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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
JULY 8, 2021 MINUTES

Ladies and Gentlemen:

A meeting of the Governing Board for the Louisiana Citizens Property Insurance Corporation was held on Thursday, July 8, 2021. 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: Nick Lorusso- Chair
Jeff Albright
Eric Berger
Brian Chambley
Gene Galligan
Shannon Johnson
Craig LeBouef
Tony Ligi
Eugene Montgomery
Kevin Reinke
William (Bill) Starr
Sen. Talbot
Brian Van Dreumel
Steven Werner

Absent were: Rep. Brown

Also present: Commissioner Donelon
John Schroder, Treasurer
Richard Newberry, CEO
Paige Harper
Joe Sciortino
Ricky Lindsey

Chairman's Report

Chairman Lorusso called the meeting to order at 1:07 pm, asking Ms. Harper to call roll. With fourteen members in attendance, a quorum was present. Chair Lorusso thanked Vice Chair Montgomery for chairing the May meeting. He also welcomed new Board members, Steve Warner and Shannon Johnson. He then moved on to the second agenda item, the minutes of the prior meeting in May 2021. After a review of the minutes, Mr. Ligi moved to approve them as proposed. Mr. Reinke 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 with a brief overview. He talked about how the increases in building materials has impacted the dollar amount of claims; however, it won't impact LCPIC's bottom line because of our reinsurance structure and the fact that we are in our aggregate. Mr. Newberry also reported that LCPIC is up 1477 policies over last year; not a huge increase given the storm activity of last year, which bodes well for the state and is a tribute to the industry and the leadership of the Commissioner.

Next, Mr. Newberry moved on to the 2021 Round of Depopulation. He noted that the Board had previously approved offering 8000 policies for the current round. This was twice the number of policies offered in each of the previous two years. This year SafePoint Insurance is the only company who applied to participate in depopulation. SafePoint's financial information is in the Board book for the Board members to review prior to voting on whether to approve SafePoint's participation. With no questions forthcoming, Sen. Talbot moved to approve SafePoint as a depopulation participant in the 2021 round of depopulation. Mr. Montgomery seconded the motion. At this point, Mr. Van Dreumel voiced an opposition to the approval based upon the rating of the company. An indepth discussion was held by the Board members and LCPIC staff, after which Mr. Van Dreumel offered a substitute motion to reject the application of SafePoint. Mr. Chambley seconded the motion. Chair Lorusso asked if there was any objection to the motion to reject Safepoint's application and hearing none, the motion was approved and the application by Safepoint was denied.

B) Financials and Management Report. Next up, Mr. Sciortino presented the May 2121 financials and the management report. He reported that as of May 31, 2021, LCPIC had operating cash of \$57 million and invested cash and cash equivalents of \$53.6 million, for a total operating position of \$110.6 million. LCPIC also had investments of \$76.1 million, leaving the company with a total cash and investment position of \$186.8 million. With regard to the income statement, at the end of May, LCPIC had a net income of \$2.8 million. That is \$1.6 million over budget. On the surplus side, LCPIC had a surplus of \$163.4 million at the end of May. This amount is up from \$161.9 million the previous year end. The balance sheet shows nothing unusual and no change to the LCPIC bonds. After answering some questions from the Board on expenses, Mr. Sciortino continued by noting that at the end of May, LCPIC had a total net enforce policy

count of 36,591 with a TIV of \$7.1 billion; slightly up from last year's count of 35,805 with a TIV of \$6.9 billion.

- C) 2020 Audit Update. Mr. Sciortino reported that both the statutory and GASB audit reports are in the Board book. The audit team issued unqualified opinions in both reports. No material weaknesses or deficiencies with internal controls or financial reporting were identified. They made comment on outdated firmware and unsupported systems, both of which are being or have been addressed. Mr. LeBouef, Chair of the Audit Committee noted that he and the other Audit Committee members reviewed the reports and had a conversation with the auditors in May. He said that he has no concerns and no surprises with the audit and finds LCPIIC overall to be in a fairly healthy financial position.
- D) 2005 Deficit Re-Certification. The next item on the agenda was the annual re-certification of the 2005 deficit, as is required under the bond documents. As of May 31, 2021, the restated 2005 deficit was \$1.358 billion. This is in comparison to the original amount of \$953.6 million as of 2005. Sen. Talbot moved to approve the re-certification of the deficit in the amount of \$1.358 billion. Mr. Galligan seconded the motion. With no further discussion and no objections the motion was passed unanimously.
- E) 2022 Assessment Rate. The next item on the agenda was the 2022 Assessment Rate. The proposed rate for 2022 is 2.44 percent. That percentage is calculated by taking the debt service costs for the year and dividing that by the statewide written premium amount we receive from the LDI. The percentage for 2022 is down from 2.49 percent for 2021. The calculated rate was submitted to the Louisiana Department of Insurance for verification. The LDI provided that verification and now LCPIIC staff is asking the Board of Directors to approve and set the 2022 assessment rate at 2.44%. After some discussion, Mr. Van Dreumel moved to approve the 2022 assessment rate at 2.44%. Sen. Talbot seconded the motion. With no further discussion forthcoming and no opposition, the motion was approved unanimously.
- F) Complaints. The final item on the CEO report was complaints. Ms. Harper reported that in May and June 2021, 11 complaints were received, all of which were claim related. With no questions regarding the claims, Chair Lorusso moved forward with the agenda.

With the CEO report concluded, Chair Lorusso noted that there was no need for an Executive Session. He asked if anyone from the public first wished to address the Board. With no speakers from the public and no new business to discuss, the agenda was concluded. Mr. Montgomery moved to adjourn. Sen. Talbot seconded. The meeting was adjourned at 2:09 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 July 8, 2021 minutes that were adopted by the Board of Directors of Louisiana Citizens Property Insurance Corporation on September 9, 2021.

Paige M. Harper, Secretary