March 4, 2010

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

RE: LOUISIANA CITIZENS PROPERTY INSURANCE CORPORATION
BOARD OF GOVERNORS MEETING
FEBRUARY 11, 2010 MINUTES

Ladies and Gentlemen:

A meeting of the Governing Board for the Louisiana Citizens Property Insurance Corporation was held on Thursday, February 11, 2010. The meeting was conducted 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 1:10 P.M.

Present were: Denise Brignac, Chairwoman
               Jody Boudreaux
               Jerry Carlisle ("Who Dat")
               Representative Chuck Kleckley
               Craig LeBouef (arrived following roll call)
               Representative Sam Little
               John Marlow
               Senator Dan Morrish
               Jim Napper
               Johnny Reeves
               Lee Schilling
               William (Bill) Starr

Absent were: Eric Berger
              Senator Eric Lafleur
              Eugene Montgomery

Also present: Commissioner James Donelon
              John Wortman, CEO
              Steve Cottrell
              Vijay Ramachandran
              Dan Laffey
              Paige Harper
              Alvin Jackson
              Ron Eaton
              Scott Romito
              Suzanne Ganier
Ms. Brignac, Chairwoman, called the meeting to order at 1:10 p.m. Chairwoman Brignac asked Ms. Harper to take roll call. There being a quorum present, the meeting began.

Chairwoman Brignac stated that although the Chairwoman’s Report is first on the agenda, the Legislative Auditor is in attendance to answer any questions the Board members may have, but has another engagement scheduled. As such she allowed him to go first on the agenda.

Mr. Purpera introduced himself as the Temporary Legislative Auditor and informed the Board that the statutory report on the audit of Louisiana Citizens was issued on January 20, 2010 and had been made available to the public. In response to a question by Chairwoman Brignac regarding the Legislative Audit Advisory Council and LCPIC’s appearance before the Council, Mr. Purpera noted that he anticipated the Council’s meeting to be reconvened in mid-March to allow the Legislative Auditor’s presentation of the LCPIC audit.

Representative Little asked Mr. Purpera how the Legislative Auditor’s office determines the rates to be charged on an audit. Mr. Purpera explained that his office takes the total amount of funding, general fund funding plus self-generated revenues, and determines which audits will be performed each year. They then allocate the funding for each audit. An estimate of the number of hours they think it will take to complete the audit is then calculated. The hourly rate is calculated using the amount allocated for the audit and the number of hours estimated. Further questions were posed as to why other audits are given different rates than the rate quoted for LCPIC’s audit. Mr. Purpera responded that the differences are related to when the audits were performed. The rates have changed over the years.

Mr. Carlisle commented that there were fifteen deficiencies included in the audit report. He noted that the Audit Committee takes them all seriously and will be meeting with management to discuss the deficiencies and will report back to the Board. He then commented on the estimated fees the Legislative Audit will be LCPIC for the audit. Mr. Carlisle expressed concern that the large fee is effectively increasing revenues to the state without the Legislature passing a tax. Because of LCPIC’s structure the citizens/policyholders of state end up paying the fee. He plans on bringing the issue before the Legislative Audit Oversight Committee.

Chairwoman’s Report

After completion of further discussion on the audit, Chairwoman Brignac moved on to agenda item number one, the Chairwoman’s Report. She noted that she had received a proposed slate of committee members from LCPIC, but would prefer to defer making
committee nominations until the March meeting in order to review the slate and make her proposals. She commented that only one or two members volunteered to serve on specific committees. Mr. Carlisle moved to defer the committee nominations. Mr. LeBouef seconded the motion. There being no discussion on the motion, it went to a vote and was unanimously approved.

The next item on the agenda was the 2010 Board meeting schedule. Senator Morrish moved to continue to hold the meetings on the second Thursday of each month at 1:00 p.m. Mr. Carlisle seconded the motion. There being no discussion on the motion a vote was taken and the motion was unanimously approved.

Minutes of Prior Meeting

Chairwoman Brignac then presented the minutes of the last meeting, January 14, 2010, for approval. The Board members were given time to review them again. Mr. Schiling moved to approve the minutes of the January 14, 2010 meeting. Mr. Carlisle seconded the motion. There being no discussion on the motion, a vote was taken and they were approved by the Board unanimously.

The next order of business was the CEO report as presented by John Wortman and his staff.

CEO Report

A) December 2009 Financials

Mr. Wortman began his report by asking Mr. Cottrell to comment on the financials. Mr. Cottrell noted that LCPIC's cash flow continues to hover just above $100 million in operating cash. Without a major storm, cash flow is fairly easy to project. LCPIC forecasts six months into the future and the only item that really "swings us around" is the expense of reinsurance. The annual cost is approximately $60 million; however the reinsurance premium does not get paid out evenly throughout the year. The reinsurers require payment before storm season, so we will see several large reinsurance payments over the next six months. Even with those payments LCPIC still forecasts cash to be slightly above $100 million. Discussion of the financials followed and Mr. Cottrell answered questions about the information he presented.

B) December 2009 Management Information

At the conclusion of the discussion on financials, Mr. Wortman noted that the monthly management reports were in the Board books for Board member review. He then moved on to the next item on the agenda, the progress with the new policy and claim system.

C) West Point/EPIC Update
Mr. Laffey reported that effective February 1, 2010 agents began quoting policies in EPIC. LCPIC is continuing to hold webinars for agents on EPIC. Many agents are using the webinars as a refresher course. The IT department is also getting daily feedback from the major functional areas of the company to handle issues that arise and to ensure consistency. LCPIC is continuing to move forward in all aspects of EPIC.

D) Bostick and Crawford Examination

At the conclusion of Mr. Laffey’s update on EPIC, Mr. Wortman moved to the next item on the agenda, the Bostick and Crawford examination of LCPIC, which was performed for the Department of Insurance. The majority of the findings related to the Board at a time when LCPIC did not have enough members for a quorum.

A copy of the examination report is in the Board book for Board member review. The Department of Insurance is requesting that all Board members sign a document acknowledging receipt of the audit. The acknowledgement forms were distributed to the Board members.

E) Complaints

The next item on the agenda was complaints. Ms. Harper reported that there were only six complaints in the month of January 2010.

H) CEO Expenses

To conclude the CEO’s report, Mr. Wortman presented the Board with his expense report.

Following completion of the CEO Report, Chairwoman Brignac moved to the reports from the Service Providers. She noted that both First Premium’s and Banker’s reports were in the Board book and asked if there were any questions that the Board may have. There being no questions for the Service Provider representatives, Chairwoman Brignac moved to the final item on the agenda, the Executive Session. Mr. Carlisle moved to enter Executive Session. Mr. Schilling seconded the motion. Upon a roll call vote, the motion was unanimously approved and the Board entered Executive Session.

At the conclusion of the Executive Session, Senator Morrish moved to reenter the public forum. Mr. LeBouef seconded the motion. Upon a roll call vote, the Board unanimously voted to exit Executive Session and reopen the meeting to the public. Chairwoman Brignac asked that the record reflect that the Board did not take formal action while in Executive Session.

There being no additional business before the Board, Chairwoman Brignac asked for a motion to adjourn. Senator Morrish moved to adjourn. Mr. Carlisle seconded. There being no opposition to the motion, the meeting was adjourned at 2:42 p.m.
Approved:

I hereby certify that these are a true and correct copy of the February 11, 2010 minutes that were adopted by the Board of Directors of Louisiana Citizens Property Insurance Corporation on March 11th, 2010.

Paige M. Harper, Secretary