

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 9, 2015 MINUTES

Ladies and Gentlemen:

A meeting of the Governing Board for the Louisiana Citizens Property Insurance Corporation was held on Thursday, July 9, 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
Fred Bosse
Rep. Cromer (arrived following roll call)
Jason Dupree
Gene Galligan
Craig LeBouef
Sam Little
Eugene Montgomery
Senator Dan Morrish
Johnny Reeves
Kevin Reinke
Preston Robinson
William (Bill) Starr (arrived following roll call)

Absent were: Eric Berger
Senator Eric LaFleur

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

Chairwoman's Report

Chairwoman Brignac called the meeting to order at 1:07 p.m., asking Ms. Harper to call roll. There being a quorum present, she began by welcoming the newest member of the Board, Jason Dupree. Mr. Dupree is an at-large appointee of Governor Jindal. He is a principal at Cypress Title in Baton Rouge.

Chairwoman Brignac next addressed an issue Commissioner Donelon asked her to bring to the Board. Currently Louisiana Citizens allows non-residents agents to place Louisiana risks in the company. However, other state residual markets, like the Mississippi wind pool, do not allow non-resident agents to place business. The Commissioner would like the Board to whether to the company needs to make this a reciprocity issue. He anticipates discussing it further at the September meeting. With no comments on the issue, the Chairwoman moved on to agenda item number two, the minutes of the prior meeting, May 14, 2015. After a review of the minutes,

Mr. Robinson moved to approve the minutes as proposed. Mr. Montgomery 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 section under the CEO report was on financials. Mr. Ramachandran asked Mr. Cottrell to give the report. Mr. Cottrell began by informing the Board that the company's cash continues to hold steady at just over \$100 million, which is ahead of budget. In terms of surplus, the company is now in a positive surplus position.
- B) 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.
- C) Audits. In the past year LCPIC has been through three audits: statutory, GAAP and a Department of Insurance examination. The first audit looked at LCPIC's statutory reporting. The determination was that no discrepancies, no inefficiencies and no adjustments that needed to be made were found. In other words, it was a clean audit. The second audit was on GAAP reporting. This is for the government's type of accounting and includes reporting on internal controls and compliance. Again, no discrepancies or inefficiencies were found and there were no issues with our internal controls or our compliance with State rules. There was one recommendation regarding testing the disaster recovery plan, which will be discussed further later on in the meeting. Finally, the Department of Insurance performed a triannual exam on the company. They agreed with the other audits and the one recommendation was in regard to testing the disaster recovery plan. After completing his report, Mr. LeBouef and Mr. Montgomery both expressed their pleasure at the excellent audit results.
- D) 2006B Bond Refinancing Update. Mr. Cottrell reported that after receiving Board approval to move forward with the Bond refinancing, the proposal was taken to the Bond Commission for approval in mid-June. They approved the refinancing plan. He also reported that in the week following the Board meeting pricing would be finalized and the week after that the bond refinancing would be closed.
- E) Debt Rating Upgrades. On June 10 and 11, Mr. Cottrell, Mr. Ramachandran and LCPIC's financial advisors traveled to New York to visit with three rating agencies in advance of the bond refinancing efforts. The visits were productive. Moody's, the largest institution investors rely on, gave LCPIC a two notch upgrade. Such a large upgrade is very unusual. S&P gave LCPIC a one notch upgrade and Fitch affirmed the rating the company already had with them. The impact of these ratings is that they will allow LCPIC to save between 10 and 20 basis points on the interest rates or \$3.5 to \$7 million over a 10 year lifespan.
- F) 2005 Deficit Certification. Under the bond covenant for the bonds issued as a result of the 2005 storms, LCPIC is required to annually evaluate the debt related to those storms and re-certify the deficit. The reason for this is because the bonds are tax exempt and are issued to pay for that deficit. Originally the deficit was estimated to be \$953 million. However, over time the claim cost has increased, particularly due to the class actions. Last year the deficit was certified at \$1.3 billion. This year it is at \$1.4 billion. After some discussion, Mr. Little moved to re-certify the 2005 deficit as of May 31, 2015 at \$1.4 billion. Mr. Montgomery seconded the motion. With no further discussion forthcoming, a vote was taken. The motion was passed unanimously.
- G) Rate Filing-Sunset of the 10% exemption. The next item on the agenda was the proposed rate filing to account for the sun-setting of the 10% increase exemption in several Coastal parishes. At the May meeting the Board voted to approve the filing of the rate filing with the Department of Insurance. Since that time it has been approved by the Department of Insurance. LCPIC must now receive approval from the Board to implement the approved rates. Mr. Cottrell noted that the legislature did not address the expiration of the exemption prior to the end of the legislative session. After an in depth discussion, Mr. LeBouef moved to implement the approved rate filing effective August 15, 2015. Sen. Morrish seconded the motion. With no further discussion forthcoming, Chairwoman Brignac called for a vote. With only one opposing vote by Mr. Robinson, the motion was approved by a majority.
- H) Contract-Venue. Next, Mr. Ramachandran asked Mr. Lindsey, CIO, to discuss LCPIC's proposal for addressing the disaster recovery testing issue cited in the audits. Mr. Lindsey began by noting that currently LCPIC has a 24-hr back up system that allows the company to move all data, files and programs to disaster site in Bossier City. This occurs every day. The company also keeps critical systems at the location in Bossier City for availability in the event of a disaster. The problem with the preparations already in place is that they do not represent 100% replication of all production systems. Furthermore, the restoration and recovery efforts in the event of a disaster would be heavily dependent on manpower and would take a significant amount of time to get the systems functional. With regard to testing these systems, LCPIC recognizes that testing is optimal. However, to test the backup systems, the production system would have to be turned off under LCPIC's current setup. The proposed solution is to update our current system to implement a cloud based real time replication process for all systems, not just the critical systems. The data would move to the cloud and then be moved to Bossier City on a real time basis. Application recovery time would be reduced to seconds from 24 hours. The company would also gain the ability to test the disaster recovery plan without disturbing the production systems.

The solution would not require the purchase of hardware or maintenance. It is an additional service provided by Venyu, a current vendor of LCPIC. The cost is \$32,766 annually, or \$2,760 per month. If the Board approves the contract and expenditure, the hope is to go live with the solution in September in order to be able to perform an annual test in November, which would satisfy the audit requirements/recommendations. After discussion, Mr. Montgomery moved to approve the contract and expenditure with Venyu. Mr. Robinson seconded the motion. With no further discussion on the motion forthcoming, Chairwoman Brignac called for a vote. With no opposition, the motion passed unanimously.

- l) Complaints. The final item on the CEO report was the complaints. Ms. Harper informed the Board that in May and June 10 complaints were received with five being claim related and five policy related. With questions on the complaints, 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, and the PIAL settlement negotiations. Chairwoman Brignac asked if anyone from the public wished to address the Board. No one responded. Mr. Robinson moved to exit the public forum and enter into Executive Session. Mr. Montgomery 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

Rep. Cromer moved to come out of Executive Session. Mr. Bosse 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. At that time, she noted that she would entertain a motion relative to discussions in Executive Session. Mr. Montgomery moved to proceed with the settlement of the PIAL negotiations as projected by LCPIC legal counsel, the terms of which are \$650,000 in cash, 10 years of continued use of the Rapid Rating System with no charge, and a waiver of any liability concerning past use of the Rapid rating system, as well as any other claims against LCPIC. Rep. Cromer seconded the motion. With no further discussion on the motion forthcoming, Chairwoman Brignac called for a vote. Sen. Morrish abstained from voting. All other Board members voted to approve the motion.

With the conclusion of the agenda, and with no further business to discuss, Mr. Reinke moved to adjourn the meeting; Mr. Reeves 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 July 9, 2015 minutes that were adopted by the Board of Directors of Louisiana Citizens Property Insurance Corporation on September 10, 2015.



Paige M. Harper, Secretary