December 5, 2007

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

RE: LOUISIANA CITIZENS PROPERTY INSURANCE CORPORATION SPECIAL BOARD OF GOVERNORS MEETING

November 8, 2007

Minutes

Ladies and Gentlemen:

A meeting of the Governing Board for the Louisiana Citizens Property Insurance Corporation was held on Thursday, November 8, 2007. 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 1:08 P.M.

Present were:

Bill Newton, Chairman
Treasurer John Kennedy/Jim Napper
Michael W. Domingue
Ann Metraire
Senator Robert Kostelka
Lee Mallett
Hal Stiel
Joelle Lapeze
John Miletti
Rep. Karen Carter

Also present:

Commissioner James Donelon
John Wortman, CEO Citizens
John Waters, General Counsel and Acting Secretary
Chris Mills, Bankers
Denise Brignac, La. DOI
Joe Deutsch, Executive Director, PIAL
A. J. Herbert
Dean Stroud, MacNeil Group
Terry Apple
Joby Najolia
Bill Newton, Chairman, welcomed all members and guests to the meeting.

BOD.07.113 Minutes of Prior Meeting

Deferred.

BOD.07.114 Chairman’s Report

Mr. Newton reported that Governance and Oversight Committee background is being put together pending new appointments to the Board as a result of the last Legislative Session.

BOD.07.115 Legislative Auditor

Mr. Theriot reported there is no new report now, and that they are proceeding with work on the audits of Citizens, LAIP, and PIAL. Meetings with potential audit firms have been scheduled.

BOD.07.116 CEO Report

A) System Financial Plan Update

Data Mart

Mr. Wortman introduced Mark Brockelman to give an update on the system’s financial plan, an ongoing effort to provide auditable financial data and that the data mark has been signed off on. It is being tested and seems to be working.

Reconciliation
They are continuing to work on the bank reconciliations. Discussion and explanation followed on how the process is proceeding.

Outside Auditor and CAFRA

Mr. Theriot discussed bringing in people to bid around mid-December. Mr. Brockelmann also expressed that Citizens will be subject to statewide and CAFRA reporting requirements.

B) Space/Lease

To Mr. Kennedy’s question, the furniture and equipment issue is still being sorted out, as to depreciation, etc., which entity was billed for each item, etc. Every effort has been made since May to appropriately account for all items.

Mr. Wortman reported regarding the work space issue and is coordinating the separation of PIAL and Citizens employees to split the space according to usage. He has discussed this with the State people and it probably will not need to be re-bid. This only affects the Metairie office. The lease does not expire until 2010.

They are currently working on organizational structure of separation and transfer of employee benefits in discussions with Civil Service. When implemented, there will be approximately 90 employees at Citizens.

A separation plan is underway for the telephone systems. The current system will be kept. Mr. Laffey indicated the plan will take more than 30 days.

As to the private/public issue a board resolution was sent to the Attorney General asking for an opinion. More discussion. Mr. Donelon suggested the possibility of doing something legislatively instead of waiting on the opinion to come through.

Mr. Laffey indicated that hardware and software contracts dealing with computers are under PIAL right now and they are looking for transfer clauses.

Mr. Brockelman said telephone service is basically contracted in the name of PIAL. All contract approvals will be brought before the Board. Mr. Napper suggested that a better way to resolve this might be through legislative action to clean up some of the questions, and have been invited to attend DOI legislative meetings.

Mr. Laffey reported that L.P.M.S. is going through an evaluation process. He has begun an R.F.P. process to look at other systems out there. He as gone to the State C.I.O. and is using state processes. They are being very cooperative. He then explained the chart he distributed to the Board members. He wants the service providers input, also.

Mr. Wortman then introduced Mike Williams, who is now working on the R.F.P. for the service provider contracts that expire in October of 2008. He is reviewing the
coordination of efforts between Citizens and the service providers. There was much discussion about the renewal policy procedures. Mr. Kennedy inquired as to the need for three providers, to which Mr. Williams commented he would prefer not to make that judgment. Further discussion.

Mr. Wortman reported on presentations to reinsurers in Boston by the Commissioner and Mr. Newton at the P.C.I. and the reception was good. There was keen interest and with the data mark working, Citizens will be able to get the renewal information by 6/1. The presentation tells all the issues that have been addressed—the legislative initiative, the levee initiative, and the mitigation initiative.

SPECIAL ITEM

Mr. Newton asked for a motion to amend the agenda. Mr. Kennedy made the motion, seconded by Senator Kostelka, which passed unanimously.

Mr. Kennedy then introduced his guest, Elizabeth Cammer, with her attorney, Brian Branch. She stated that it’s been over two years and has not been able to settle with Citizens. She explained that she did not get assistance from FEMA because she had assets. Her house was destroyed. An adjustment check was sent to her in the name of her former mortgage company and then was never reissued. MacNeill group was handling her claim. They then denied her claim because they said it was flood damage, even though her neighbor testified he saw her home get hit by a tornado. There was much more testimony and discussion of the legal proceedings, including DOI’s attempt to help. Mediation attempts failed. The fee was split by the consumer and the service provider because of case overload with Triple A. Her case is scheduled for court. There was more discussion about all the problems she encountered.

Mr. Mallett apologized and promised to try to help correct the situation.

There was more discussion on the authority of the service providers to make decisions on claims, and the choice of legal firms. Questions were raised about PIAL’s roll in the claims process, also.

Representative Carter suggested that forums be held in the New Orleans area and Lake Charles to consumers to come and discuss their problems.

BOD.07.117 OUTSIDE REPORTS

PIAL

Mr. Kennedy questioned the hiring of attorneys for PIAL. Mr. Joe Deutsch responded that the Citizens Board was responsible and that Terry Lisotta made the decisions. At Mr. Kennedy’s request, Mr. Wortman confirmed that he is preparing a history of when each was hired, what work performed, and how many cases. He plans to have that for the December meeting. It was also suggested that the history of PIAL and
the Fair and Coastal Plans be researched as to the hiring of legal firms. Mr. Kennedy requested that a representative of Audubon, the former provider, attend the next meeting.

Mr. Herbert fielded questions regarding notice of potential loss given to its theft and dishonestly policy carrier, a Board approved measure, and that a forensic accountant would be required to tabulate a complete claim to submit a complete proof of loss claim. He explained that he attached a copy of the Legislative Auditor’s Report to the notice. He also assured Rep. Carter than none of the individuals being investigated are now employed at PIAL. More questions and discussion.

MacNeill Group

Mr. Stroud and Mr. Newby with MacNeill chose to forego their tracking report and move directly to the claim discussed today by Ms. Cammer. He explained that they defer to defense counsel for claims under $75,000 and go to Citizens for those over that amount. They depend on defense counsel advice as to whether to litigate. More discussion on who assigns cases for Citizens.

Mr. Wortman was asked by Mr. Mallett to make an assessment of the process of selection and how cases are either settled or allowed to go to trial.

First Premium

Mr. Pellegrini gave copies of their report to the members and declared that they are still current with their processes. New applications are down and renewals were up slightly since September.

Bankers

Mr. Mills presented the members with copies of his report, and stated than on personal and commercial lines they are current. Renewals and new business seem to be declining. There were questions and discussions about the figures on the report. Mr. Kennedy posed questions about adjuster and engineering firms selected.

Guy Carpenter

Mr. Wortman introduced Mr. David Duffy who had prepared a report for the members answering concerns posed in the last November meeting. He presented a detailed schedule of meetings with reinsurers prepared prior to Mr. Lisotta’s and Mr. Faser’s trip to New York and Bermuda, London and Paris. He outlined the expenses and answered the members questions regarding the questionable expenditures.

Mr. Kennedy questioned whether an R.F.P. was done in 1998 when the Carpenter firm represented the Fair and Coastal Plan, and whether Mr. Karlinsky of Florida worked as a lobbyist for Carpenter in Louisiana. Mr. Duffy stated he did not work with Mr. Karlinsky on any Florida accounts. He also stated that Mr. Lisotta’s daughter did not
Mr. Kennedy asked for specific information about Mr. Karlinsky’s retainer with Guy Carpenter and then suggested a review before it’s renewal.

Mr. Kennedy called for a motion for an immediate R.F.P, which was seconded by Mr. Domingue. A vote was not taken at that time and discussion ensued. Mr. Kennedy then reserved the right to move to terminate them at the next meeting.

Mr. Newton reminded the Board that there was motion on the table to begin preparing the R.F.P., which had been seconded. A vote was taken which was unanimous.

Mr. Kennedy requested that Mr. Duffy prepare a report of all entertainment and or favors for any Board members or senior employees.

There was more discussion of the bond activities with Guy Carpenter.

Mr. Newton then asked for a motion to go into Executive Session, which was made by Rep. Carter and seconded by Mr. Stiel. A full quorum was not present in the room and was received. With a quorum now present a motion was made by Ms. Lapeze and seconded by Mr. Stiel, and it was unanimously voted that the Board go into Executive Session.

After Executive Session, Mr. Napper moved to go back into Regular Session, seconded by Mr. Mallet.

Mr. Waters recommended the Board offer to compromise and settle with Trinity Claims Service over defense costs for $5,000. Mr. Stiel so moved and Ms. Lapeze seconded. Unanimously passed.

Mr. Waters then asked the Board to ratify the contract for John McConnell and I-4 Integrated Services, subject to state procurement. It was so moved by Mr. Mallett and seconded by Mr. Napper. No opposition.

Thirdly, Mr. Walters asked the Board to move the approval of the contract for Michael Williams. Motion was made by Mr. Mallett and seconded by Mr. Stiel. Unanimously passed.

Lastly, Mr. Waters asked the Board to approve the retention of Schoenkas, Winsberg firm as special counsel to handle matters regarding Grand Jury subpoenas. So moved by Mr. Mallet and seconded by Mr. Stiel. Carried unanimously. It was understood that it would be subject to procurement.
Mr. Napper endorsed Rep. Carter’s suggestion to have Board meetings in New Orleans and the Lake Charles/Cameron area, which he amended to be Cameron. It was seconded by Rep. Carter, and voted unanimously.

There being no further business, a motion to adjourn was made by Mr. Napper and seconded by Mr. Stiel. The vote was unanimous and the meeting adjourned at 5:55 P.M.