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 3, 2014 MINUTES

Ladies and Gentlemen:

A meeting of the Governing Board for the Louisiana Citizens Property Insurance Corporation was held on Thursday, July 3, 2014. 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
               Gene Galligan
               Craig LeBouef
               Sam Little
               Eugene Montgomery
               Senator Dan Morrish
               Johnny Reeves
               William (Bill) Starr

Absent were: Fred Bosse
             Rep. Cromer
             Senator Eric LaFleur
             Jim Napper
             Kevin Reinke

Also present: Commissioner Donelon
              Dave Thomas, CEO
              Steve Cottrell
              Paige Harper
              Quin Netzel
              Stephanie Jackson
              Jeff Albright
Chairwoman’s Report

Chairwoman Brignac called the meeting to order at 1:04 p.m., asking Ms. Harper to call roll. There being a quorum present, she began by reporting on the activities of the Executive Committee. The Executive Committee met at 10:00 a.m. prior to the Board meeting at the Department of Insurance. There were two agenda items. The first was Commissioner Donelon’s discussion with the Committee about the idea of eliminating wind-only policies. After a healthy discussion, the Committee decided to take no action. The second agenda item was a discussion of the protocols used by LCPIX management when addressing Commissioner Donelon’s order relative to the refund of the $65 app fees. The Committee voted and passed two recommendations to bring to the full Board. The first recommendation was for LCPIX to implement a written policy that would require LCPIX management to bring to the Board’s attention within 48 hours any event involving $1 million or more. It would also require LCPIX management to bring to the attention of the Litigation Committee any litigation or potential litigation in the same amount within 48 hours. Approval of the Board would be required before monies could be dispersed in that type of event or litigation. Finally, the policy would need to be put in the Plan of Operations.

The second recommendation from the Executive Committee was that the Board ratifies the actions of LCPIX management relative to the payment of the Commissioner’s Order to Refund the $65 Application Fee.

Mr. Montgomery moved that the Board adopt both recommendations of the Executive Committee. Mr. Berger seconded the motion. With no further discussion on the motion forthcoming, Chairwoman Brignac called for a vote. The motion passed unanimously.

Next, Chairwoman Brignac introduced her proposal for new appointments to the Board committees (see attached). Mr. Montgomery moved to approve the Committee appointments. Mr. Galligan seconded the motion. With no discussion on the motion forthcoming, Chairwoman Brignac called for a vote. There being no opposition, the motion passed unanimously.

At this point in the meeting, Commissioner Donelon asked to address the Board. He extended his apology to the Board members, as he did to the Executive Committee, for the fact that they were not alerted to the settlement the LCPIX entered into with him as the company’s regulator relative to the refund of the $65 application fee.

The next item on the agenda was the minutes from the previous meeting. After reviewing the minutes, Mr. LeBouef moved to approve the minutes as proposed. Mr. Montgomery seconded the motion. With no further discussion on the motion forthcoming, a vote was taken the motion passed unanimously.

The next item on the agenda was the CEO Report. Before beginning, Chairwoman Brignac noted that halfway through the CEO report the Executive Session was scheduled and then the remainder of the CEO report was scheduled after the Executive Session’s completion.

CEO Report

Mr. Thomas began by explaining to the Board that on April 22nd, LCPIX held its first Agency Advisory Council meeting in about two years. It was a great session with the agents. One of the main topics of discussion was the company’s CAT plan. As a result of the meeting, Mr. Thomas and Quin Netzol asked Jeff Albright of the Independent Insurance Agents Association to come to the Worley, a main part of LCPIX’s CAT plan, to see their facilities and learn more about our CAT plan. Mr. Albright then addressed the Board to give his impressions. He began by reminding the Board that one of the big
mistakes made by LC PIC and other companies with regard to their Katrina response was not understanding that while they were contracted with plenty of independent adjusters for CAT response, those same adjusters had also contracted with or pledged to a lot of other insurance companies as well; therefore, in the aftermath of Katrina their capacity relative to the number of claims for any one carrier, particularly, LC PIC, was reduced. Having said that, Mr. Albright stated that after his visit to Worley he was very impressed with both its management and the physical facility and encourages the Board members to also visit the company. He was impressed that they have in excess of 800 laptops ready to hand to adjusters in a CAT situation ready to go with the appropriate, integrated software already on them, eliminating problems other companies have with managing different computer systems and programs. Mr. Albright also commented on Worley’s practice of creating primary relationships with their independent adjusters to increase claims response and reduce the likelihood of adjusters fleeing to more “profitable” storms in other states.

Mr. Albright ended his discussion by stating that he has confidence in Worley but urges the Board to have a Plan B as well to protect the company in the event of a disaster. After additional discussion by the Board members, Mr. Netzel introduced the proposed contracts with BrightClaim, Brown Catastrophe Management and Elite Claims Services, that comprised the Plan B supported by Mr. Albright.

A) CAT Stand-by Retainer Agreements. Mr. Netzel explained that the proposed Plan B contracts are retainer agreements for independent adjusters in a CAT situation. The price per adjuster is the same for each vendor, but the agreed upon number of adjusters is different in each. Additionally, BrightClaim would also agree to provide backup catastrophe claim management services if something were to happen to Worley as well as providing independent adjusters. After a lengthy discussion, Mr. Montgomery moved to approve the contracts as proposed. Sen. Morrish seconded the motion. With no further discussion on the motion forthcoming, Chairwoman Brignac called for a vote. With only two nay votes from Mr. LeBouef and Mr. Starr, the motion passed by a majority.

B) Contract-Information Builders-claims data and analytics consulting. Next, Mr. Netzel brought a proposed contract to the Board for approval for claims data and analytics consulting services. He explained to the Board that as LC PIC built its new infrastructure it utilized numerous software applications and systems that do not necessarily interface well with each other. In order to work more efficiently, and better manage data, he is looking to find the best way for those systems to interface, a service provide by Information Builders. The total contract value will not exceed $22,000. Mr. Netzel explained the process he used in selecting Information Builders and asked the Board to approve the contract. After a discussion, Mr. Berger moved to approve the contract. Mr. Little seconded the motion. With no further discussion on the motion forthcoming, Chairwoman Brignac called for a vote. There being no opposition, the motion was approved unanimously.

C) 2014/2015 Reinsurance. The next item on the agenda was the 2014/2015 Reinsurance program. Mr. Cottrell reported that LC PIC purchased more reinsurance this year than ever before and did it under budget, while still improving the terms of the contracts. LC PIC now has $650 million in coverage, which is 1 in 110 year coverage due to the reduced number of policies and insured value resulting from the strong depopulation program. This reduces the potential of having to assess. Additionally, LC PIC has a $50 million retention following a first event and a zero second event retention.

The next item on the agenda was the Executive Session. Prior to a motion to enter Executive Session, Chairwoman Brignac asked if any member of the public wished to speak and received a question from the public as to the authority allowing the Maison reinsurance proposal to be discussed in Executive Session. Ms. Harper responded that the statutory authority is found at LA RS 22:2293 (D)(1)(h), information relating to negotiations for financing reinsurance, depopulation, or contractual services until the conclusion of the negotiations.

At this point Mr. Montgomery moved to enter into Executive Session to discuss potential and pending litigation and contract negotiations for reinsurance. Mr. Little seconded the motion. Chairwoman Brignac asked for a roll call vote. The motion passed unanimously.

----------------------------------------Executive Session----------------------------------------
Sen. Morrish moved to reenter the public forum and come out of Executive Session. Mr. LeBouef seconded. Chairwoman Briganc called for a roll call vote. The motion passed unanimously. She noted for the record that the Board did not take any formal action while in Executive Session and asked Mr. Cottrell to continue with the CEO report.

D) May Financials. Mr. Cottrell introduced the May financials by noting that LCPIC would accrue additional money for the class action settlement, which would be reflected in the financials and would receive a partial offset by collecting excess assessments. He also noted that storm claims have been low for the year, which has helped profitability. However, given the class action settlement payments, he anticipates that the company will end June with a negative surplus of slightly over $30 million.

E) Management Report. The next item on the agenda was the management report included in the Board book. In response to a question from Sen. Morrish regarding expense savings, Mr. Cottrell pointed to the last two pages of the report which reflects the underwriting and customer service expense savings. The report shows that in the first five months of 2014, LCPIC cut underwriting and customer service expenses by $800,000. With regard to claim savings, Mr. Cottrell explained that the process of realizing savings will take longer. One reason is the increased cost in setting up the catastrophe response plan this year. Finally, Mr. Cottrell, pointed out that in 2013 the average operating cost for residual market plans (20 plans total) similar to LCPIC was 9.4% of premium. LCPIC’s operating cost was 7.59% of premium, the lowest of all of the organizations. He anticipated that LCPIC’s operating cost in 2014 should be even better.

F) 2013 Audit Report. Mr. Cottrell reported that LCPIC passed another statutory audit cleanly with no significant findings and no issues. Likewise, the GAAP audit was issued with a clean report.

G) 2005 Deficit Certification. The next item was a voteable issue related to LCPIC’s bonds and the requirement to annually recertify the 2005 deficit if a significant change in the deficit amount occurs. The Board last certified the deficit in 2012. Since that certification the deficit has increased by approximately $36 million. This amount has been audited and certified by our auditors. Mr. LeBouef moved to re-certify the 2005 deficit at the increased amount of $1,329,000,000. Mr. Galligan seconded the motion. With no further discussion on the motion forthcoming, Chairwoman Briganc called for a vote. The motion passed unanimously.

H) 2015 Assessment Rate. Mr. Cottrell’s final item on the agenda was also voteable. Each year the Board is required to certify the assessment rate for the upcoming year as part of the process of managing the debt service on LCPIC’s bonds. The rate for 2014 has been 3.54%. The calculated rate for 2015 is 3.42%. The actuaries and the Department of Insurance have reviewed the calculations and agree. The last step is for the Board to certify the rate and set it for 2015. After a brief discussion, Sen. Morrish moved to certify and set the 2015 assessment rate at 3.42%. Mr. LeBouef seconded the motion. With no further discussion on the motion forthcoming, Chairwoman Briganc called for a vote. There being no opposition, the motion passed unanimously.

I) Complaints. Ms. Harper reported to the Board that the total number of complaints received from the Department of Insurance from March through June 2014 was seventeen. All but one complaint was policy related. There being no questions concerning complaints, the CEO report concluded.

With the conclusion of the agenda, Commissioner Donelon asked the Board to amend the agenda to address CEO compensation. Mr. Little moved to amend the agenda to add a discussion relative to Mr. Thomas’ compensation. Mr. Montgomery seconded the motion. There being no further discussion on the motion forthcoming, Chairwoman Briganc called for a vote. There being no opposition, the motion passed unanimously. Commissioner Donelon opened the discussion by noting that Mr. Thomas was at his one year anniversary with LCPIC and all other staff has their compensation adjusted annually. He continued by pointing out that without a salary adjustment, when other executive staff receives a salary adjustment, they will make more money than Mr. Thomas at his current level of compensation of $275,000. The Commissioner commended the company and Mr. Thomas for the professional and excellent work performed and recommended that Mr. Thomas be given a salary increase. After an in depth discussion on the issue, Mr. Starr moved to grant Mr. Thomas a 5% salary increase effective with the next pay cycle. Mr. Berger seconded the motion. With no further discussion on the motion forthcoming, Chairwoman Briganc called for a vote. The motion passed unanimously.
With no further business to discuss, Chairwoman Brignac noted that the next Board meeting is scheduled for September 11 and informed the Board that LCPI is undergoing a routine examination by the Department of Insurance. As part of that examination the examiners will select a few Board members to interview. Mr. LeBouef moved to adjourn the meeting; Mr. Starr seconded. There being no opposition, the meeting was adjourned at 4:25 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 3, 2014 minutes that were adopted by the Board of Directors of Louisiana Citizens Property Insurance Corporation on September 11, 2014.

[Signature]
Paige M. Harper, Secretary
BOARD COMMITTEE

MEMBERSHIP

ELECTED JULY 3, 2014

Actuarial Committee
Eric Berger, Chair
Kevin Reinke
Gene Galligan

Audit Committee
Craig LeBouef, Chair
Eric Berger
Bill Starr

Executive Committee
Denise Brignac, Chair
Jim Napper
Eric Berger
Eugene Montgomery
Representative Cromer

Investment Committee
Jim Napper, Chair
Craig LeBouef
Johnny Reeves

Litigation Committee
Senator LaFleur
Senator Morrish
Sam Little
Fred Bosse’
Bill Starr