

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 14, 2015 MINUTES

Ladies and Gentlemen:

A meeting of the Governing Board for the Louisiana Citizens Property Insurance Corporation was held on Thursday, May 14, 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
Craig LeBouef
Sam Little
Senator Dan Morrish
Johnny Reeves
Kevin Reinke
Preston Robinson
William (Bill) Starr

Absent were: Fred Bosse
Rep. Cromer
Gene Galligan
Senator Eric LaFleur
Eugene Montgomery

Also present: Commissioner Donelon
Vijay Ramachandran, CEO (interim)
Steve Cottrell
Paige Harper
Ricky Lindsey
Derek Haney

Chairwoman's Report

Chairwoman Brignac called the meeting to order at 1:05 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, March 12, 2015. After a review of the minutes, Sen. Morrish moved to approve the minutes as proposed. Mr. Starr 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. Chairwoman Brignac indicated that due to the travel plans of some attendees, the order of the CEO report items would need to be changed. Reinsurance was moved to the beginning of the report.

CEO Report

- F) Reinsurance. Mr. Cottrell informed the Board that he was pleased to announce that LCPIIC was able to purchase the reinsurance structure proposed at the March Board meeting. Furthermore, while it had previously been estimated that LCPIIC would spend \$52-\$56 million on the program, it appears that the actual cost will be lower at \$48-\$50 million. This is the best structure LCPIIC has ever purchased. Part of the reason for the success has been the Company's success with the CAT Bond(s). This year the first CAT bond, Pelican I, expired and was replaced with another CAT Bond, Pelican 3, with an interest rate of 6%.
- A) LCPIIC Current State. The next report was Mr. Ramachandran's regarding the current state of LCPIIC. He began by reviewing the company's mission to provide residential and commercial property insurance to applicants who are entitled to it, but do not have access to coverage in the private market. LCPIIC also strives to manage the business operationally and financially to minimize the risk of assessments, regular or special. Mr. Ramachandran then gave an overview of the major accomplishments of the company over the last six or seven years, including moving from LPMS to EPIC, bringing policy processing and claims management in-house, which has saved LCPIIC over \$5 million annually, and continually improving LCPIIC's catastrophe preparedness. He then discussed, reinsurance, depopulation, policy count, head count, and current CAT preparations. After answering questions from Board members, Chairwoman Brignac asked Mr. Cottrell to continue with the reports and move on to financial statements.
- B) Financials. Mr. Cottrell began by focusing on cash. He stated that the forecast is to build slightly. Over the past five years, LCPIIC has been able to hold fairly steady but has not been able to increase cash due to the class action payments while policy counts have decreased. The March financials reflect that LCPIIC is still in a negative surplus situation by \$9.8 million. However, the expectation is that by the end of May, LCPIIC will be in a slightly positive surplus position. With regard to the statutory financials, the quarterly ones were due to be filed with the Department of Insurance the day after the Board meeting. Mr. Cottrell reported that the financials had been submitted to the Audit Committee for review several weeks prior. The Audit Committee met that morning to discuss and ask questions. Mr. LeBouef, Chair of the Audit Committee only had a few minor questions and did not notice anything out of the ordinary with the financials. The Audit Committee voted in their meeting to approve a motion to recommend that the Board approve the submission of the first quarter statutory financial statements to the Department of Insurance. Further, Mr. LeBouef so moved that the Board approve the March 31, 2015 statutory financial statements and their filing with the Department of Insurance. Mr. Starr seconded the motion. With no further discussion forthcoming on the motion, Chairwoman Brignac called for a vote. With no opposition, the motion was approved unanimously.
- C) Management Report. Next, Mr. Cottrell noted that the monthly management report was included in the Board book and provides information from premiums to numbers of policies to claims with a breakdown of insured values. With no questions from Board members forthcoming, Mr. Cottrell moved on.
- D) 2006B Bond Refinancing. At the last Board meeting the Board approved the issuance of an RFP to find an underwriter should the Board decide to move forward with refinancing the 2006B bonds. The RFP process was completed and Morgan Stanley was chosen. The issue being brought to the Board at the current meeting is whether or not to move forward with refinancing the 2006B bonds and if so, when. Mr. Cottrell stated that refinancing would save LCPIIC, approximately, over \$100 million in debt service costs. Such a savings would allow LCPIIC to push the assessment rate for 2016 to below 3% for the first time. As for the timing of doing a refinancing, August and September would be out. It would be very difficult to sell hurricane related bonds during the peak of hurricane season. Due to the work necessary to prepare for the refinancing, the earliest the company could do it would be July. Otherwise, it would be necessary to wait until the fourth quarter, after the peak of storm season has passed. The problem with waiting too long is that it is difficult to anticipate what interest rates are going to do over time. Therefore, the recommended

timeframe would be July. After a lengthy discussion, including a note that the Finance Committee approved a motion to support refinancing the bonds in July, Sen. Morrish moved to adopt the attached resolution allowing LCPIIC to refinance the 2006B bonds with an intended refinancing date in July. Mr. Little seconded the motion. With no additional discussion forthcoming, Chairwoman Brignac called for a vote. With no opposition, the motion passed unanimously.

- E) Line of Credit. Mr. Cottrell explained that the Line of Credit LCPIIC has had with Regions Bank since 2010 is expiring on June 1. The current line of credit is for \$125 million. Mr. Cottrell suggested that going forward the line of credit be lowered to \$100 million for two years. The cost is 15 basis points, or \$300,000 total. That's a very low cost. After discussion with Board members, Mr. Little moved to approve the Line of Credit as proposed by Mr. Cottrell. Mr. LeBouef seconded. With no further discussion forthcoming, Chairwoman Brignac called for a vote. The motion passed unanimously.
- G) Personal Lines Rate Filing-Sunset of the 10% exemption. The next item on the agenda was a proposed personal lines rate filing to account for the sun-setting of the 10% increase exemption in several Coastal parishes. The law allowing the 12 parishes to be exempt from the statutory 10% increase over the highest market rate will expire on August 15, 2015. In order to remain in compliance with state statute, LCPIIC needs to submit a rate filing allowing us to increase rates in those parishes by the 10% after that date. There was some concern that the Legislature may vote to extend the exemption after we file to increase the rates. However, currently, no bills speaking to the issue have been filed. After much discussion by the Board, Sen. Morrish moved to approve the proposed rate filing adding the 10% to current rates in those 12 parishes and to approve the formulas used in calculating the rates. Mr. LeBouef seconded the motion. With no further discussion forthcoming, Chairwoman Brignac called for a vote. The motion passed by a majority vote with Mr. Robinson and Mr. Reinke voting in opposition.
- H) Complaints. Next, Ms. Harper updated the Board on complaints. In March and April 11 complaints were received with five being claim related and six policy related. Mr. Berger asked about the nature of policy related complaints. Ms. Harper responded that it can vary, but usually they relate to cancellations or premiums/rates. With no further questions Chairwoman Brignac moved to the next item on the agenda.

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

Executive Session_____

Mr. Robinson moved to come out of Executive Session. Mr. Reeves 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, Mr. Berger moved to adjourn the meeting; Mr. Robinson seconded. There being no opposition, the meeting was adjourned.

Adjourn

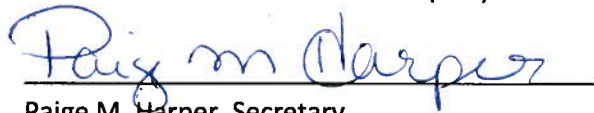


Paige M. Harper

General Counsel and Corporate Secretary/Chief Administrative Officer

Approved:

I hereby certify that these are a true and correct copy of the May 14, 2015 minutes that were adopted by the Board of Directors of Louisiana Citizens Property Insurance Corporation on July 9, 2015.

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