a review of the minutes, Sen. Smith moved to approve them. Mr. Dupree 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 his report by updating the Board on LCPIC’s CAT bond and overall reinsurance program. First and foremost, LCPIC was able to obtain 225 basis points for a $100 million CAT bond. We have been told that it is a world record. It is the cheapest that any North American wind has been bought in the history of the world. That gives LCPIC and the citizens of the state a savings of $2.25 to $3 million. The purchase is a testament to the entire staff and to the Board for approving changes and improving the system. LCPIC’s full tower of reinsurance for 2017/2018 goes up to $650 million of coverage. The cost for the entire CAT bond and reinsurance program will be around $38 million, which is a little over $2 million under budget.

Next, Mr. Newberry noted that Fitch has upgraded LCPIC to an A+ from an A-, which is a jump of two notches and unusual to receive. It is very good news for LCPIC.

Finally, he noted that within the Management report it shows $21.5 million in written premium, year to date ($31.3 million year to date in 2016). Sixty-three percent of that is due to depopulation. Also, the report shows that post-depopulation LCPIC is down to around 52,000 policies.

1. Financials. Mr. Newberry asked Mr. Cottrell to present the next topic on the financials. Mr. Cottrell began by addressing the cash flow analysis. He noted that the big item is the reinsurance and CAT bond expense. Next, on the P&L page he noted an $8 million reduction in premiums written. Surplus is positive and has grown from $106 million to $111 million. After finishing his review, Mr. Cottrell introduced the first quarter 2017 financial report for the Board’s approval before their submission to the Department of Insurance. Craig LeBouef, Chair of the Audit Committee stated that he had reviewed the report and asked a few questions. He believed the financials to be very reasonable and fairly stated. He stated that he had no issues with any of the line items regarding the balance sheet or income statement or even the footnotes. Mr. LeBouef moved that the Board approve the financials and their submission to the Louisiana Department of Insurance. Sen. Smith seconded the motion. With no further discussion on the motion forthcoming, Chair Gardner took a vote and the motion passed unanimously.

After the vote, Mr. LeBouef informed the Board that he had met with the Auditors and was told that the Audit has gone very smoothly. The statutory financials are expected to be ready for June 1. They were very complimentary of LCPIC management. Everything requested has been returned timely and there has been no pushback.

1. Regions Bank Line of Credit Renewal. Next, Mr. Cottrell brought to the Board the renewal of the line of credit with Regions Bank. He proposed that LCPIC be allowed to work with Regions Bank to secure a line of credit in the amount of $50 million for a period of two years. The $50 million line would be a reduction from $100 million line of credit, but LCPIC believes that $50 million is appropriate given its significant reduction in policies. After an in depth discussion, Mr. LeBouef moved to approve a resolution to renew a decreased line of credit of $50 million with Regions Bank and to give Chair Gardner authority to sign the resolution. Mr. Albright seconded the motion. With no further discussion on the motion forthcoming, Chair Gardner called for a vote. The motion passed unanimously.
2. 2016 Actuarial Report. Mr. Cottrell called to the Board’s attention the 2016 Actuarial Review, specifically of the company’s reserves. The goal is to not be too high or too low on reserving. The range we’ve been given is $24.8 million to $49.9 million. LCPIC is at $40 million. The auditors agreed that this leaves LCPIC in a good position.
3. 2016 Audit Update. This was talked about by Mr. LeBouef earlier.
4. Complaints. The final item on the CEO report was complaints. Ms. Harper reported that in March and April 2017, four complaints were received. Two were claim related and two were policy related.

The next item on the agenda was the Executive Session. Chairwoman Gardner asked if anyone from the public first wished to address the Board. With no speakers from the public, Chairwoman Gardner stated that she would entertain a motion to go into Executive Session to discuss potential and pending litigation. Mr. Albright so moved. Mr. Enright 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 Gardner asked for a motion to exit Executive Session and re-enter the public forum. Mr. Dupree so moved. Mr. Van Dreumel seconded the motion. A roll call vote was taken. The motion passed unanimously. Chairwoman Gardner 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, Chairwoman Gardner stated that the next Board meeting is scheduled for July 13, 2017. Mr. Dupree moved to adjourn the meeting; Mr. Galligan seconded. There being no opposition, the meeting was adjourned.

**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 May 11, 2017 minutes that were adopted by the Board of Directors of Louisiana Citizens Property Insurance Corporation on July 20, 2017.

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Paige M. Harper, Secretary