

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
MAY 10, 2018 MINUTES

Ladies and Gentlemen:

A meeting of the Governing Board for the Louisiana Citizens Property Insurance Corporation was held on Thursday, May 10, 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: Nick Lorusso, Chairman
Brian Chambley
Thomas Enright
Gene Galligan
Denise Gardner
Tom Glasson
Eugene Montgomery
Brian Van Dreumel

Absent were: Jeff Albright
Eric Berger
Craig LeBouef
Kevin Reinke
Sen. Smith
William (Bill) Starr
Rep. Talbot

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

Chair's Report

Chair Lorusso called the meeting to order at 1:00 p.m. He began by Ms. Harper to call roll. With eight members present, a quorum was met and the meeting moved forward. For his report, Chair Lorusso reminded Board members that their Ethics Financial Disclosures are due on May 15 and asked them to get them turned in.

The next item on the agenda was the minutes of the previous meeting. Chair Lorusso asked Ms. Harper to present the minutes from March 8, 2018. After the Board members were given an opportunity to review the minutes, Ms. Gardner moved that the March 8, 2018 minutes be approved. Mr. Van Dreumel 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.

CEO Report

A) Overview. Mr. Newberry began his report by giving the Board an update on the Reinsurance for 2018-2019. He stated that as of the evening before at close of business, LCPIC was fully subscribed within the process of securing reinsurance for the 2018-2019 treaty period. The CAT bond was completed previously. LCPIC has a \$600 million tower in place. Within that tower, LCPIC was able to reduce its aggregate, with a retention of \$35 million. Within the aggregate is included tor/hail coverage or severe convected storms. Additionally, LCPIC has gone from having a 100 year PML to 1 in 157 to this year's 1 in 250 year event. Mr. Newberry continued on, giving the Board a lengthy summary and explanation of the new reinsurance model. He then moved to the Management Report, reporting that LCPIC has reduced policy count from 52,000 last year to 41,000 as of March 31st. He went on to explain that with the expanded reinsurance coverage and the fact that the market increases were not the 10-15% anticipated, LCPIC may meet its budget or possibly \$2 million to the positive, rather than the loss of \$7 million previously forecasted; this is, of course, dependent on not having storm activity and losses. After some discussion and answering question from the Commissioner, Mr. Newberry turned the floor over to Mr. Sciortino to present the First Quarter 2018 financials.

B) First Quarter Financials. Mr. Sciortino by giving an overview of the financials for January 1, 2018 through March 31st 2018. With regard to operating cash, LCPIC ended the quarter with \$127.5 million. That cash is liquid and used to handle daily operation and claims that arise. There is an additional \$82.6 million of investments available for a total of \$210.2 in cash and investments. The company has paid out \$12.5 million in reinsurance premiums and \$8.2 million for depopulation so far this year. Those have been the two biggest pay outs since January. With regard to the income statement, for the first quarter of 2018, LCPIC has \$3.3 million positive net income. That is \$4.2 million over budget. Likewise, LCPIC is \$800,000 under budget in terms of claims and the depopulation round was smaller than anticipated; both factors contributing to being over budget with regard to income. Additionally, LCPIC has increased its surplus up to \$157.2 million and will be making a \$44 million principal payment and \$11 million interest payment in June to further bring down the bond debt.

After finishing his review, Mr. Sciortino noted that the financials must be filed with the Louisiana Department of Insurance by May 15th. He also pointed out that the financials were brought to the Audit Committee for review prior to the Board meeting. Mr. Van Dreumel, a member of the Audit Committee, spoke up to state that the committee discussed the details of the quarterly statement and did not have

any serious considerations. The Committee voted to recommend that the Board approve them as presented for filing with the LDOI. Mr. Van Dreumel then moved that the Board approve the financials for timely filing with the LDOI. Mr. Enright seconded the motion. With no further discussion on the motion forthcoming, Chair Lorusso called for a vote. The motion passed unanimously.

C) 2017 Audit. Mr. Sciortino next addressed the 2017 Audit. He reported that the audit is going very smoothly. The only recommendation to date was regarding the continued running of Microsoft 2003, which has been addressed and eliminated; so it is no longer an issue. The statutory audit draft arrived this week and is currently being reviewed to be sure all numbers tie in. The final report will be filed in time for the June 1st deadline.

D) 2017 Actuarial Report. The next topic on the agenda was the 2017 Actuarial Opinion Summary. Mr. Newberry noted that the report is being submitted to the Board in accordance with NAIC instructions. The entire opinion was sent to Board members previously. After a short discussion, Chair Lorusso asked to move to the next item on the agenda, the Complaints.

E) Complaints. The final item on the CEO report was complaints. Ms. Harper reported that in March and April 2018, seven complaints were received, all of which were claim-related. With no questions regarding the claims, the CEO report was concluded.

With the conclusion of the CEO report, Chairman 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, Chairman Lorusso stated that he would entertain a motion to go into Executive Session to discuss potential and pending litigation. Mr. Galligan 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. Ms. Gardner so moved. Mr. Van Dreumel 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.

Mr. Chambley addressed the Chair asking if Mr. Newberry could provide the Board with information on how many policies each depopulation company took out. Mr. Newberry responded that he could absolutely provide that information to the Board. With the conclusion of the agenda, and with no further business to discuss, Chairman Lorusso asked for a motion to adjourn. Mr. Enright so moved; Mr. Chambley seconded. There being no opposition, the meeting was adjourned at 1:45 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 May 10, 2018 minutes that were adopted by the Board of Directors of Louisiana Citizens Property Insurance Corporation on July 12, 2018.

A handwritten signature in blue ink that reads "Paige M Harper". The signature is written in a cursive style and is positioned above a horizontal line.

Paige M. Harper, Secretary