

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 12, 2015 MINUTES

Ladies and Gentlemen:

A meeting of the Governing Board for the Louisiana Citizens Property Insurance Corporation was held on Thursday, March 12, 2015. 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: Denise Brignac, Chairwoman  
Eric Berger (arrived following roll call)  
Fred Bosse (arrived following roll call)  
Rep. Cromer (arrived following roll call)  
Gene Galligan  
Craig LeBouef  
Sam Little  
Eugene Montgomery  
Senator Dan Morrish  
Kevin Reinke  
Preston Robinson  
William (Bill) Starr

Absent were: Senator Eric LaFleur  
Johnny Reeves

Also present: Commissioner Donelon  
Dave Thomas, CEO  
Steve Cottrell  
Paige Harper  
Vijay Ramachandran  
Ricky Lindsey

## Chairwoman's Report

Chairwoman Brignac called the meeting to order at 1:02 p.m., asking Ms. Harper to call roll. There being a quorum present, and having nothing to report on herself, the Chairwoman moved on to agenda item number two, the minutes of the prior meeting(s). There were two sets of minutes to review, one from January 8, 2015 and the other from January 27, 2015. After a review of the minutes, Mr. Robinson moved to approve both sets of minutes as proposed. Mr. Little 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) Financials.** The first item discussed was Mr. Cottrell's report on financials. He began with the 2014 year-end financials, along with the 2014 outside actuary report on reserves. Mr. Cottrell reported that the Audit Committee met previously to review the financials prior to the required filing date (they were due to be filed by March 1). He then asked Mr. LeBouef, Chair of Audit Committee to comment on the Audit Committee meeting and their findings. Mr. LeBouef noted that the Audit Committee met and discussed the financials. He stated that the Committee did not notice anything significant or out of the ordinary. He also noted that the Committee discussed investments and the corporate investment policy and talked to the GAAP auditors about the 2014 audit, which seems to be going very smoothly. At the end of those discussions, the Audit Committee voted to approve the financials and their submission to the Department of Insurance. Mr. LeBouef then asked that the Board retroactively approve the submission of the December 31, 2014 financial statements to the Louisiana Department of Insurance. Mr. Little so moved. Mr. Montgomery seconded the motion. With no discussion on the motion forthcoming, Chairwoman Brignac called for a vote. There being no opposition, the motion passed unanimously.

The next item Mr. Cottrell addressed was the January 2015 financials. He noted that the financials are very close to budget. LCPIC's cash continues to hover in the \$90-\$100 million range, depending on the month. With the reinsurance program and the \$125 million line of credit available, the company should not have any major cash flow issues.

**B) Management Report.** Mr. Cottrell noted the management report summary pages are in the Board book. The management report details all aspects of the company. With no questions on the report, he moved on to the next agenda item.

**C) Refinancing Bond RFP.** Mr. Cottrell began by noting that LCPIC's Finance Committee met earlier in the day to discuss the issue of refinancing bonds and he would ask the Committee members to comment in addition to his explanation. After the 2005 storms LCPIC issued \$978 million worth of bonds to help pay storm costs. \$678 million of that was in fixed bonds with a rate of 5% and \$300 million were auction rate bonds. The auction rate bonds were in four groups of \$75 million each and were auctioned every 45 days. In 2008 the bond market was falling apart, and there was no buyers for the bonds. LCPIC's auction rate bonds had a mass rate of about 12% and needed to be refinanced but at the time the Company did not have financials so no one would allow us to refinance. By the first quarter of 2009 the financials were complete and refinancing became available, allowing us to quit paying the 12% interest. LCPIC was able to refinance at that time at an average rate of 5.9%. That saved LCPIC \$18 million a year in interest. Then in 2012 LCPIC was again afforded an opportunity to refinance once of the groups of \$75 million. Now we have another opportunity to refinance and rates are at a historic low. It is possible that with a new refinancing that LCPIC can save over \$100 million on the bonds in interest cost. It would also allow us to pay the bonds off two years earlier. If the Board is interested in refinancing, the first step in the process would be to pick an underwriter. To do this LCPIC would need to issue an RFP to select an underwriter and to choose a working team. The proposed process would be to go through the selection process then to send the Finance Committee the scoring sheet along with the rationale for the final selection. The Finance Committee would have veto power over the selection if they felt it was necessary. Any big issues could also be brought back to the Board if unresolved. With regard to the working team, the proposal is to include the same team who has worked on the previous two refinancings. As Chair of the Finance Committee, Mr. LeBouef spoke to let the Board know that the Finance Committee supported both proposals. On the subject of the

working team, Chairwoman Brignac suggested that having an independent person on the team would be an asset. She suggested Stewart Guerin. He is on staff at the Department of Insurance and Chairs the security evaluation task force at the NAIC level. Mr. Montgomery then moved to approve the working team as proposed, with the addition of Mr. Guerin. He made a second motion to approve the issuance of an RFP to select an underwriter for the bond refinancing and the selection process proposed, with the veto power given to the Finance Committee. Mr. Starr seconded both motions. After additional discussion on the motions, Chairwoman Brignac called for a vote on the first motion to approve the working team. With no opposition, the motion was approved unanimously. She then called for a vote on the second motion, to approve the issuance of the RFP and the selection process of the underwriter with veto power given to the Finance Committee. With no opposition, the motion passed unanimously.

- D) Personal Lines Rate Filing Update.** Next, Mr. Cottrell updated the Board on the personal lines rate filing previously approved to be filed with the Department of Insurance. When approved to be filed, the Board also approved implementation if filing was approved as submitted, plus or minus .2%. Mr. Cottrell reported to the Board that the filing has been approved. While there was one small change in the filing, the overall impact to the statewide rate was unchanged and approved as submitted. Therefore, it will be implemented in accordance with the previous vote.
- E) 2015/2016 Reinsurance Overview.** The last item Mr. Cottrell had to discuss with the Board was an overview of the plans for reinsurance for the 2015/2016 year. He explained that there are three goals for the plan: 1) improve coverage and reduce the risk of assessment, 2) improve coverage and reduce costs, 3) obtain better terms of the reinsurance. It appears that these goals are attainable. The first CAT bond will mature this year, so LCPIC will be replacing it with another CAT bond as part of the reinsurance plan. After explaining the structure he hoped to put into place, as shown in the Board book, Mr. Cottrell answered questions from the Board. At the completion of a lengthy discussion, Chairwoman Brignac moved to the next item on the agenda.
- F) Complaints.** In the months of January and February LCPIC received eight complaints. Three were claim related and five were policy related. With no question forthcoming, Chairwoman Brignac moved on.

The next item on the agenda was the Executive Session to discuss an update on Oubre, the PIAL settlement negotiations and an HR matter. Chairwoman Brignac asked if anyone from the public wished to address the Board. No one responded. Rep. Cromer moved to exit the public forum and enter into Executive Session. Mr. Robinson seconded the motion. With no further discussion on the motion forthcoming, Chairwoman Brignac asked for a roll-call vote. The vote was unanimous.

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Executive Session

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Mr. Cromer moved to come out of Executive Session. Mr. Montgomery seconded the motion. There being no discussion on the motion forthcoming, a roll-call vote was taken. The motion was approved unanimously. Chairwoman Brignac noted that no formal action was taken during Executive Session.

With the conclusion of the agenda, and with no further business to discuss, Rep. Cromer moved to adjourn the meeting; Mr. Montgomery seconded. There being no opposition, the meeting was adjourned.

**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 12, 2015 minutes that were adopted by the Board of Directors of Louisiana Citizens Property Insurance Corporation on May 14, 2015.

  
Paige M. Harper, Secretary