

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 14, 2022 MINUTES

Ladies and Gentlemen:

A meeting of the Governing Board for the Louisiana Citizens Property Insurance Corporation was held on Thursday, July 14, 2022. 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, Chairman
Jeff Albright
Eric Berger
Bill Chauvin
Renee' Free
Gene Galligan
Rep. Huval
Shannon Johnson
Eugene Montgomery
Kevin Reinke
William (Bill) Starr
Sen. Talbot
Steve Werner

Absent were: Brian Chambley

Also present: Commissioner Donelon
Paige Harper
Joe Sciortino
Derek Haney
Ricky Lindsey
Stephanie Jackson
Patricia Weidie

Chairman's Report

Chairman Lorusso called the meeting to order at 1:06 p.m., asking Ms. Harper to call roll. There being a quorum present, he began by letting the members know that Brian Van Dreumel had resigned from the Board upon his retirement. Since Mr. Van Dreumel had been the Chair of the Actuarial Committee, the Board needed to appoint a new Chair. Chair Lorusso recommended that Bill Chauvin be appointed as Chair of the committee. Eugene Montgomery so moved. Sen. Talbot seconded. With no further discussion and no opposition, the motion to appoint Mr. Bill Chauvin as Chair of the Actuarial Committee was approved unanimously. Next, Chair Lorusso brought the issue of moving to electronic board books to the Board's attention. After a brief discussion, Mr. Montgomery moved to go digital with the Board books. Mr. Chauvin seconded the motion. With no further discussion and no opposition, the motion was approved unanimously.

Next, Chair Lorusso moved on to the minutes from March and May 2022. After a brief review of the minutes, Sen. Talbot moved to approve the proposed minutes for March 2022. Jeff Albright seconded. With no further discussion forthcoming and no opposition, the March 2022 minutes were approved unanimously. Sen. Talbot then moved to approve the proposed minutes for May 2022. Rep. Huval seconded the motion. With no further discussion forthcoming and no opposition, the minutes from the May 2022 meeting were approved unanimously, with the change of Mr. Galligan being present at that meeting.

The next item on the agenda was the CEO Report, presented by Mr. Newberry, CEO of LCPIC.

CEO Report

A) Overview. Mr. Newberry began his overview and 2022-2023 Reinsurance Update by distributing an addendum to the Board book to the Board members. He noted the increased call volume to LCPIC and the sharp increase in the number of quotes being issued. In June 2022 and the first 10 days of July, the LCPIC Epic system issued 108,399 quotes. In the previous 40 days, the company issued 30,488 new policies. On the largest day in that period of time, 2,537 policies were issued. In comparison, last July LCPIC wrote only 1,100 new policies for the whole month. After Katrina and Rita, LCPIC ballooned up to approximately 180,000 policies and at the lowest point, most recently the Company was down to 35,000 policies and only 46 employees. With the events of the past couple of years, the policy count is moving upwards again. As of July 13, 2022, the policy count is at 82,000. All of this growth has an impact on reinsurance. That combined with the hardening reinsurance market is resulting in, for the 2022-2023 reinsurance treaty year, a total spend for LCPIC of approximately \$169 million. At this point Mr. Newberry informed the Board that he would like to increase the LCPIC Line of Credit to \$125 million, from \$25 million. LCPIC previously had this amount in the Line of Credit when the policy count was higher. It was reduced when the policy counts dropped. However, to increase the limit, the Board of Directors will have to approve the increase and then the Bond Commission will have to approve the increase. Since the Line of Credit is not on the posted agenda, if Board members want to vote on the issue, they will have to vote unanimously to add the issue to the agenda and they will need to vote on the increase. Following a lengthy discussion, Mr. Starr moved to amend the agenda to include a vote on an increase to the Line of Credit. Mr. Berger seconded. With no further discussion forthcoming, the motion was passed unanimously via a roll call vote and the agenda was amended to add an increase to the Line of Credit for a

vote. Mr. Starr then moved to increase the Line of Credit to \$125 million. Mr. Berger seconded that motion. After a short discussion, the motion was approved unanimously.

- B) Financials and Management Report.** Next up, Mr. Sciortino presented the May 2022 and Management Report. Operating cash, as of May, was \$55.9 million. Invested cash was at \$39.8 million, for a total operating cash position of \$95.8 million. Additionally, LCPIC has investment in municipal bonds of \$88.2 million for a total of cash and investments of \$184.1 million. On the income statement, LCPIC is at \$8.8 million of net income year to date through May 31. \$145.3 million was the surplus amount year to date at the end of May. With regard to operating expenses LCPIC is \$14.2 million year to date. With regard to policy count, in May LCPIC was at 58,700 policies and at the time of the Board meeting in July, the company is at approximately 82,000 policies. That number is expected to grow.
- C) 2021 Audit Update.** Mr. Sciortino next updated the Board on the 2021 Audit(s), both Statutory and GAAP. He noted that both reports were included in the Board materials. The opinions were unmodified, meaning clean with no issues or findings. The Audit Committee met prior to the Board meeting, with the auditor in attendance. Mr. Reinke, Chair of the Audit Committee commented that the 2021 audit(s) were the cleanest audit he's ever seen. With no questions on the audit reports, Mr. Sciortino moved to the next item on the agenda.
- D) 2005 Deficit Re-certification.** Mr. Sciortino introduced the 2005 Deficit Re-certification information to the Board, noting that this is an annual requirement related to the 2005 bonds. As of May 31, 2022, the deficit for 2005 was recalculated to be \$1.36 billion. This is up from the original amount of \$953.6 million. Mr. Starr moved to re-certify the 2005 deficit as \$1.36 billion effective May 31, 2022. Sen. Talbot seconded the motion. With no further discussion and no opposition, the motion was approved unanimously.
- E) 2023 Assessment Rate.** Also related the 2005 bonds, and an annual task, is the setting of the assessment rate for the next year (2023) to pay back the bonds debt. The current rate for 2022 is 2.4%. The calculations for 2023, which have been verified and approved the Louisiana Department of Insurance, set the new 2023 rate at 2.1%, a .3% reduction. Mr. Starr moved to approve and set the 2023 Assessment at 2.1% effective January 1, 2023. Representative Huval seconded the motion. With no further discussion forthcoming and no opposition, the motion was approved unanimously.
- F) Appointment of Actuary.** Next on the agenda was the approval of LCPIC's appointed actuary. Mr. Derek Haney has been LCPIC's appointed actuary for several years. However, Mr. Haney has resigned and will be working for Merlinos. Due to the ethics laws concerning consulting on the part of former employees, Mr. Haney will be unable to continue assisting LCPIC with its rates and rate filings for a two year period. As such, Mr. Ryan Purdy, also with Merlinos and the appointed actuary prior to Mr. Haney, is being recommended to replace Mr. Haney as the appointed actuary. Mr. Chauvin stated that the Actuarial Committee met prior to the Board meeting and is in agreement. Mr. Chauvin moved to approve Ryan Purdy as the Appointed Actuary for LCPIC. Mr. Montgomery seconded the motion. With no further discussion forthcoming and no opposition, the motion was approved unanimously.
- G) Proposed Commercial Rate Filing.** As his last duty for LCPIC, Mr. Haney presented the proposed commercial rate filing. At the time of the July Board meeting LCPIC had approximately 4700 Commercial policies on the books with a TIV of around \$5 billion. Mr. Haney further explained how the commercial rates are calculated/derived actuarially. The proposed commercial rate indication is an increase in rates of 71.1% in the FAIR plan, 79.3% in the Coastal Plan, and a combined increase of 72.4% over both plans. The leading reason behind the increase is the significant jump in the net cost of reinsurance. Mr. Albright moved to approve the proposed commercial rate filing representing an overall increase of 71.1 percent in the FAIR plan, and an overall increase of 79.3% in the Coastal plan. Together an overall increase of 72.4% in the combined plans, as well as the formulas used to determine the rates; and 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 + or – half a percent change from the filed rates,

to set the approved commercial rates for implementation effective 11/01/2022. Mr. Chauvin seconded the motion. With no further discussion forthcoming and no objections, the motion was approved unanimously.

H) Complaints. The final item on the CEO report was complaints. Ms. Harper reported that in May and June 2022, 37 complaints were received. 32 of them were claim related. 5 were related to premium amounts. There being no questions regarding the complaints, Chair Lorusso moved forward with the agenda.

With the CEO report concluded, Commissioner Donelon asked Ms. Patricia Weidie, Senior Underwriting Director, to speak about LCPIC's cancellation process for nonpayment of premium and how it is effecting policyholders who have been moved to LCPIC from one of the several carriers that have been liquidated, as well as how LCPIC is handling the situation. Following Ms. Weidie's explanation, Commissioner Donelon asked Mr. Lindsey, the CIO to speak about LCPIC's EPIC system and how it has been holding up under the extreme usage over the last several months. After that, Chairman Lorusso moved on to the Executive Session. He asked if anyone from the public first wished to address the Board. With no 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. Berger so moved. Ms. Free 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. Huval so moved. Sen. Talbot 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.

With the conclusion of the agenda, and no further business to discuss, Chairman Lorusso accepted a motion from Mr. Albright to adjourn. Ms. Free seconded. There being no opposition, the meeting was adjourned at 2:41 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 14, 2022 minutes that were adopted by the Board of Directors of Louisiana Citizens Property Insurance Corporation on September 8, 2022.

Paige M. Harper, Secretary