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 MARCH 25, 2014 MINUTES

Ladies and Gentlemen:

A meeting of the Governing Board for the Louisiana Citizens Property Insurance Corporation was held on Tuesday, March 25, 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
Craig LeBouef
Eugene Montgomery (arrived following roll)
Jim Napper
Johnny Reeves
Kevin Reinke
William (Bill) Starr

Absent were: Rep. Cromer
Gene Galligan
Senator Eric LaFleur
Sam Little
Senator Dan Morrish

Also present: Dave Thomas, CEO
Steve Cottrell
Paige Harper
Ricky Lindsey
Quin Netzel
Vijay Ramachandran
Derek Haney
Warren Byrd
Chairwoman’s Report

Chairwoman Brignac called the meeting to order at 1:08 p.m., asking Ms. Harper to call roll. There being a quorum present, she began her report by welcoming the newest member of the Board, Mr. Kevin Reinke. Mr. Reinke is an appointee of Commissioner Donelon, representing the Louisiana Chapter of the National Association of Insurance and Financial Advisors.

Next she asked Warren Byrd, the Deputy Commissioner over Property and Casualty to explain a proposed resolution brought to the Board regarding an issue with the mandatory evacuation order issued for the area affected by the sinkhole in Assumption Parish. Mr. Byrd explained that the situation came to the Department of Insurance in the form of a complaint when a homeowner’s insurance with a private carrier was cancelled under the terms of the occupancy clause. The homeowner would have occupied his home except for the mandatory evacuation order. Because of the order he has been forcibly kept from his home for a year and a half, resulting in the loss of his insurance coverage. The Department of Insurance asked LCPIC to work with them, pursuant to the approval of the Board, to offer a dwelling policy to similarly situated policyholders waiving the occupancy requirement, allowing those policyholders to maintain coverage that would satisfy their mortgage companies for the duration of a lengthy mandatory evacuation order. Mr. Thomas then explained that if the Board approved the offering of such coverage, the policy would not provide vandalism coverage and LCPIC would reinstate the occupancy requirement 60 days following the termination or rescission of any applicable mandatory evacuation order. After further discussion of the resolution, Mr. Reeves moved to approve it as proposed. Mr. Bosse seconded the motion. With no further discussion forthcoming, Ms. Brignac asked for a roll call vote. The motion passed unanimously.

The next item on the agenda was the minutes from the previous meeting. After reviewing the minutes, Mr. Napper moved to approve the minutes as proposed. Mr. LeBouef 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.

CEO Report

Mr. Thomas began by noting that LCPIC completed its move into the new facility in the Galleria over the Super Bowl weekend without any downtime. He also noted that the emergency power is tested each week and is working fine. Mr. Thomas then asked Mr. Cottrell to update the Board on the company’s financials.

A) 2013 Financials. Mr. Cottrell began by covering the cash summary. He noted that LCPIC has fully paid the refund of the $65 Application Fee Order, which was approximately $16 million in total. He also noted the reinsurance payments that occur
throughout the year and the class action expense for Oubre. With those expenses LCPIC will go into storm season with around $75 million cash. At this point, Mr. Napper questioned who authorized the payment of the $16 million for the application fee refund. Mr. Cottrell responded that it was paid in response to an order from the Commissioner of Insurance. Mr. Napper asked if the Board approved the expense. The response was no. After a lengthy discussion Mr. Napper moved to have the Executive Committee conduct an inquiry into protocol used in complying with the Commissioner’s Order to refund the $65 Application Fee and make any recommendations it may have as a result of that inquiry. Mr. Starr seconded the motion. With no further discussion on the motion forthcoming, Chairwoman Brignac took a vote. The motion passed unanimously.

Mr. Cottrell then continued with his report on the financials for 2013. He noted that they had already been filed timely with the Department of Insurance, but in accordance with our corporate governance practices, LCPIC management asks that the Board approve the financials and the filing retroactively. Mr. Cottrell also stated that even though the Audit Committee is not fully staffed and functioning, he has continued to send the financials to Mr. LeBouef for review. Mr. LeBouef commented that the financials were given to him in a timely manner and after his review he had not comments. Mr. LeBouef followed his comments with a motion that the Board adopt the statutory financials dated December 31, 2013 that were submitted to the Department of Insurance. Mr. Napper seconded that motion. With no further discussion forthcoming on the motion, Chairwoman Brignac called for a vote. The motion passed unanimously.

B) Management Report. Mr. Cottrell explained to the Board that the Management Report in the Board Book is a summary of the activity within the company from premiums earned to accounts to depopulation. All the things that are relevant monitoring and measuring aspects of the financials.

C) 2014 LCPIC Credit Rating Update. Mr. Cottrell next reported that Standard and Poor’s and Fitch completed their process of evaluating the quality of LCPIC’s credit and our operations and finances; as a result, they have reaffirmed the A-minus rating they assigned to LCPIC two years ago. This is very good news. It keeps our bonds liquid and allows us options with regard to our bonds if we choose to refinance or buy or sell. Mr. Napper concurred that investment bankers love LCPIC’s bonds.

D) Personal Lines Rate Filing Proposal. The next item on the agenda is the personal lines rate filing and the implementation of the rates approved by the Department of Insurance. Mr. Cottrell noted that the Board previously approved the filing of the rates, which the Department of Insurance has now approved without change. He now requests that the Board approve the implementation of those rates, with the 5.2 overall increase, effective June 1, 2014. Mr. Berger so moved. Mr. LeBouef seconded. With no further discussion forthcoming on the motion, Chairwoman Brignac called for a vote on the motion. The motion passed by a majority vote with one nay vote by Mr. Napper.

E) 2014/2015 Reinsurance Overview. The next item on the agenda was an overview of the proposed Reinsurance plan for 2014/2015. Mr. Cottrell gave the Board and in depth explanation of where LCPIC has been in the past with reinsurance and the plan to
purchase 1 in 100 year coverage using a mix of traditional reinsurance and CAT Bonds. Additionally, in 2014/2015 the plan is to purchase coverage with one retention (we would only have to pay it once- not again if a second storm comes through).

F) Agents Advisory Council Update. Mr. Ramachandran reported to the Board that after a gap of almost three years, the Agents Advisory Council is being revised and reinstated. The mission of the Council is to exchange ideas with agents with the goal of making LCPI a better organization. The first meeting is scheduled for April 29. After further discussion, the report moved to Complaints.

G) Complaints. Ms. Harper reported to the Board that the total number of complaints received from the Department of Insurance in January and February 2014 was five Complaints, but that one was not a complaint against LCPI and the another was removed by the Department of Insurance before immediately after receipt because the policyholder contacted them to say that they had received the documents they needed.

After responding to a general question about complaints, the CEO report concluded.

The last item on the agenda was the Executive Session. Prior to asking for a motion to enter into Executive Session, Chairwoman Brignac asked if anyone from the public wished to address the Board. When no one came forward, Mr. Montgomery moved that the Board enter into Executive Session to discuss pending and potential litigation. Mr. Reeves seconded the motion. With no discussion on the motion forthcoming, Chairwoman Brignac asked for a roll call vote. The motion was approved unanimously and all members of the audience except LCPI staff were asked to leave.

At the conclusion of the Executive Session, Mr. Starr moved that the Board reenter the public forum. Mr. LeBouef seconded the motion. With no discussion on the motion forthcoming, Chairwoman Brignac called for a roll call vote. The motion passed unanimously. Chairwoman Brignac asked that the record reflect that the Board did not take any formal action while in Executive Session.

With the conclusion of the agenda, Mr. Bosse moved to adjourn the meeting; Mr. Reeves seconded. There being no opposition, the meeting was adjourned at 2:38 p.m.
Approved:

I hereby certify that these are a true and correct copy of the March 25, 2014 minutes that were adopted by the Board of Directors of Louisiana Citizens Property Insurance Corporation on July 3, 2014.

Paige M. Harper, Secretary