

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
MARCH 12, 2020 MINUTES

Ladies and Gentlemen:

A meeting of the Governing Board for the Louisiana Citizens Property Insurance Corporation was held on Thursday, March 12, 2020. 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
Brian Chambley
Renee Free
Gene Galligan
Craig LeBouef
Eugene Montgomery
Kevin Reinke
Brian Van Dreumel

Absent were: Jeff Albright
Eric Berger
Tom Glasson
William (Bill) Starr
Sen. Talbot
Rep. Brown

Also present: Richard Newberry, CEO
Paige Harper
Joe Sciortino
Derek Haney
Ricky Lindsey

Chairman's Report

Chairman Lorusso called the meeting to order at 1:00 p.m., asking Ms. Harper to call roll. There being a quorum present, Chair Lorusso then moved on to the second agenda item, the minutes of the prior meeting on January 9, 2020. After a review of the minutes, Mr. LeBouef moved to approve them as proposed. Mr. Galligan 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

A) Overview. Mr. Newberry began his report by giving the Board a reinsurance update. He outlined LCPIC's renewal strategy, explaining the three things at the heart of the renewal efforts: LCPIC exposure, intensive modeling and structure. Specifically, LCPIC's exposure has dipped from a TIV of \$6.8 billion down to \$6.5 billion. Then with the modeling scenario's LCPIC is able to see the impact different loss situations and reinsurance structures would have to the company. Due to the reduction in TIV, LCPIC is proposing to reduce the reinsurance tower to \$560 million from \$610 million last year. LCPIC will also be working to replace the expiring CAT Bond with a CAT Bond through a monetary authority in Singapore, which has the ability to save LCPIC approximately \$410 million in expenses over the life of the three year CAT Bond. After answering questions from Board members, Mr. Newberry moved on to the next topic, the approval of the vendors chosen in the CAT Vendor RFP process.

The chosen and proposed vendors are as follows:

CAT Administrative Services: Alacrity

Backup Third Party CAT Administrator: MD Claims Group

Adjusting Services: BSA Claims,

Inspection Depot,

Legion Claim Solution,

Schafer and Wood, and

Team One

Call Center: Alacrity

Mr. LeBouef moved to approve the vendor selections chosen by the vendor selection team as a result of and pursuant to the requirements of the CAT Vendor RFP. Mr. Van Dreumel seconded the motion. With no further discussion on the motion forthcoming and no objections, the motion was approved unanimously.

B) Personal Lines Rate Filing Update. The next topic on the agenda was the personal lines rate filing approved for filing at the January Board meeting at an overall increase of .4%. Mr. Newberry noted that at the January meeting Mr. Reinke stated that while reviewing the detail on the proposed filing, he saw one carrier which he believed should not have qualified in the market survey. The proposed rates were filed with the LDI as approved by the Board, but after reviewing Mr. Reinke's concern, the change was made to the market survey data, which reduced the rate change to a .1% decrease; the LDI approved the rates with the overall decrease of .1%. Since the Board also approved implementation if the final

approved rate is within .5% of the rate voted on by the Board, there is no need for the Board to vote again to implement the LDI approved rates. Mr. Newberry thanked Mr. Reinke for his contribution and pointed out that the process for review and approval is working when the Board and management work together.

C) Financials and Management Report. Next up, Mr. Sciortino presented the 2019 year end financials. As of the end of the year, LCPIIC had operating cash of \$142.5 million. That amount represents \$32.5 million in true liquid daily cash and \$110 million of cash equivalents (money market investments). In addition to that, LCPIIC had \$78.3 million in bond investments for total cash investments of \$220.8 million at the end of 2019.

Moving on to the income statement, Mr. Sciortino informed the Board that LCPIIC had \$9.8 million in net income for 2019, which was almost \$6 million over budget. Premium activity was also over budget and claims activity was basically on-budget; although direct losses incurred were \$3.9 million over budget due to reserving activity on Hurricane Isaac claims. LCPIIC ended 2019 with a surplus of \$186.4 million, up from \$174.3 million at the end of 2018. The balance sheet showed no significant movement.

The most significant number of note is the \$405.3 million payable on the LCPIIC bonds. That amount is down from \$463.8 million at the end of 2018. With regard to operating expenses, LCPIIC came in \$1.5 million under budget in 2019. In fact, almost all lines of the operating expenses were under budget.

After answering questions, Mr. Sciortino moved on to the Yellow Book financials. He noted that all of the numbers are the same as the ones he already summarized, just shown in the statutory format required by the Department of Insurance for filing. The financials were submitted to the Audit committee for review and need to be voted on by the Board and approved for filing. Prior to requesting a motion for approval, Chair Lorusso asked Mr. Sciortino to summarize the management report for the Board. Mr. Sciortino told the Board that LCPIIC ended 2019 with 36,371 policies and a TIV of just over \$7 billion. These numbers were down from 38,930 policies and a TIV of \$7.5 billion at the end of 2018. At this point, Mr. Montgomery moved to approve the LCPIIC 2019 financials, as well as to approve their filing with the Louisiana Department of Insurance. Mr. LeBouef seconded the motion. With no further discussion on the motion forthcoming and no objections, the motion was approved unanimously.

D) 2019 Audit. Next on the agenda was an update on the 2019 Audit. Mr. Sciortino stated that the auditors did field work on the audit in January and February. They reviewed the 2019 Yellow Book financials and gave their "blessing" to finalize them for filing. The audit is going well and the expectation is that the audit report will be finalized in April or May, well in advance of the June 1 filing deadline.

E) Complaints. The final item on the CEO report was complaints. Ms. Harper reported that in January and February 2020 only 1 complaint was received. It was claim related. With no questions regarding the claims, Chair Lorusso moved forward with the agenda.

With the CEO report concluded, Chairman Lorusso 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 LCPIIC 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. Van Dreumel so moved. Mr. Galligan 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 noted that the next meeting is scheduled for the second Thursday in May and asked for a motion to adjourn. Ms. Free so moved. There being no opposition, the meeting was adjourned at 2:12 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 March 12, 2020 minutes that were adopted by the Board of Directors of Louisiana Citizens Property Insurance Corporation on September 10, 2020.

Paige M. Harper, Secretary