May 10, 2007

TO ALL MEMBERS OF THE BOARD OF GOVERNORS FOR THE LOUISIANA CITIZENS PROPERTY INSURANCE CORPORATION

RE: LOUISIANA CITIZENS PROPERTY INSURANCE CORPORATION
SPECIAL BOARD OF GOVERNORS MEETING
APRIL 12, 2007
MINUTES

Ladies and Gentlemen:

A Special meeting of the Governing Board for the Louisiana Citizens Property Insurance Corporation was held on April 12, 2007 at the offices of the Department of Insurance located at 1702 N. Third St., Baton Rouge, Louisiana, Hearing Room on the first floor commencing at 2:00 p.m. The following is an official record of the meeting.

Present were:
Jeff Albright
Chad Brown, Chairman
Hon. Karen Carter
Michael Domingue
Mike Ely
Joelle Lapeze
Hon. John Kennedy and Jim Napper
Hal Stiel

Also in attendance:
Commissioner Jim Donelon
Billy Bostick, Bostick Crawford
Bob Crawford, Bostick Crawford
John D. McConnell, i4 Integrated Solution
Denise Brignac, Department of Insurance
John Waters, General Counsel and acting secretary
Caryl Mathes, Staff
Curt Reeson, Staff
A.J. Hebert, special counsel for PIAL
Daryl G. Purpera, Legislative Auditor’s office
David Duffy of Guy Carpenter
Chad Brown, Chairman, welcomed all members and guests to the monthly meeting of the Board of Directors for the Louisiana Citizens Property Insurance Corporation.

BOD.07.36 PRIOR MEETING MINUTES

A. On the motion of Rep. Carter, seconded by Ms. Lapeze, the March 29, 2007 Minutes were approved unanimously.

B. Review of the April 4, 2007 Minutes was deferred

BOD.07.37 SEARCH FOR CEO

Commissioner Donelon thanked the Board members who participated in interviewing CEO candidates and advised the Board he has selected a new CEO. Due to pending notifications to current business associates Commissioner Donelon was unable to disclose the selection. Commissioner Donelon plans to identify the selected candidate and circulate his resume for Board approval at its next meeting. The new CEO is scheduled to be on site at the home office on Monday, April 23, 2007.

BOD.07.38 AUDIT COMMITTEE REPORT

A. i4 Integrated Services, LLC

John McConnell provided a report on his findings following his review of the LPMS. Mr. McConnell advised that the LPMS system cannot produce 2005 and 2006 financial statements and provided his recommendations for solving the problems with the system. Mr. McConnell indicated it would take approximately four months to be able to extract 2005 and 2006 data from LPMS.

Billy Bostick and Bob Crawford of Bostick Crawford reported that they had just received Mr. McConnell’s report, they will review it and they will have recommendations for the Board to consider at its next meeting.

Mr. Bostick advised that it would be at least five and a half to six months (four months to extract data from the system and six weeks to two months to re-post the general ledgers and produce financial statements) before the Board can expect to have a financial statement for the auditors to review.

B. Legislative Auditors
Daryl G. Purpera, First Assistant Legislative Auditor, provided a brief report on the status of his office’s work. Mr. Purpera advised that Mr. Theriot felt it would be premature to engage an auditor before an auditable financial statement could be produced. Mr. Bostick advised, however, not to wait to hire an auditor because items not dependant upon the LPMS system may be auditable in their current condition. Mr. Bostick further advised that auditors can complete non-premium cycle and non-loss cycle field work concurrent with the LPMS system restoration project. If this approach proves successful Citizens may have a completed audit a few weeks earlier than would otherwise be possible.

C. DOI Auditors

Mr. Bostick updated the Board on the status of their review of the accounting records. He informed the Board the audit team had identified unrecorded transactions in excess of $130 million and that efforts of the accounting staff had been re-tasked to record these transactions.

Mr. Crawford described the allocation methodology employed by PIAL and that the audit team has completed a preliminary review of the allocation of expenses between Louisiana Citizens and PIAL. Mr. Crawford further reported they will next be reviewing the employees allocated by PIAL to Citizens as well as an analysis of other allocated expenses.

BOD.07.39 REINSURANCE

David Duffy of Guy Carpenter provided an update on the status of the placement of the 2007/2008 reinsurance program.

On the motion of Mr. Stiel, seconded by Ms. Lapeze and Mr. Domingue, the Board voted unanimously to authorize Guy Carpenter to update Louisiana Citizen’s exposure, approach the reinsurance market and report back to the Board on pricing. The Board will make a final decision on the purchase of reinsurance after it has Guy Carpenter’s report on pricing and its further recommendations.

BOD.07.40 INVESTMENT COMMITTEE REPORT

Deferred.

BOD.07.41 BOARD APPROVAL OF LA CITIZENS EXPENSES
See BOD.07.43. After discussion, on the motion of Mr. Albright, seconded by Mr. Stiel, and with the consent of Treasurer Kennedy and Mr. Napper, the Board voted unanimously to amend the motion passed at the March 29, 2007 meeting (see BOD.07.30.C.) as follows:

A. The Board will no longer require prior approval of all expenditures over $500. However:

B. The Board will be timely provided:

1. PIAL’s monthly summary of expenses; and

2. Any other information a Board member may request.

Treasurer Kennedy requested copies of all agreements with consultants, amounts paid to each consultant and a description of the services provided since the inception of Citizens. In addition he requested the contract with Global Data and expense reports of senior management from inception to date.

BOD.07.42 ASSESSMENTS

General Counsel provided an update on the status of the revised list of assessable insurers. The DOI is working on that list and expects to present it to the Louisiana Rating Commission at its meeting on April 18, 2007.

On the recommendation of counsel, the Board, on the motion of Mr. Domingue, seconded by Ms. Lapeze, voted unanimously to approve the attached Resolution Authorizing Amendment Of Regular Assessments And Collection Of Delinquent Payments.

BOD.07.43 OPEN SESSION

See BOD.07.41, above.

On the motion of Ms. Lapeze, seconded by Mr. Ely, there being no objection, the meeting was adjourned.

Yours very truly,

John W. Waters, Jr.
General Counsel and acting Secretary
Attachments:

1. Agenda
2. Transcript
3. LPMS Data Assessment, Handout A
4. Guy Carpenter’s Pre-Renewal Update