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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 13, 2018 MINUTES

Ladies and Gentlemen:

A meeting of the Governing Board for the Louisiana Citizens Property Insurance Corporation was held on Thursday, July 12, 2018. 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: Nick Lorusso, Chairman
Jeff Albright
Brian Chambley
Thomas Enright
Gene Galligan
Denise Gardner
Tom Glasson
Craig LeBouef
Eugene Montgomery
Sen. Smith
Kevin Reinke
Rep. Talbot
Brian Van Dreumel

Absent were: Eric Berger
William (Bill) Starr

Also present: Richard Newberry, CEO
Paige Harper
Joe Sciortino
Derek Haney

Chairman's Report

Chairman Lorusso called the meeting to order at 1:10 p.m. He began the meeting by asking Ms. Harper to call roll. With thirteen members present during roll call, a quorum was met and the meeting moved forward.

The next item on the agenda was the minutes of the previous meeting. Chair Lorusso asked Secretary Harper to address the minutes. She gave the Board a few minutes to review the minutes. Mr. Albright moved to accept the minutes as written. Mr. Van Dreumel seconded the motion. With no further discussion on the motion or the minutes, Chair Lorusso called for a vote. The minutes were approved unanimously.

Chairman Lorusso then moved to the CEO Report and asked Mr. Newberry to take over with his updates.

CEO Report

A) Overview. Mr. Newberry began his report by noting that Hurricane Florence is on everyone's minds and that our thoughts and prayers go out to everyone dealing with the storm. He then updated the Board on LCPIC's CAT preparedness. Mr. Newberry reported that LCPIC currently has 725 adjusters ready to handle any CAT claims we might receive, as well as 1000 additional adjusters who are certified to adjust for LCPIC are at our disposal if needed. LCPIC has also been active in preparedness for off-site working to insure that operations can continue even if the office in the Galleria is unavailable.

B) Depopulation Company Listing and Update. Next, Mr. Newberry addressed the status of the current round of depopulation. He let the Board know that four companies had submitted the required documentation for participation. These are Spinnaker, Ocean Harbor, Safepoint and Access Home. The next step is for the Board to vote on approving the four companies. After that, the LCPIC portal will be opened up for each approved company to view the policies selected for Round 12 of depopulation. Along with seeing the policies, the approved companies will pick the policies they wish to depopulate. Next, the portal will be opened up to the agents who will need to choose between the companies who requested the policies and approve or disapprove the depopulation of the policy. The next step will be to allow each insured whose policy was picked and approved for depopulation the opportunity to opt out of depopulation if they so choose.

After finishing his review of the process and timeline, Mr. Newberry pointed out the information provided by the company's regarding their year-end financials and ratings. After some discussion, Chairman Lorusso asked if anyone had a motion to approve the four companies. Representative Talbot so moved. Mr. Enright seconded the motion. With further discussion on the motion forthcoming and no opposition, the motion was approved unanimously.

C) Proposed Commercial Rate Filing. Mr. Newberry next addressed the proposed Commercial Rate Filing. He began by noting that LCPIC's commercial policies are down to 1,650 from around 4,700. He also explained all of the factors that go into developing a rate, like loss expenses, operational expenses, etc. When all was calculated, the proposed rate represented an overall decrease of 8.3 percent (9.1 percent decrease for the FAIR plan and a 3.4 percent decrease for the Coastal plan.) At this point, Mr. Van Dreumel, Chair of the Actuarial Committee spoke up and told the Board that the Actuarial Committee had met with regard to the proposed filing. The committee voted to recommend to the full Board that the

proposed rate filing be submitted to the Department of Insurance for approval. Ms. Gardner then moved to approve the filing of the proposed rates, as well as approve the formulas and methods used to calculate the proposed rates. Mr. Van Dreumel seconded the motion. With no further discussion on the motion forthcoming and no opposition to the motion, it was approved unanimously. Mr. Newberry next asked that the Board consider a second motion to utilize the proposed rates if approved by the Department of Insurance as filed or if approved at a changed rate within a .5 percent more or less than the proposed rate. Ms. Gardner so moved. Mr. Van Dreumel seconded. After a lengthy discussion on whether the Board was required to set the rates with specificity rather than including the .5 percent margin of change, Ms. Gardner amended her motion to allow LCPIC to utilize the rates if approved by the Department of Insurance as filed, or if approved at a changed rate within .5 percent more or less than the filed rates, then only if counsel so approves as being "legal". The second to the original motion was maintained and with no further discussion forthcoming and no opposition, the motion passed unanimously.

- D) Appointment of Company Actuary. The next topic on the agenda was the appointment of Mr. Derek Haney as LCPIC's Company Actuary. Mr. Newberry noted that this issue had been tabled at the previous meeting so that more research could be undertaken as to the commonality of having in-house actuaries appointed as the Company Actuary who opines on year end company audited financials. He then explained that LCPIC polled twelve different companies. Six of those used in-house actuaries as the appointed Company Actuary. He explained that if Mr. Haney, LCPIC's in-house actuary, was appointed as LCPIC's Company Actuary, Merlinos, the current opining actuary, would still perform an oversight function with regard to Mr. Haney's work. Additionally, Mr. Newberry noted that appointing Mr. Haney would save the company a net of \$35,000 each year. He then summarized Mr. Haney's experience as an actuary. After discussion by the Board, Mr. Albright moved that the Board appoint Mr. Haney as LCPIC's Company Actuary. Mr. Galligan seconded the motion. With no further discussion forthcoming and no opposition, the motion carried unanimously.
- E) Management Report. Next, Mr. Sciortino led a discussion of the management report. He noted LCPIC's total inforce policy count is currently at \$40,461. That equals a total matured value (TIV) of \$7.9 billion.
- F) Financials. Mr. Sciortino then moved to a discussion of the financials. He began with the operating cash summary. As of July 2018 LCPIC had operating cash of \$119.3 million. With another \$82 million in investments, LCPIC maintained a total cash investment position of \$201.3 million. Looking forward to the next six months, Mr. Sciortino stated that there was nothing unusual forecasted. He noted that by January 2019, LCPIC is expected to have \$203.2 million in total cash and investments.

With regard to the income statement, Mr. Sciortino pointed out that in the area of actual year to date performance, LCPIC has a net income of \$9.7 million, which is \$11.7 million over budget. With the cost of the reinsurance program coming in \$4 million under budget, lower than usual claims activity and being under budget in Operating expenses, LCPIC total expenses are also staying under budget, contributing to the net income of \$9.7 million. Surplus is now at \$165.7 million compared to \$153.5 million a year ago.

After summarizing the balance sheet, Mr. Sciortino explained that the second quarter financials were required to be filed by August 15th. After submitting the financials to the Audit Committee for review and comment, the financials were timely filed. Because of the timing, LCPIC management was unable to bring the financials to the Board for approval prior to filing. Mr. LeBouef, Chair of the Audit Committee, stated

that the financials had been submitted to the Audit Committee members to review and there were no questions on the financials. The financials looked in order. He then moved for the Board to approve the financials and retroactively approve their filing with the Department of Insurance. After additional discussion among the Board members, Mr. Reinke seconded the motion. With no further discussion on the motion forthcoming and no opposition, the motion passed unanimously.

- G) Complaints. The final item on the CEO report was complaints. Ms. Harper reported that there were three complaints in July and August 2018. All three were claim related. With no questions regarding complaints, the CEO report was concluded.

With the conclusion of the CEO report, Chairman Lorusso moved on to the Executive Session. He asked if anyone from the public first wished to address the Board. With no other speakers from the public stepping forward, Chairman Lorusso stated that he would entertain a motion to go into Executive Session to discuss potential and pending litigation. Mr. Albright so moved. Senator Smith seconded the motion. Chairman Lorusso called for a roll call vote. The motion passed unanimously and the Board entered into Executive Session. Everyone except LCPIIC staff and the Board were asked to leave the room.

-----Executive Session-----

At the conclusion of the Executive Session, Chairman Lorusso asked for a motion to exit Executive Session and re-enter the public forum. Ms. Gardner so moved. Representative Talbot seconded the motion. A roll call vote was taken. The motion passed unanimously. Chairman Lorusso noted that the Board had re-entered the public forum. He asked that the record reflect that the Board did not take any formal action while in Executive Session.

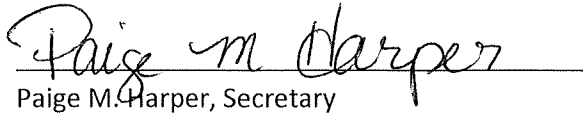
With the conclusion of the agenda, and with no further business to discuss, Chairman Lorusso asked for a motion to adjourn. Mr. LeBouef so moved; Mr. Enright seconded. There being no opposition, the meeting was adjourned at 2:35 p.m.

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 13, 2018 minutes that were adopted by the Board of Directors of Louisiana Citizens Property Insurance Corporation on November 8, 2018.


Paige M. Harper, Secretary