

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
SEPTEMBER 10, 2020 MINUTES

Ladies and Gentlemen:

A meeting of the Governing Board for the Louisiana Citizens Property Insurance Corporation was held on Thursday, September 10, 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
Jeff Albright
Eric Berger
Brian Chambley
Gene Galligan
Tony Ligi
Craig LeBouef
Eugene Montgomery
Kevin Reinke
William (Bill) Starr
Brian Van Dreumel

Absent were: Tom Glasson
Sen. Talbot
Rep. Brown

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

Chair's Report

Chair Lorusso called the meeting to order and asked Ms. Harper to take roll. With a quorum present, the meeting moved forward.

The next item on the agenda was the minutes of the previous meeting in March 2020 (July meeting had no quorum). Mr. Albright moved to approve the March 2020 minutes. Mr. Montgomery seconded the motion. With no further discussion on the motion or the minutes, Chair Lorusso called for a vote. The minutes were approved unanimously.

Chairman Lorusso then moved to the CEO Report and asked Mr. Newberry to take over with his updates, but to wait to update the Board on LCPIC's Hurricane Laura response until Commissioner Donelon joined the meeting.

CEO Report

A) Overview and Depopulation. Mr. Newberry began his report with a quick review of the Management Report in the Board book. He informed the Board that LCPIC policies were down to 35,837 with a TIV of \$6.9 million. Next, he updated the Board on the 2020 round of depopulation. The process has been delayed and the timeline pushed back since the Board normally votes on several aspects of a depopulation round in July. However, this year the Board was unable to vote due to the lack of a quorum at the July meeting. Mr. Newberry reported that LCPIC management proposed to offer 4000 policies for depopulation in this round. Once the depopulation carriers choose from the 4000 policies, the agents of record on each policy is required to decide whether to authorize the depopulation of the policy. On all authorized policies, the insured has the opportunity to opt out of the depopulation of their policy and remain with LCPIC. This year, only two carriers, Safepoint and Southern Fidelity, applied to participate in depopulation. After a great deal of discussion among the Board members, with Mr. Newberry answering questions, Mr. Montgomery moved to:

Approve the proposed requirements, dates, and timeline, as presented during the September 10, 2020 Board meeting by LCPIC management, for Depopulation Round 14. This includes the authorization to offer 4,000 distinct policies for removal to the voluntary market, as determined based upon the geographic and risk characteristics of the highest PML, as well as 40% or higher PCS/AAL. Also, to approve the participation in this round of depopulation of Safepoint Insurance and Southern Fidelity.

The motion was seconded by Eric Berger. Due to opposition of several Board members, Chair Lorusso asked for a roll call vote. The motion passed by a majority vote of six (6) to four (4); Mr. Van Dreumel, Mr. LeBouef, Mr. Ligi and Mr. Chambley all opposed the motion.32121

B) Proposed Commercial Rate Filing. Mr. Newberry presenting the proposed rates and the methods in which they were calculated. He reminded the Board that the commercial rates are actuarially based with 10% added on, rather than determined by market survey. He informed the Board that the overall rate change proposed is a 2.7% increase, with a .2% decrease in the FAIR Plan and a 17.7% increase in the Coastal

Plan. LCPIC also proposes to adopt the ISO loss costs. After Mr. Newberry completed his presentation, Mr. Van Dreumel, Chair of the Actuarial Committee spoke in favor of the proposed rates and rate filing. He informed the Board that the Actuarial Committee met to review the proposal and after a good discussion the Committee voted to approve the proposed rates and filing and to recommend approval by the full Board. After some further discussion, Mr. Ligi moved as follows:

To approve the proposed commercial rate filing representing an overall 2.7% overall increase, with a .2% decrease in the FAIR Plan and a 17.7% increase in the Coastal Plan, as well the formulas used to determine the rates and to adopt the ISO loss costs; to approve the filing of the proposed rates with the Louisiana Department of Insurance; and, if approved by the Louisiana Department of Insurance as filed, or with no more than a +/- .5% change from the filed rates, to set the approved commercial rates for implementation on 2/01/2020.

Mr. Berger seconded the motion. With no further discussion forthcoming on the motion, a vote was called and the motion passed unanimously.

Next, Mr. Newberry asked Mr. Sciortino to address the financials.

C) Financials. Mr. Sciortino began by noting that as of July 31st 2020, LCPIC had operating cash of \$34.2 million, and cash equivalents and invested cash of \$114.8 million, for a total operating cash position of \$149.1 million. Bond investments were at \$74.8 million. This gives LCPIC a total cash and investment position of \$223.9 million. The company's biggest planned expenditures are for reinsurance. A payment of \$7 million will be made in September and another \$3.9 million payment will be made in January 2021. As of July 31st, LCPIC was over budget on net income at \$5.3 million and a surplus of \$186.4 million. Mr. Sciortino then reviewed the 1st quarter 2020 financials, which could not be addressed earlier as planned due to the lack of quorum at the July meeting, followed by the 2nd quarter financials. Mr. LeBouef, Chair of the Audit Committee, commented that both sets of financials had been sent to the Audit Committee members to review and ask questions. He reported that the members found everything to be positive. Mr. Van Dreumel moved to:

Approve the 1st Quarter 2020 financials presented by LCPIC management and reviewed by the members of the Audit Committee; and to ratify the earlier filing of those financials with the Louisiana Department of Insurance, which was completed by May 15, 2020, the required due date.

Mr. Starr seconded the motion. With no further discussion forthcoming and no opposition, the motion was approved unanimously.

Mr. LeBouef then moved to:

Approve the 2nd Quarter 2020 financials presented by LCPIC management and reviewed by the members of the Audit Committee; and to ratify the filing of those financials with the Louisiana Department of Insurance as of August 15, 2020, the required due date.

Mr. Chambley seconded the motion. With no further discussion forthcoming and no opposition, the motion was approved unanimously.

D) 2005 Deficit Re-certification. The next item on the agenda was the recertification of the 2005 deficit, as is required annually by the bond covenants. Mr. Sciortino reported that as of May 31, 2020 the deficit had

reached the amount of \$1.358 billion. This is up from \$953.6 million as of the December 31, 2005. After further explanation of the process used in the recertification by Mr. Sciortino, Mr. LeBouef moved to:

Approve the re-certification, as required annually by the terms of the outstanding LPIC Katrina and Rita related bond covenants, of the 2005LCPIC deficit at an amount of \$1.358 billion.

Mr. Van Dreumel seconded the motion. With no discussion forthcoming and no opposition, the motion was approved unanimously.

E) 2021 Assessment Rate. Mr. Sciortino reported to the Board that the calculation for the 2021 emergency assessment rate related to the payment of the 2005 deficit and bonds resulted in a proposed rate of 2.49%. The 2020 rate was 2.6%. The rate each year is calculated by dividing the debt service cost on the 2005 bonds for the following year, by the assessable statewide written premium as provided by the Louisiana Department of Insurance. With no questions forthcoming, Mr. Albright moved to:

Approve, and set for implementation, the 2021 Assessment rate at 2.49%, as calculated by LCPIC and verified by the Louisiana Department of Insurance.

Mr. Montgomery seconded the motion. With no opposition, the motion was approved unanimously.

At this point in the meeting, Commissioner Donelon joined the Board meeting, so Mr. Newberry began his update on LPIC's response to Hurricane Laura. He noted to the Board that by contract, LCPIC has the right of first refusal on up to 725 adjusters. However, LCPIC only requested 250 adjusters based on modeling showing the company's exposure in the path of the storm, as well as a "rule of thumb" that allows for 50 claims per adjuster. Alacrity Solutions is LCPIC's primary TPA, with MD Claims as their backup. As of the date of the Board meeting LCPIC had received 2,316 claims. In Calcasieu Parish, LCPIC has 1,539 policies. To date, 1,393 filed claims as a result of Hurricane Laura. Since many claimants did not have mail service following the storm, LCPIC prints checks and hand delivers them to Alacrity. Alacrity then shuttles them to the Lake Charles area for distribution. After completing an in depth review of LCPIC's response, Board members joined in the discussion and thanked Mr. Newberry for the update.

F) Complaints. The final item on the CEO report was complaints. Ms. Harper reported that in July and August 2020 only one complaint was received. As of the date of the Board meeting, no complaints related to Hurricane Laura had been received.

With the conclusion of the CEO report, Chair Lorusso moved on to the Executive Session. He asked if anyone from the public first wished to address the Board. With no other speakers from the public stepping forward, Chair Lorusso stated that he would entertain a motion to go into Executive Session to discuss potential and pending litigation. Mr. LeBouef so moved. Mr. Van Dreumel seconded the motion. Chair Lorusso 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, Chair Lorusso asked for a motion to exit Executive Session and re-enter the public forum. Mr. LeBouef so moved. Mr. Van Dreumel seconded the motion. A roll call vote was taken. The motion passed unanimously. Chair 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 no further business to discuss, Chair Lorusso asked for a motion to adjourn. Mr. Albright so moved; Mr. Montgomery seconded. There being no opposition, the meeting was adjourned at 2:40 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 September 10, 2020 minutes that were adopted by the Board of Directors of Louisiana Citizens Property Insurance Corporation on November 12, 2020.

Paige M. Harper, Secretary