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
SEPTEMBER 11, 2014 MINUTES

Ladies and Gentlemen:

A meeting of the Governing Board for the Louisiana Citizens Property Insurance Corporation was held on Thursday, September 11, 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
              Fred Bosse
              Rep. Cromer (arrived following roll call)
              Gene Galligan
              Senator Eric LaFleur
              Craig LeBouef
              Sam Little
              Eugene Montgomery
              Senator Dan Morrish
              Jim Napper
              Johnny Reeves
              Kevin Reinke

Absent were: William (Bill) Starr

Also present: Commissioner Donelon
              Dave Thomas, CEO
              Steve Cottrell
              Paige Harper
              Quin Netzel
              Vijay Ramachandran
              Derek Haney
Chairwoman Brignac called the meeting to order at 1:03 p.m., asking Ms. Harper to call roll. There being a quorum present, she began by her report to the Board by noting that both she and the Vice Chair, Mr. Napper, had conflicts later in the afternoon that would require them to leave the meeting, so the meeting would need to flow as quickly and smoothly as possible in order to get through all of the items on the agenda before that time.

The second agenda item was the minutes from the previous meeting. After a review of the minutes, Sen. Morrish moved to approve the minutes as proposed. Mr. LeBouef 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

Mr. Thomas began by informing the Board of the recent public records request made by the reporter Lee Zurik of Fox 8 News in New Orleans. He explained that Mr. Zurik requested all payments made to employees in 2013, including salary, overtime and other earnings; check registers and general ledgers for 2013; copy of all corporate credit card statement for 2013, of which LCPIC has none; a copy of all employment contracts and a copy of any document that shows the name of the companies we use for reinsurance and the premium paid to them. Mr. Thomas also let the Board members know that it is LCPIC’s understanding that many, if not all, State agencies also received similar public records requests at the same time.

A] Financials. Beginning with the cash report, Mr. Cottrell explained that the biggest issue with LCPIC’s cash is the significant payments for the Oubre class action settlement. LCPIC paid over $24 million in May, almost $39 million in August and anticipate paying approximately another $30- $40 million to close out the settlement. At the end of August, LCPIC had $9 million in cash. Based on expected reinsurance and class actions payments, the company should begin 2015 with around $71 million in cash. Next, Mr. Cottrell moved on to a discussion of where the company stands with regard to the budget. Although we are behind budget due to the class action expenses, operationally, LCPIC is actually under budget and anticipates remaining so for the rest of the year. With regard to surplus, LCPIC is $26 million in the red; however, the current trend continues, without hurricanes or any unexpected expenses, the company should be in the black by the end of the first half of 2015.

Mr. Cottrell next noted that the Audit Committee met a few weeks prior to review the quarterly financial statements prior to filing. He asked the committee Chair, Craig LeBouef for any comments he may have on the financials. Mr. LeBouef stated that the committee met and noted nothing material or significant in their review of the financials. All of their questions were answered and everything looked in order. Mr. LeBouef then moved to approve the submission of the quarterly financial statements as of Jun 30, 2014 to the Department of Insurance. Mr. Napper seconded the motion. With no discussion on the motion forthcoming, Chairwoman Brignac called for a vote. The motion passed unanimously.

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. As for specifics, he noted that the policy count is at 98,500. This is down from the roughly 175,000 policies LCPIC had when the depopulation program began.

C] Proposed Commercial Rate Filing. The next item on the agenda was the proposed commercial rate filing. Mr. Cottrell asked Mr. Derek Haney, LCPIC’s in-house actuary, to join him in presenting the proposed filing to the Board. Mr. Cottrell explained to the Board that LCPIC management was seeking approval of the proposed rates and the formulas used to calculate those rates as well as approval to submit the commercial rate filing to the Department of Insurance for approval. Furthermore, if the filing is approved by the Department of Insurance as submitted, with no changes, LCPIC management asks that the Board vote to approve implementation of the rates with an effective date of February 1, 2015. Mr. Cottrell then went on to explain to the Board the process for calculating the proposed commercial rates.
He reminded them that unlike personal lines, with commercial lines there is no good market from which to pull a market rate, so in LC PIC is left to use its actuarial rate. To calculate the actuarial rates, LC PIC must look at the storm loss models, losses and company expenses. This year the proposed actuarial rates indicate an overall rate decrease of .2%. This is the second year in a row for a rate decrease for commercial lines. The Coastal Plan rates go down by approximately 17.5% and the FAIR plan rates show a slight increase. After further discussion by the Board, Mr. Berger, Chair of the Actuarial Committee addressed the Board concerning the proposed filing. He informed the Board that the Actuarial Committee met to review the filing and voted favorably to pass it on to the Board for approval. Mr. Galligan, another member of the Committee agreed. Mr. Berger then moved that the Board approve the .2% commercial rate decrease to be filed with the Department of Insurance, as well as approving the formulas used to calculate the rate decrease. Mr. LeBouef seconded the motion. With no further discussion on the motion forthcoming, Chairwoman Brignac called for a vote. The motion passed unanimously. Next, Mr. Bosse moved to approve the implementation of the rates with an effective date of February 1, 2015 if the Department of Insurance approved them "as is" with no changes. Mr. Galligan seconded the motion. With no further discussion on the motion forthcoming from the Board, Chairwoman Brignac called for a vote. The motion passed unanimously.

Finally, Mr. Cottrell introduced the idea to the Board for the future that LC PIC may want to consider changing the rating territories for commercial ratemaking. Such a change would require approval of the Board and then of the House and Senate Insurance Committees, but LC PIC’s actuary believes that it would allow the company to develop rates that would be more accurate for each area and would be consistent with the way in which personal lines rates are developed. After more discussion, the meeting moved to the next agenda item.

D) Depopulation Update. Mr. Ramachandran updated the Board on the progress of the current round of depopulation. He noted that this year six companies are participating. Those companies are Lighthouse, Access, Mason, Century Specialty, United Property and Casualty and Coastal Select. Currently the companies are analyzing data and requesting policies. In October agents will begin authorizing policies to the requesting company of their choice. On December 1 the assumption of the depopulated policies will take effect. Mr. Ramachandran expressed a hope that at least 10,000 policies would be depopulated in this round. After a lengthy discussion of the process, meeting moved to the next agenda item.

E) Thibodeaux Update. Ms. Harper informed the Board that the $65 application fee refund has been completed. Approximately $1.8 million was left in the account, to which LC PIC has been given reversion rights by Judge Kelly. A motion is being filed for the return of the money to LC PIC. The hope is that it will be returned prior to the next Board meeting.

F) Oubre Class Settlement Update. Ms. Harper updated the Board on the progress of the Oubre settlement proceedings. To date LC PIC has paid $65,785,500. After the last quarter of claims review in the settlement process the company anticipates paying an additional $20,000,000. The special master has not yet made a determination on any of the documents LC PIC has produced to eliminate claimants from class membership, so there may be additional amounts due once he makes those determinations. Finally, LC PIC understands that October will be the last quarter in which it will receive claims to review and that the number of those claims will be less than 5000. Hopefully that is indeed the case.

G) Complaints. In the months of July and August LC PIC received eight complaints. Six were claim related and two were policy related. With no questions regarding complaints, Chairwoman Brignac moved forward with the agenda.

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.

At this point Sen. LaFleur moved to enter into Executive Session to discuss potential and pending litigation. Mr. Napper seconded the motion. Chairwoman Brignac asked for a roll call vote. The motion passed unanimously.

Rep. Cromer moved to reenter the public forum and come out of Executive Session. Mr. Bosse seconded. Chairwoman Brignac 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.
With the conclusion of the agenda, and with no further business to discuss, Chairwoman Brignac noted that the next Board meeting is scheduled for November 13th. Rep. Cromer moved to adjourn the meeting; Sen. LaFleur seconded. There being no opposition, the meeting was adjourned at 2:34 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 September 11, 2014 minutes that were adopted by the Board of Directors of Louisiana Citizens Property Insurance Corporation on November 13, 2014.

[Signature]
Paige M. Harper, Secretary