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	
JULY 1, 2010 MINUTES

Ladies and Gentlemen:

A meeting of the Governing Board for the Louisiana Citizens Property Insurance Corporation was held on Thursday, July 1, 2010. The meeting was conducted at the State Capitol, Baton Rouge, Louisiana in House Committee Room 1 commencing at 1:07 P.M.

Present were:
- Denise Brignac, Chairwoman
- Eric Berger
- Jerry Carlisle
- Representative Chuck Kleckley
- Senator Eric Lafleur (arrived following roll call)
- Craig LeBouef
- Representative Sam Little
- Senator Dan Morrish (arrived following roll call)
- Jim Napper
- Johnny Reeves
- Lee Schilling

Absent were:
- Jody Boudreaux
- John Marlow
- Eugene Montgomery
- William (Bill) Starr

Also present:
- Commissioner James Donelon
- John Wortman, CEO
- Steve Cottrell
- Paige Harper
- Vijay Ramachandran
- Dan Laffey
- Alvin Jackson
- Ron Eaton
- Suzanne Ganier
- Joby Najolia
- Lisa Barthelemy
Chairwoman’s Report

Ms. Brignac, Chairwoman, called the meeting to order at 1:07 p.m. Chairwoman Brignac asked Ms. Harper to take roll call. There being a quorum present, the meeting began. Chairwoman Brignac reminded Board members that the financial disclosures required of Board members were due May 15th and noted that if they had failed to turn in their disclosures they needed to contact the Board of Ethics. She also noted that the next Board meeting was scheduled for August 12, but that due to travel conflicts for both her and the Commissioner, she would need to reschedule the meeting. She also stated that beginning with January 2011, the Board may want to consider only scheduling Board meetings for every other month.

Finally, the last item on Chairwoman Brignac’s report was notification that Mr. Wortman had given notice to both her and the Commissioner last November of his intention to retire from LCPIC. She noted that a headhunter had been hired to search for candidates for the CEO position and resumes for sixteen applicants had been provided. The applicant list had been narrowed to five candidates, each of whom has been interviewed. After fielding questions and concerns from the Board members and engaging in discussion, it was determined that the final selection would be delayed until the Board members had an opportunity to review the resumes of the final candidates.

Minutes of Prior Meeting

Chairwoman Brignac then presented the minutes of the last meeting, April 1, 2010, for approval. Mr. Napper moved to approve the minutes of the April 1, 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) 2010 First Quarter Financials

Mr. Wortman began his report by noting that the First Quarter financials were filed on time, but that because no meeting had been held since April, management had been unable to ask the Board to approve them prior to filing. As a result Mr. Wortman asked the Board to approve the financials and ratify management’s filing of them with the state. Mr. Carlisle moved that the Board retroactively adopt the First Quarter 2010 financials as filed with the Department of Insurance. Mr. Napper seconded the motion. There being no discussion on the motion, a vote was taken and the motion passed unanimously.

After the vote, Mr. Wortman moved to the next item on the agenda.

B) April and May 2010 Financials
Mr. Cottrell began by pointing out one noteworthy item. He noted that in April the management team increased reserves for class actions by twelve million dollars to account for the uncertainty of the Orrill litigation. Mr. Cottrell then noted that there has been a “nice” decline in reserves as we settle old cases. LCPIC reserving practices are proving to be adequate. Additionally, the first six months of 2010 has been calm with regard to claims and we are below the estimated number of new claims.

Mr. Cottrell informed the Board that LCPIC has approximately $93 million of operating cash as the company enters storm season. After answering questions, Mr. Cottrell moved to the next item on the agenda.

C) 2009 Audit Update

Mr. Cottrell noted that the 2009 audit has been moving at a much quicker pace than the 2008 audit. The auditors have indicated that they plan to present their preliminary report the following week. They have stated that they are positive with regard to LCPIC’s balance sheet and Mr. Cottrell anticipates receiving a favorable opinion. The auditors are, however, unsure about the P&L.

Mr. Wortman stated that Mr. Carlisle, as Audit Committee Chair, will be invited to attend the meeting where the preliminary report will be presented. Mr. Cottrell also informed the Board that LCPIC applied for and received a 60 day extension from the DOI for filing the audited financials. A discussion and question/answer period followed.

At this point Chairwoman Brignac asked for a motion to add an additional item, the emergency assessment calculation, to the agenda. Mr. Napper made the motion. Mr. LeBouef seconded. There being no discussion on the motion, Chairwoman Brignac asked Ms. Harper to take a roll call vote. The vote was unanimous and the motion passed, amending the agenda. Chairwoman Brignac asked Mr. Cottrell to discuss the emergency assessment calculation for 2011.

Mr. Cottrell gave a recap of how the emergency assessment is calculated and the process for getting it approved. He then informed the Board that the calculation for 2011 was 4%, less than the 4.3% in 2010. Mr. Cottrell explained that the drop in percentage is due to the refinancing of the auction rate bonds. Mr. Napper moved that the Board approve the 2011 emergency assessment rate calculation of 4% as presented by Mr. Cottrell. Mr. Carlisle seconded the motion. After a short discussion on the motion, a vote was taken and the motion was approved unanimously.

Mr. Wortman then moved to the next item on the agenda.

D) Reinsurance Update
Mr. Wortman noted that LCPIC’s reinsurance expires June 1 each year. He then gave a summary of the evaluation process and outlined the reinsurance purchased for this year. He recommended that the appropriate level of reinsurance for the 2010-2011 policy year is 95% of $100 million, excess of $100 million is 97.4% of $300 million excess of $200 million. Mr. Berger added that he met with Mr. Wortman to discuss the reinsurance offerings for this year and agreed with Mr. Wortman’s assessment on the reinsurance necessary. He noted that it would be nice to have a higher layer on LCPIC, but that given the cash available, it was significantly more important to have the reinstatement option in the event of a second storm during hurricane season and to have the higher top even coverage. Mr. Napper asked Mr. Wortman about the cost of the reinsurance. Mr. Wortman stated that we are receiving the same coverage for $10 million less than last year. There being no further questions, Chairwoman Brignac asked for a motion to ratify the reinsurance purchase. Mr. Carlisle moved to approve LCPIC’s recommendation on the reinsurance purchase and to ratify that reinsurance purchase. Mr. Berger seconded the motion. There being no further discussion, a vote was taken and the motion was passed unanimously.

G) Investment Committee Name Change and E) Investment Committee Charter

Mr. Napper then took up the next agenda item, the change of the name of the Investment Committee and the Investment Committee Charter. Mr. Napper noted that LCPIC is very unlikely to ever have a significant amount of long-term investments and that the “Investment” Committee is mainly active in overseeing the bond issue and it’s refinancing. As such the Committee feels that name “Finance Committee” is more fitting than the “Investment Committee”. Mr. Napper then moved that the Board approve a name change from the “Investment Committee” to the “Finance Committee” and to approve the proposed committee charter. Mr. LeBouef seconded the motion. There being no further discussion on the motion, a vote was taken and the motion was approved unanimously.

Chairwoman Brignac then moved to the next item on the agenda, the proposed Line of Credit.

F) Line of Credit

Mr. Napper asked Mr. Cottrell to give the Board details on the proposed Line of Credit. Mr. Cottrell explained to the Board that we have been in negotiations with Regions Bank, subsequent to a RFP, for a line of credit of $50 million. The proposed terms include a two year agreement at a cost of less than .5%. Mr. Cottrell stated that with the line of credit, in addition to cash on hand and the reinsurance purchased, LCPIC management believes that the company will be financially prepared to handle a $700 million storm without an assessment to any taxpayers. Mr. Napper added that the Finance Committee has looked at the proposed line of credit twice and that the terms LCPIC has been quoted are quite good. He believes that obtaining the line of credit is the prudent thing to do. He also noted that the Bond Commission approved the proposal the week before, contingent on the Board of Directors approving as well. Mr. Napper closed by stating that he highly recommends that the Board approve obtaining this line of credit. After a question and answer period, Chairwoman Brignac asked for a motion to approve. Mr. LeBouef moved to
approve the proposed line of credit. Mr. Carlisle seconded the motion. There being no further discussion, a vote was taken and the motion was approved unanimously.

Mr. Wortman then moved to the next item on the agenda.

H) EPIC Registration/Subscriber Agreement

Mr. Wortman asked Mr. Ron Eaton to speak with the Board about LCPIC’s EPIC registration and Subscriber Agreement. Mr. Eaton stated that LCPIC is currently doing business with approximately 1,750 agents and that statutorily LCPIC is required to maintain a user subscriber agreement for each of those agents. Over the past year LCPIC has actively been working to educate all agents about the agreement and to get those agreements in place. Currently there are about 155 agents representing 590 policies which have not registered or accepted the user subscriber agreement. While that is a relatively small number of agents, LCPIC has to have a plan in place on how to handle the policies of those agents should the agents ultimately not accept the agreement. LCPIC is proposing to send out a final agency registration notice with a deadline of September 1st for registration and acceptance. After that date LCPIC will assume the responsibility for writing and servicing those policies. The agents who fail to accept the agreement will not receive any commission on those policies for time periods following September 1. After a short discussion, Mr. Wortman moved to the next agenda item.

I) EPIC Update

Mr. Wortman asked that Mr. Dan Laffey update the Board on the status of EPIC and the transition from LPMS. Mr. Laffey began by noting that as of June 30th LCPIC has one quarter of its renewal book of business in force on EPIC. Together with new business policies, there are 44,000 quotes in EPIC to date and approximately 38,000 policies in force. Agent feedback has continued to be positive. He further noted that while the conversion has had its challenges, there are good people working and helping to manage the process. The highest item of priority is ensuring that the claim system is up and operable so that the claim process will not be manually intensive if a CAT were to occur. Mr. Wortman then informed the Board that during the prior 30 days, LCPIC management had an outside vendor evaluate our CAT readiness. The good news was that LCPIC is better prepared to handle a CAT than with Katrina or Gustav. The bad news is that there are still some coordination efforts between our First Notice of Loss system and EPIC and LPMS that need to be completed. Finally, the other good news is that the outside vendor did not identify any weaknesses that LCPIC management had not already identified and begun working on.

After a brief discussion regarding this year’s storm season, Mr. Wortman moved the next item on the agenda.

J) Complaints
Ms. Harper gave a summary of the complaints received in May and June. There were a total of 3 in May and 9 in June. Of those 9 in June, 8 were policy related, majority of those regarding rate increases. Representative Little stated that he received a complaint from a policyholder and noted that he had forwarded it to LCPIC management and wanted to hear an update on the status of the complaint. Mr. Wortman explained that First Premium is the service provider on that account and that they had done a complete analysis and had already responded to the complainants. The complaint had to do with a claim and included many different issues, with several examiners, appraisers and a public adjuster involved. Mr. Carlisle commented that he appreciated the quick response since many Board members received the same complaint. He also mentioned that the Audit Committee had approved the Ethics Hotline and that to the extent complaints are received via the hotline, both he, as Chairman of the Audit Committee, and Ms. Harper, as General Counsel, would receive notification of such. Together he and Ms. Harper will make sure that the complaints are resolved. There being no further questions or discussion, Ms. Harper moved to the next item on the agenda.

K) Proposed Legislation

Ms. Harper noted that of the six pieces of legislation that LCPIC was following during this legislative session, three were successful and went into law. The three successful pieces of legislation had to do with the depopulation cleanup bill, the elimination of the requirement that LCPIC keep separate books for the FAIR and Coastal Plans and, finally, a requirement that LCPIC provide a disclosure to its policyholders about other insurers writing business in their areas.

At the conclusion of the CEO’s report, Chairwoman Brignac moved on to the next agenda item, the Service Provider reports. The Banker’s representative, Lisa Barthelemy, was asked to come to the table to discuss their report. Ms. Barthelemy reported that they are up to date with processing new and renewal business and that new business is steady. Additionally, daily claims have been steady and they have been getting a lot of settlements on CAT claims.

With Ms. Barthelemy’s report complete, Chairwoman Brignac asked that Commissioner Donelon, who arrived late due to a conflicting meeting, take some time to discuss with the Board members Mr. Wortman’s impending resignation and the process for hiring his replacement. After Commissioner Donelon gave his explanations and answered questions, it was decided that the Executive Committee would meet with the Commissioner and assist him in evaluating the remaining five applicants. Afterward, Chairwoman Brignac moved on to the Executive Session. Mr. Napper moved to enter Executive Session. Mr. Berger 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, Mr. Napper moved to reenter the public forum. Mr. Schilling 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. Mr. Little moved to adjourn. Mr. Carlisle seconded. There being no opposition to the motion, the meeting was adjourned at 3:13 p.m.

Approved:

I hereby certify that these are a true and correct copy of the July 1, 2010 minutes that were adopted by the Board of Directors of Louisiana Citizens Property Insurance Corporation on August 19, 2010.

Paige M. Harper, Secretary