

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 12, 2018 MINUTES

Ladies and Gentlemen:

A meeting of the Governing Board for the Louisiana Citizens Property Insurance Corporation was held on Thursday, July 12, 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: Jeff Albright
 Brian Chambley
 Thomas Enright
 Gene Galligan
 Denise Gardner
 Tom Glasson
 Craig LeBouef
 Brian Van Dreumel
 Kevin Reinke
 William (Bill) Starr
 Rep. Talbot (arrived following roll call)

Absent were: Nick Lorusso, Chairman
 Eric Berger
 Eugene Montgomery
 Sen. Smith

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

Chair's Report

Secretary Harper called the meeting to order at 1:00 p.m. She noted that Chair Lorusso was absent, as well as Vice Chair Montgomery. As such, the Board needed to vote on a Chair Pro Tem for the day's Board meeting. Mr. LeBouef made a motion to appoint Denise Gardner as Chair Pro Tem. Mr. Galligan seconded the motion. With no further discussion on the motion, a vote was taken and Ms. Gardner was appointed Chair Pro Tem unanimously. Ms. Gardner then began by asking Ms. Harper to call roll. With ten members present during roll call, a quorum was met and the meeting moved forward.

The next item on the agenda was the minutes of the previous meeting. Ms. Gardner gave the Board a few minutes to review the minutes and then asked for a motion. Mr. LeBouef moved to accept the minutes as written. Mr. Glasson seconded the motion. With no further discussion on the motion or the minutes, Ms. Gardner called for a vote. The minutes were approved unanimously.

Ms. Gardner then moved to the CEO Report and asked Mr. Newberry to take over with his updates.

CEO Report

A) Overview. Mr. Newberry began his report by talking about the next depopulation round and how LCPIC arrived at the recommended number of policies to be made available for depopulation this year. He discussed how the company's reinsurance structure, as well as the number of policies that LCPIC will lose naturally through attrition, effects the number of policies recommended. He also talked about the three methodologies used in analyzing the data to determine the recommendation. Those methodologies are, the PML method (focusing on hurricane CAT modeling), the combined ratio method and the PCS Loss Ratio method (focusing on hurricane and tornado/hail modeling to assign a projected loss ratio to each policy). After evaluating and combining all three methods, and taking into consideration that LCPIC expects to lose 5000 policies to attrition, the company is recommending that the Board make available 2000 policies for this year's round of depopulation. These 2000 policies represent the policies with the highest PML with a 40% or greater PCS or annual average loss, in addition to a modeled breakeven or higher combined ratio. After a lengthy discussion, Mr. Galligan moved to accept the recommendation of LCPIC management and make 2000 policies available for this year's round of depopulation. Mr. Van Dreumel seconded the motion. With no further discussion forthcoming, Ms. Gardner called for a vote. The motion passed unopposed.

Next Mr. Newberry gave the Board an update on the last Agents Advisory Council meeting. One of the concerns brought up by the council was that LCPIC has not adjusted the \$750,000 limit on Coverage A (personal lines) since 2007. In response, LCPIC ran some variable and considered different percentages and believes that it will move the coverage limit up to at least \$1 million or perhaps \$1.2 million. He asked if any of the Board members had concerns about doing so. No concerns were raised. It was noted that the company increased the limit on commercial policies several years ago.

The next item Mr. Newberry addressed was 2018 storm preparation. He informed the Board that LCPIC mailed out a hurricane flyer to all insureds. The flyer noted that LCPIC has 24/7 claim reporting available, via agent reporting, the 1-800 number and the company website. With regard to adjusters, LCPIC now has 725 adjusters with guaranteed availability to us. Additionally, on top of the 725, there are another 1000 adjusters who have passed our test to be eligible to adjust for LCPIC.

Finally, Mr. Newberry spoke to the Board about appointing Derek Haney, an actuary employed by LCPIC, as the Company Actuary. If appointed he would replace Merlinos & Associates; although, they have agreed to continue to do a peer review of Mr. Haney's work for a nominal fee. Making this change would save LCPIC \$35,000 per year. Ms. Gardner pointed out that it is common for insurance companies use in-house actuaries rather than a third party. The Board discussed the option at length and expressed concern that there would be an independence issue with using Mr. Haney as the Company Actuary. Mr. Albright moved to approve the appointment of Mr. Haney; however in light of continued concerns being expressed, and in order to make the Board more comfortable with the issue, Ms. Gardner suggested tabling the vote/issue until September at which time she will provide information and statistics on companies who use in-house actuaries. Mr. Albright then withdrew his motion.

B) May 2018 Financials and Management Report. Mr. Sciortino by giving an overview of the financials for May 2018. With regard to operating cash, LCPIC ended the month with \$114.8 million. That cash is liquid and used to handle daily operation and claims that arise. There is an additional \$82.4 million of investments available for a total of \$197.3 in cash and investments. The company paid out \$21.1 million in Oubre, which accounted for the drop in cash from the previous report for the first quarter. With regard to the income statement, LCPIC has \$5.1 million positive net income. That is \$5.8 million over budget. Likewise, LCPIC is \$724,000 under budget in terms of claims and home office expenses are \$255,000 under budget. Together these savings have allowed LCPIC to increase its surplus up to \$160.654 million.

After finishing his review, Mr. Sciortino moved on to the Management Report. At the end of May, LCPIC had just under 41,000 policies. Mr. Sciortino also provided information on depopulation, showing the numbers of policy takeouts by each company, as requested by Mr. Chambley at the previous meeting.

C) 2018 Audit. Mr. Sciortino next addressed the 2017 Audit. He reported that the audit went very smoothly. The auditors ended the audit with no findings and only one recommendation related to servers. The issue with the servers was resolved in the first quarter of 2018, so no issue remains. Mr. LeBouef commented that the audit gave LCPIC a clean bill of health with regard to its financials, which is of paramount importance.

D) 2005 Deficit Re-Certification. The next topic on the agenda was the re-certification of the 2005 deficit. It is a housekeeping matter required by the bond agreements. Last year the 2005 deficit increased to \$1.368 billion. This year it is \$1.355 billion, a change to the positive. The change is a result of the reinsurance recoverable project over the past year. After a discussion, Mr. LeBouef moved to certify the 2005 deficit at \$1.355 billion. Mr. Chambley seconded. With no further discussion forthcoming, Ms. Gardner called for a vote. With no opposition, the motion carried unanimously.

E) 2019 Assessment Rate. Finally, Mr. Sciortino addressed the proposed 2019 Assessment rate. The proposed rate is 2.65 percent. After discussion, Mr. LeBouef moved to accept the 2019 Assessment rate of 2.65 percent. Mr. Albright seconded the motion. With no further discussion forthcoming, a vote was taken and the motion passed unanimously.

F) Complaints. The final item on the CEO report was complaints. Ms. Harper reported that there were no complaints in May and June 2018. With no questions regarding complaints, the CEO report was concluded.

With the conclusion of the CEO report, Ms. Gardner moved on to the Executive Session. She asked if anyone from the public first wished to address the Board. With no other speakers from the public stepping forward, Ms. Gardner stated that

she would entertain a motion to go into Executive Session to discuss potential and pending litigation. Mr. LeBouef so moved. Mr. Enright seconded the motion. Ms. Gardner 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, Ms. Gardner asked for a motion to exit Executive Session and re-enter the public forum. Mr. LeBouef so moved. Mr. Galligan seconded the motion. A roll call vote was taken. The motion passed unanimously. Ms. 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.

With the conclusion of the agenda, and with no further business to discuss, Ms. Gardner asked for a motion to adjourn. Mr. Albright so moved; Mr. Reinke seconded. There being no opposition, the meeting was adjourned at 2:30 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 12, 2018 minutes that were adopted by the Board of Directors of Louisiana Citizens Property Insurance Corporation on September 13, 2018.


Paige M. Harper, Secretary