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
JANUARY 14, 2010 MINUTES

Ladies and Gentlemen:

A meeting of the Governing Board for the Louisiana Citizens Property Insurance Corporation was held on Thursday, January 14, 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 1:02 P.M.

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

Absent were:

Also present:
Commissioner James Donelon
John Wortman, CEO
Steve Cottrell
Vijay Ramachandran
Dan Laffey
Paige Harper
Alvin Jackson
Ron Eaton
Scott Romito
Suzanne DondeVille
Greg Pellegrini
Lisa Barthelemy

Ms. Brignac, Chairwoman, called the meeting to order at 1:02 p.m. Chairwoman Brignac asked Ms. Harper to take roll call. There being a quorum present, the meeting began.

Chairwoman’s Report

Chairwoman Brignac reminded the Board members that she will be appointing members to committees during the February Board meeting. She asked that any Board member with a committee preference forward their request to Ms. Harper, the Corporate Secretary, with a copy to herself.

Minutes of Prior Meeting

The second order of business was the approval of the minutes from the December 10, 2009 Board meeting. There being no comments or questions on the minutes, Mr. Schilling moved to approve the minutes. Mr. Carlisle seconded that motion. Upon a vote by the Board, the December 10th minutes were approved unanimously.

Chairwoman Brignac then noted that Representative Little would need to leave the meeting by 3:00 p.m. As such she asked for a motion to amend the agenda to move the Executive Session up so that Representative Little would be present. Mr. LaFleur made the motion to amend the agenda. Mr. LeBouef seconded. Chairwoman Brignac asked for a roll call vote. There being no opposition, the agenda was so amended.

Chairwoman Brignac then requested a motion to move into Executive Session. Senator Morrish so moved. Mr. Carlisle seconded. After a discussion as to the matters to be discussed in Executive Session, Ms. Harper took a roll call vote. There being no opposition, the Board moved into Executive Session.

At the conclusion of the Executive Session, Chairwoman Brignac entertained a motion to come out of Executive Session. Mr. Napper made the motion to come out of Executive Session and reenter the public forum. Representative Little seconded. There being no discussion on the motion, Chairwoman Brignac asked Ms. Harper to take a roll call vote on the motion. Upon a unanimous roll call vote, the Board exiting Executive Session and reentered the public forum. Chairwoman Brignac asked that the record reflect that the Board did not take any formal action while in Executive Session. She also asked that the record reflect that the Board did not discuss the findings of the draft of the confidential Legislative Auditors report.

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

A) November 2009 Financials

Mr. Wortman asked Mr. Cottrell to present the November financial information. Mr. Cottrell began by noting that the cash flow statement for November 2009 is boring but good because LCPIIC continues to do what it forecasted financially. At the end of 2009 LCPIIC had $105 million in cash. The company expects to pay a total of $30 million in reinsurance expenses in January and March 2010, but expect to be back to $105 million in cash by the end of May 2010.

The company is currently waiting to receive a detailed actuarial analysis of our claims and reserves for 2009, but don’t expect any surprises.

LCPIIC continues to depopulate, which has had an effect on the financials. As we remove policies from LCPIIC and place them in the private market, premiums coming in are also reduced. In 2009 the company generated approximately $56 million of net income, or roughly $5 million a month. That amount may be lower for 2010 as policy counts continue to go down. Mr. LeBouef questioned Mr. Cottrell as to whether or not the 2010 budget needs to be readdressed in light of the decreased policy count and premiums. Mr. Cottrell assured him that there is no need to readdress the budget at this time.

B) November 2009 Management Information

Mr. Cottrell next introduced the November monthly management reports for the Board’s review. He and Mr. Wortman explained that one of the items, among others, these reports illustrate is the effect of LCPIIC’s depopulation efforts. By reviewing the reports you can see that the in-force policy count decreased from 167,000 before depopulation began to 135,000 currently.

Mr. Wortman then asked Mr. Laffey to update the Board on the progress with WestPoint and the new EPIC system.

C) West Point Update

Mr. Laffey began by announcing to the Board that the new EPIC system would be open to agents to begin quoting new business with effective dates beginning March 1st on February 1st. On March 1st agents would be able to begin quoting in EPIC renewal business effective beginning April 1st.

To ensure the accuracy and integrity of EPIC all existing data on renewals will be reviewed to make sure that the information is correct prior to being input into the new system. In response to a question from Representative Kleckley as to the length of time LPMS will continue to be used, Mr. Laffey noted that LCPIIC anticipates continuing to use LPMS in a dwindling capacity for personal lines business until April 2011, when all renewals have been renewed in EPIC.
Mr. Laffey also spoke about plans for disaster recovery. In 2010 LCPIC plans to take additional steps to facilitate disaster recovery efforts. Currently LCPIC maintains backup capabilities through the NTG Venue Data Center in Baton Rouge. This year the plan is to add additional backup in the caves of Missouri for recovery in the event of a “worst case” type disaster.

Mr. Wortman then asked Mr. Laffey to address the next item on the agenda.

D) Mele Printing Contract Extension

Mr. Laffey outlined the current print and mail process using the services of Mele Printing in Covington, LA. Those services are provided pursuant to a current contract between Mele and LCPIC. That contract is due to expire in April of this year. The intention is to do an RFP for those services prior to entering into another contract. However, because the termination date of the current contract falls in the midst of the EPIC implementation, LCPIC is asking the Board for approval to extend that contract for six (6) months. Extending the contract would allow LCPIC staff additional time to issue and complete and RFP and would remove any transition necessary outside of the most intensive part of the EPIC transition. After a short discussion, Mr. Napper made a motion to approve an extension of the Mele Print and Mail contract for six (6) months until October 1, 2010. Mr. Berger seconded. Upon a unanimous vote the motion was approved.

E) Committee Charters

The next item on the agenda was the Committee Charters. Ms. Harper outlined each of the committee charters proposed (Actuarial, Audit, Executive, Investment and Litigation). After discussion it was determined that the Board was comfortable enough to vote on the Actuarial and Audit charters. However, the members chose to continue the review of the other proposed charters until next month. Some of the charters need further editing before a vote can be taken. Mr. Napper moved to approve the Audit and Actuarial charters. Mr. Carlisle seconded. Although Mr. Berger abstained from voting because he had not yet reviewed the proposed charters, a quorum remained for voting. A vote was taken and the motion was approved unanimously among the voting members.

F) Whistleblower Policy

Ms. Harper also presented a draft of the proposed Whistleblower policy. After discussion the Board opted to continue its review of the policy until the next meeting.

G) Complaints

Next on the agenda was a review of the complaints received in December 2009. Ms. Harper introduced the complaints spreadsheet for the month and pointed out that there were only seven (7) complaints received. She also gave a brief explanation of LCPIC’s process for handling complaints in response to a request from Representative Kleckley.
After a short discussion, the Board moved to the next item on the agenda, Mr. Wortman’s expense reports.

H) CEO Expenses

Due to an error, Mr. Wortman noted that he needed to amend his expense report and would resubmit it for consideration and approval at next month’s Board meeting.

I) 2008 Audit Update

The final item in Mr. Wortman’s report was an update on the 2008 audit of LCPIC by the Legislative Auditor. Mr. Wortman noted that the draft of the report on the governmental portion of the audit had been received. The statutory audit report had not yet been received. After noting that the audit findings are confidential until made public by the Legislative Auditor, Mr. Wortman turned the discussion over to Mr. Carlisle, the Chair of the Audit Committee. Mr. Carlisle passed out information to each Board member, as representatives of the Company, regarding the background on the audit, as well as a draft of the audit report and management’s response to the report. He again cautioned the Board members that the audit report and its findings are confidential and should be kept confidential until the Legislative Auditor makes it public. He also noted that an invoice for the audit had not yet been received, although the Legislative Auditor had indicated that it would not be in excess of $480,000. Following further discussion regarding the fees, the beginning of a 2009 audit by the Legislative Auditor and other audit related issues, Representative Kleckley suggested that he would like the Legislative Auditor to attend the next Board meeting following the release of the report to respond to Board questions.

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 she stated that the next meeting is scheduled for Thursday, February 11th, at 1:00 p.m.

There being no further issues before the Board, Chairwoman Brignac asked for a motion to adjourn. Mr. Montgomery moved to adjourn. Mr. Schilling seconded. There being no opposition to the motion, the meeting was adjourned at 3:41 p.m.
Approved:

I hereby certify that these are a true and correct copy of the January 14, 2010 minutes that were adopted by the Board of Directors of Louisiana Citizens Property Insurance Corporation on February 11th, 2010.

Paige M. Harper, Secretary