

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  
MARCH 8, 2018 MINUTES

Ladies and Gentlemen:

A meeting of the Governing Board for the Louisiana Citizens Property Insurance Corporation was held on Thursday, March 8, 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  
Jeff Albright  
Eric Berger  
Thomas Enright  
Gene Galligan  
Denise Gardner  
Tom Glasson  
Craig LeBouef  
Eugene Montgomery  
Kevin Reinke  
Rep. Talbot (arrived late)  
Brian Van Dreumel

Absent were: Brian Chambley  
Sen. Smith  
William (Bill) Starr

Also present: Commissioner Donelon  
Richard Newberry, CEO  
Paige Harper  
Stephanie Jackson  
Joe Sciortino

## Chair's Report

Vice Chair Montgomery called the meeting to order at 1:00 p.m. He began by noting that Chairwoman Butler had resigned as Chair and he would be starting the meeting. He also introduced Nick Lorusso, the Chief Deputy of the Department of Insurance, and the Commissioner's new designee to the Board. Vice Chairman Montgomery then asked Ms. Harper to call roll. There being a quorum present, he asked that the Board consider amending the agenda to include an election of a new Chair. Mr. Albright moved that the agenda be amended to include an election for a new Board Chair. Mr. Galligan seconded. With a roll call vote, the motion passed unanimously and the agenda was so amended. Vice Chair Montgomery next asked nominations for the position of Chair. Mr. Albright moved that Mr. Lorusso serve as Chair of the Board. Mr. LeBouef seconded the nomination. Mr. Montgomery called for a vote. With no further discussion on the motion forthcoming, a vote was taken and Mr. Lorusso was unanimously elected as the new Chair of LCPIC. Vice Chair Montgomery turned the meeting over to the Chair Lorusso. Chairman Lorusso moved on to a vote on committee membership and committee chairs. He read through the list for the Board (list attached hereto) and asked for a motion to adopt. Mr. LeBouef so moved. Mr. Montgomery seconded. With no further discussion forthcoming, a vote was taken and the motion was approved unanimously.

Chairman Lorusso next moved to the CEO Report.

## CEO Report

A) Overview. Mr. Newberry began his report by giving the Board an update on the Reinsurance for 2018-2019. He noted that the 2018 goal was to achieve a 250-year ONK exhaustion point with an average of AIR and RMS. Additionally, the Pelican III CAT bond is expiring, so it will be replaced. The plan is to include in the new CAT bond a callable portion with no LAE cap, no adjustment cap and also an allowance for calling the bond if our TIV drops dramatically. The entire reinsurance tower for the new plan year is proposed to be at \$600 million, down from 650 million last year. LCPIC hopes to be under budget on the new reinsurance buy.

Next, Mr. Newberry talked to the Board about the latest depopulation round. He noted that although the agenda stated that it was voteable, there was not anything to vote on this time; he just has an update to report. In this last round, 37,099 distinct policies were requested by the depopulation companies. Only 27% of those were authorized by the agents of record. Only 18% made it through the opt-out process. That leaves LCPIC with a policy count of 40,677 and a TIV of \$7.6 million for January 2018. Those numbers reflect a 43% drop in TIV and a 45% drop in premium from June 2016.

B) Financials. Mr. Sciortino next reported on the 2017 annual yellow book financials. He let the Board know that they were required to be filed with the Louisiana Department of Insurance on March 1 and were timely filed; however, the company asks that the Board approve the financials and their filing retroactively. He confirmed that the Audit Committee had an opportunity to review the financials in advance and ask questions. An Audit Committee meeting was held earlier in the day where a discussion on the review was held. Mr. LeBouef, Chair of the Audit Committee spoke up and commented that everything seemed to be materially stated. The auditors also attended the earlier meeting and Mr. LeBouef noted that they have had no significant issues with management. The audits have been flowing very smoothly. They anticipate only one management letter comment, having to do with a system that is being phased out within the next week and will no longer be an issue. After a short discussion, Mr. LeBouef moved that the full Board approve, retroactively, the submission of the December 31<sup>st</sup>, 2017

financial statements with the Louisiana Department of Insurance. Mr. Montgomery seconded. With no other discussion forthcoming, Chairman Lorusso called for a vote. The motion passed unanimously.

Mr. Sciortino moved on to discuss the 2017 year end financials, pointing out details to the Board. As of December 2017, LCPIC had just over \$219 million in total cash plus investments. Pure operating cash was \$133 million. The Income Statement shows that net premium was \$19.9 million, which was \$2.2 million over budget. This was driven by lower claims activity, coming under budget in home operating expenses, etc. Surplus for at the end of the year was \$153.5 million, an increase from \$106 million at the end of 2016. Finally, with regard to the bonds, they are down to \$518 million to pay them off, which is \$10 million less than the last time the number was reported. They are due to be paid off in 2026.

- C) 2017 Audit. Mr. Sciortino noted that Mr. LeBouef had already given the update on the 2017 audit; but reiterated that the process has been very smooth this year and everything is on track.
- D) Personal Lines Rate Filing Update. The next topic on the agenda was the personal lines rate filing approved by the Board previously to be sent to the Department of Insurance for review and approval. Mr. Newberry informed the Board that the Department approved the rates as filed. They will be implemented as per the Boards prior vote in June 2018.
- E) CAT Vendor RFP- Vendor Selection. Mr. Newberry next introduced vendor selections made through the CAT Vendor RFP process. He first gave a brief description of the process used. Worley CAT was selected as the TPA Administrator, with a guaranteed supply of 400 adjusters. Four companies were selected for adjusting services. Those were Bankers Insurance Group, MD Claims, Schafer and Wood & Associates, and US CAT Adjusters. Each guarantees 50 adjusters. Those companies, combined with Bright Claims, who LCPIC is currently contracted with for back up administrative services and the provision of 125 adjusters, gives LCPIC a total of 725 adjusters. Following a lengthy discussion, Mr. Albright moved to ratify the selections. Rep. Talbot seconded the motion. With no further discussion forthcoming, Chairman Lorusso called for a vote; the motion carried unanimously.
- F) Complaints. The final item on the CEO report was complaints. Ms. Harper reported that in January and February 2018, only one complaint was received. With no questions regarding the claims, Chairman Lorusso moved back to deal with the minutes from the prior meeting.

Ms. Harper presented the January minutes. Mr. Lorusso noted that one change would be the deletion of Mr. Dupree from the absentee list because he was no longer on the Board. Mr. LeBouef then moved to adopt the minutes as amended. Mr. Montgomery seconded. With no further discussion, Chairman Lorusso took a vote and the minutes were approved unanimously.

With the CEO report concluded, Chairman Lorusso moved on to the Executive Session. He asked if anyone from the public first wished to address the Board. Commission Donelon spoke up and expressed his appreciation for the Board's support of Mr. Lorusso and for their efforts on the Board. With no other speakers from the public, Chairman Lorusso stated that he would entertain a motion to go into Executive Session to discuss potential and pending litigation. Mr. Enright so moved. Rep. Talbot seconded the motion. The Chairman 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, Chairman Lorusso asked for a motion to exit Executive Session and re-enter the public forum. Rep. Talbot so moved. Mr. Berger 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. She asked that the record reflect that the Board did not take any formal action while in Executive Session.

Rep. Talbot addressed the Chair and Mr. Newberry asking for information on the number of employees LCPIC has currently and that were laid off. He also asked about a banking charge, which was explained to be a one-time fee associated the line of credit. With the conclusion of the agenda, and with no further business to discuss, Chairman Lorusso asked for a motion to adjourn. Mr. Albright so moved; Mr. Berger seconded. There being no opposition, the meeting was adjourned at 2:01 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 March 8, 2018 minutes that were adopted by the Board of Directors of Louisiana Citizens Property Insurance Corporation on May 10, 2018.

  
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Paige M. Harper, Secretary