

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

 JANUARY 10, 2019 MINUTES

Ladies and Gentlemen:

A meeting of the Governing Board for the Louisiana Citizens Property Insurance Corporation was held on Thursday, January 10, 2019. 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: Nicholas Lorusso, Chairman

Eric Berger

Brian Chambley

Gene Galligan

Denise Gardner

Tom Glasson

Ron Henson

Craig LeBouef

Eugene Montgomery

William (Bill) Starr

Rep. Talbot

Absent were: Jeff Albright

Kevin Reinke

Sen. Smith

Brian Van Dreumel

Also present: Commissioner Donelon

John Schroder, Louisiana State Treasurer

Richard Newberry, CEO

Paige Harper

 Joe Sciortino

Derek Haney

 Noble Ellington

Chairman’s Report

Chairman Lorusso called the meeting to order at 1:12 p.m., asking Ms. Harper to call roll. There being a quorum present, he began by welcoming the State Treasurer, John Schroder, and Noble Ellington to the meeting. He then moved on to the second agenda item, the minutes of the prior meeting on November 8, 2018. After a review of the minutes, Mr. Glasson moved to approve them as proposed. Mr. Lebouef 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 and Management Report. Mr. Newberry began his report by directing the Boards attention to the Management report in the Board book. He noted that LCPIC’s in-force policy count is at 39,252, down from 49,876, the prior year.
2. 2019 LCPIC Reinsurance Market and Strategy Update. Mr. Newberry gave the Board a summary overview of the reinsurance market as LCPIC moves toward it’s 2019 reinsurance renewal date. LCPIC itself is in a good position going into the renewal due to a lack of losses, and not including assignment of benefits in our policies, as other companies have included. The Board approved a $25 million spend for reinsurance in the 2019 budget. As we meet with reinsurer’s to work on the 2019-2020 reinsurance treaty, LCPIC will do a lot of modeling. That, combined with our good position in the market, will hopefully translate into a rate reduction for LCPIC.

C) Depopulation Update. Mr. Newberry reported that LCPIC put out for depopulation approximately 2000 policies. Of the 2000, 600 were selected. Only 32 were authorized for depopulation by the applicable agent(s) of record. As of the date of the Board meeting, two of those policies had opted out.

1. Personal Lines Rate Filing Proposal The next topic on the agenda was the proposed personal lines rate filing. Mr. Newberry thanked the Board members for attending the meeting since it is imperative to vote on proposed rate filings and a lack of quorum would put LCPIC at risk for not having rates approved and implemented as required. He then reviewed the process taken to come up with the proposed rates. He explained that there are three main steps, 1) an actuarial rate making review; 2) the market study; 3) comparing the actuarial study rates to the market study rates and taking the higher of the two, then adding an additional ten (10) percent to those rates. He also spoke about looking at each individual product by parish and taking a granular view when determining rates. After completing the review, Mr. Newberry reported that the proposed personal lines rates represent a 3.6% rate increase in the FAIR Plan, a 9.6% rate increase in the Coastal Plan, both of which come to a 4.2% rate increase overall, with a proposed effective date of 6/1/2019. After an in depth discussion of the rating process, Chair Lorusso asked if anyone would like to move to approve the proposed rates and methods and formulas for filing. Mr. LeBouef moved to submit the proposed rates to the LDOI for approval and to approve the formulas and calculations that went into the making the rates. Rep. Talbot seconded the motion. With no further discussion on the motion forthcoming, Chair Lorusso called for a vote. The motion passed unanimously. Mr. Berger then made a motion to allow LCPIC to implement the rate filing as approved by the LDOI as long as there is not a material change of more than plus or minus .5%. Mr. Galligan seconded the motion. With no further discussion on the motion forthcoming, Chair Lorusso called for a vote. The motion passed unanimously.
2. Financials.. Mr. Sciortino presented the November 2018 financials. As of November, LCPIC operating cash of $123.2 million, another $84.3 million in investments for a total cash/investment position of $207.5 million. Looking forward six months, it is anticipated that LCPIC will have operating cash of $129.8 million with another $82.7 in investments for a total of $212.5 million. On the income statement net income through November is $15.8 million. With regard to surplus, the amount is $172.8 million through November. As LCPIC continues to have positive net income for the year, we continue to add to surplus. On the balance sheet, there is nothing of significance to note. No material changes. The LCPIC bonds listed in the liability section are the 2005 deficit bonds and are scheduled to be paid off in 2026.
3. Complaints. The final item on the CEO report was complaints. Ms. Harper reported that in November and December 2018, two complaints were received. One claim related and one policy related. The claim related complaint was actually about payment in the class action, so was not about LCPIC action or inaction. With no questions regarding the claims, Chair Lorusso moved forward with the agenda.

With the CEO report concluded, Chairman Butler moved on to the Executive Session. He asked if anyone from the public first wished to address the Board. With no speakers from the public, Chairman Lorusso stated that he would entertain a motion to go into Executive Session to discuss potential and pending litigation. Mr. Lebouef so moved. Mr. Montgomery seconded the motion. The Chairman 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, Chairman Lorusso asked for a motion to exit Executive Session and re-enter the public forum. Mr. Glasson so moved. Mr. Lebouef seconded the motion. A roll call vote was taken. The motion passed unanimously. Chairman Lorusso noted that the Board had re-entered the public forum. He 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 no further business to discuss, Chairman Lorusso asked for a motion to adjourn. Mr. Berger so moved; Mr. Montgomery seconded. There being no opposition, the meeting was adjourned at 1:51 p.m.

**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 January 10, 2019 minutes that were adopted by the Board of Directors of Louisiana Citizens Property Insurance Corporation on May 9, 2019.

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Paige M. Harper, Secretary