

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 11, 2018 MINUTES

Ladies and Gentlemen:

A meeting of the Governing Board for the Louisiana Citizens Property Insurance Corporation was held on Thursday, January 11, 2018. 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: Liz Butler, Chairwoman
Brian Chambley
Thomas Enright
Gene Galligan
Denise Gardner
Craig LeBouef
Eugene Montgomery
Kevin Reinke
Rep. Talbot

Absent were: Jeff Albright
Eric Berger
Tom Glasson
Sen. Smith
William (Bill) Starr
Brian Van Dreumel

Also present: Commissioner Donelon
Richard Newberry, CEO
Paige Harper
Derek Haney
Stephanie Jackson
Brady Dugan

Chairwoman's Report

Chairwoman Butler called the meeting to order at 1:00 p.m., asking Ms. Harper to call roll. There being a quorum present, she began by noting that two former members had returned to the Board, Denise Gardner and Eric Berger. She also noted that when Committee membership was voted on, Chairs were not nominated and appointed. Chair Butler indicated that she would be talking to several individuals about Chairing Committees and would be coming back to the Board with nominations at the next meeting. Next, she moved on to the second agenda item, the minutes of the prior meeting on November 9, 2017. After a review of the minutes, Mr. Montgomery 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 and Management Report. Mr. Newberry began his report by directing the Boards attention to the Management report in the Board book. He also reported that he gave testimony to the Joint Meeting of the House and Senate Insurance Committees on January 9th at 10:00 a.m. He noted that the PowerPoint presentation he gave is included in the book. Mr. Newberry stated that the testimony given was the same information he has given the Board at the last ten Board meetings. He then circled back to point out that in October 2016, LCPIC had 64,900 policies. In October 2017, the company was down to 50,337 policies. It is LCPIC's believe that through normal attrition, back door losses and the 9,999 policies being lost to depopulation, LCPIC will be at around 39,900 policies by the end of 2018.
- B) Depopulation Update. In a further review of the depopulation program, Mr. Newberry stated that LCPIC is in the Opt Out stage of the current round of depopulation. 37,099 distinct policies were requested by the depop companies. Of those, only 9,939 were authorized for depopulation by agents. At this point the policyholder has the opportunity to opt out of the process.
- C) 2018 Reinsurance Plan. Mr. Newberry noted that the goals going into the planning stage for the 2018 reinsurance program have not changed from the past. He presented the proposed reinsurance tower to the Board members and reminded them that the budget for the reinsurance spend has already been approved by the Board. Due to global reinsurance losses, not LCPIC's losses, LCPIC expects the market to harden, resulting in an approximately ten (10) percent increase in reinsurance premium this year.
- D) Personal Lines Rate Filing Proposal The next topic on the agenda was the proposed personal lines rate filing. Mr. Newberry informed the Board that the Actuarial Committee met before the Board meeting to discuss the proposal with the company actuary, Derek Haney. He then asked Mr. Haney to present the proposal to the Board. Mr. Haney 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 including a risk load and accounting for reinsurance expense. After completing the review, Mr. Haney reported that the proposed personal lines rates represent a 2.7% rate increase in the FAIR Plan, a 3.0% rate increase in the Coastal Plan, both of which come to a 2.7% rate increase overall.

Additionally, Mr. Haney explained that as part of the rate filing, LCPIC management proposes to add a surcharge based on claim history, just as the Board approved for commercial lines in September. Chair Butler 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. Mr. Galligan seconded the motion. With no further discussion on the motion forthcoming, Chair Butler called for a vote. The motion passed unanimously. Mr. LeBouef 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. Chambley seconded the motion. With no further discussion on the motion forthcoming, Chair Butler called for a vote. The motion passed unanimously.

- F) CAT Vendor RFP. Mr. Newberry next introduced the proposed CAT Vendor RFP. The RFP includes the CAT claims administrator and a CAT adjusting service, which is backup and additional support to the IA firms and an FNOL call center. Stephanie Jackson, St Director of Claims and Brady Dugan have been putting the proposed RFP together and will continue to work on the project. They have work with outside and internal attorneys on the process as well. The plan is to submit the RFP in at least two journals for two weeks. We've chosen the Advocate, the Times Picayune and the Insurance Journal. The proposed release date is January 15th. The Selection Committee is proposed to be Stephanie Jackson, Brady Dugan, Vendor Program Supervisor, Ricky Lindsey, CIO and Nhung Nguyen, our Business Process Specialist. After a period of questions and answers, Mr. Montgomery moved to adopt the RFP. Ms. Gardner seconded the motion. With no further discussion on the motion forthcoming, Chair Butler called for a vote. The vote was unanimous and the motion carried.
- G) Financials.. Mr. Sciortino presented the November 2017 financials. LCPIC is in the range to finish the year with a total cash and investments around \$200 million, a number primarily driven by the reinsurance recovery initiative we undertook late last year and early this year. On the income statement is the 2017 actual year-to-date performance. Net Income through November is \$17.1 million, which is a million and a half over budget. Direct written premiums were \$80 million, which were more than \$20 million under budget, but that has been offset by our premium reserve. Direct losses incurred are under budget due to low claims activity for the year. Home office expenses have been under budget in 2017 as well. With regard to surplus, the amount is \$149.2 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.
- H) Regions Bank Signature Authorization Resolution. Mr. Sciortino explained that a good governing practice that LCPIC has adhered to in the past states that any change in authorized signers on LCPIC bank accounts will be presented to the Board for approval. With the retirement of Mr. Cottrell and Mr. Ramachandran, LCPIC needs to remove their names and add Mr. Sciortino as an authorized signer, to join Ms. Harper, Mr. Lindsey, and Mr. Newberry. Mr. LeBouef moved to approve the changes to the authorized signers. Mr. Montgomery seconded the motion. With no further discussion on the motion forthcoming, Chair Butler called for a vote. The motion passed unanimously.
- I) Complaints. The final item on the CEO report was complaints. Ms. Harper reported that in November and December 2017, five complaints were received. Four were claim related and one was policy related. With no questions regarding the claims, Chair Butler moved forward with the agenda.

With the CEO report concluded, Chairwoman Butler moved on to the Executive Session. She asked if anyone from the public first wished to address the Board. Mr. LeBouef stated that he would like to make a couple of comments from the

Audit Committee. He noted that that the internal control audits performed by Larry Hayward were going very well. In the last report Mr. LeBouef received from Mr. Hayward, only six items were noted and all were of low risk. With no other speakers from the public, Chairwoman Butler stated that she would entertain a motion to go into Executive Session to discuss potential and pending litigation. Mr. Montgomery so moved. Rep. Talbot seconded the motion. The Chairwoman 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, Chairwoman Butler asked for a motion to exit Executive Session and re-enter the public forum. Mr. Montgomery so moved. Mr. Galligan 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.

Mr. Reinke addressed the Chair and asked if there were any plans to readdress the language on the depopulation statute again this year. Rep. Talbot spoke up and answered that yes, something would definitely be filed. After a lengthy discussion on the matter and with the conclusion of the agenda, and with no further business to discuss, Chairwoman Butler asked for a motion to adjourn. Mr. Montgomery so moved; Mr. Galligan seconded. There being no opposition, 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 January 11, 2018 minutes that were adopted by the Board of Directors of Louisiana Citizens Property Insurance Corporation on March 8, 2018.



Paige M. Harper, Secretary