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
JANUARY 8, 2015 MINUTES

Ladies and Gentlemen:

A meeting of the Governing Board for the Louisiana Citizens Property Insurance Corporation was held on Thursday, January 8, 2015. 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
Rep. Cromer (arrived following roll call)
Gene Galligan
Senator Eric LaFleur (arrived following roll call)
Craig LeBouef
Sam Little
Eugene Montgomery
Senator Dan Morrish
Johnny Reeves
Kevin Reinke
Preston Robinson
William (Bill) Starr

Absent were:

Also present: Commissioner Donelon
Dave Thomas, CEO
Steve Cottrell
Paige Harper
Derek Haney
Ricky Lindsey
Chairwoman’s Report

Chairwoman Brignac called the meeting to order at 1:00 p.m., asking Ms. Harper to call roll. There being a quorum present, she began by her report to the Board by welcoming the newest member of the Board, Preston Robinson, Mr. Napper’s replacement as the Treasurer’s designee on the Board.

The next item under her report was the Audit Committee Report. As such she tendered the floor to Mr. LeBouef. Mr. LeBouef noted that he had two items on which to report, the whistleblower hotline and LCPIIC’s internal controls program. First, he reported that as Chairman of the Audit Committee he had someone at LCPIIC call the whistleblower hotline to file a test report in order to test the efficiency of the hotline. Within an hour of the call to the hotline an email was generated reporting the call to him, as Chairman of the Audit Committee and to Paige Harper, as General Counsel. After receiving the email, Ms. Harper also contacted Mr. LeBouef to insure that he was aware of the report. The hotline and the processes surrounding it are working smoothly and as intended.

The second item Mr. LeBouef reported on was LCPIIC’s internal controls program. Testing for 2014 was completed and all risk areas, which were few, were of very low risk. Everything is working as well as can be expected.

The second agenda item was the minutes from the previous meeting, November 13, 2014. After a review of the minutes, Sen. Morrish moved to approve them as proposed. Mr. Galligan seconded the motion. With no further discussion on the motion forthcoming, a vote was taken and the motion passed unanimously.

The next item on the agenda was the CEO Report.

CEO Report

A) Financials. The first item discussed was Mr. Cottrell’s report on financials. Mr. Cottrell noted that LCPIIC maintained a normal fluctuation between the low $80 million range and $100 million. He believes that the company will end 2014 with approximately $92 million in cash. While the December and year end financials are not yet complete, the November financials are complete and came out well. The company is still behind budget. Approximately $40 million in additional reserves had to be taken out for Oubre, which had not been previously contemplated. However, as of the end of November, LCPIIC is at a positive surplus status, which is good news. Particularly when the year began with a negative $5 million in surplus.

B) Management Report. Mr. Cottrell noted the management report summary pages are in the Board book. The management report details all aspects of the company. With no questions on the report, he moved on to the next agenda item.

C) 2015 Reinsurance Plan. Mr. Cottrell began by noting that LCPIIC’s first CAT bond, Pelican 1 will expire in April of this year. He stated that he would like to get the replacement for the CAT bond in place prior to actually purchasing reinsurance to surround the bonds. Currently CAT bond rates remain very attractive. He will talk to investors in late February and early March to begin the process of putting the CAT bond together. It is anticipated that the new CAT bond (Pelican 3) will be somewhere between $100 and $125 million. The expiring bond is $125 million. With regard to the remaining aspects of the plan, LCPIIC will try to buy a program which is very similar to the current reinsurance program. Such a program, in conjunction with the good depopulation efforts the company has experienced, would equate to greater coverage for the company. After discussion by the Board members with Mr. Cottrell on the program, Mr. Cottrell invited Mr. Haney up to help discuss the next topic on the agenda.

D) Personal Lines Rate Filing Proposal. The final topic on the agenda for Mr. Cottrell to bring to the Board was a personal lines rate filing proposal. Mr. Cottrell began by explaining that the ratemaking process takes three steps and is defined by statute. First, LCPIIC calculates the actuarial sound rates. These rates are the rates the company needs to “break
even”. They take into consideration expenses, losses, etc. The second step is to do a market survey to find the market rate. We look at the each product, parish by parish. The last step is to compare the actuarial rate(s) with the market rate(s) and to pick the higher of the two. In the parishes where required, we add an additional 10% onto that rate to find the rate LCPIC will file. There are 12 parishes that are statutorily exempt from the additional 10% increase in the rate. About 75-80% of LCPIC’s book of business falls into those 12 parishes. Similarly, 80-85% of our rates are determined by the market, meaning that the market rate is higher than LCPIC’s actuarial rate. After an extensive and in-depth discussion with Board members on the proposed filing, Mr. Little moved to approve submission of the proposed rate filing to the Louisiana Department of Insurance and to approve the formulas and data behind the rates. Mr. Starr seconded the motion. With no further discussion on the motion forthcoming, a vote was taken. With only one nay vote from Mr. Robinson, the motion passed by a majority. Sen. Morrise then moved to implement those rates with a June 1, 2015 effective date, if they are approved by the Department of Insurance as filed, or within a small tolerance range of plus or minus .2. If the rates are not so approved, then LCPIC management will return to the Board. Mr. LeBouef seconded. With no further discussion forthcoming, a vote was taken and the motion passed unanimously.

E) Depopulation Update. Mr. Thomas reported that Round 8 of Depopulation concluded in November. It was not as successful as Round 7, but came very close. 10,700 policies were depopulated. The personal lines policy count is now down to 84,000, the lowest it has ever been.

F) Complaints. In the months of November and December LCPIC received eight complaints. They were evenly split between claim and policy related.

G) Oubre Update. Ms. Harper reported that while the Company had hoped that there would be no claims to review in the January quarter of the Oubre settlement, 830 claims were received. Additionally, there will be a meeting with the Special Master to discuss the affidavit claims anticipated by class counsel. Both Darren Patin and James Babst will be representing LCPIC as counsel at that meeting.

With the conclusion of the agenda, and with no further business to discuss, Chairwoman Brignac noted that the next Board meeting is scheduled for March 12, 2015. Rep. Cromer moved to adjourn the meeting; Mr. Little seconded. There being no opposition, the meeting was adjourned.

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 January 8, 2015 minutes that were adopted by the Board of Directors of Louisiana Citizens Property Insurance Corporation on March 12, 2015.

[Signature]

Paige M. Harper, Secretary