October 9, 2003

TO ALL MEMBERS OF THE EXECUTIVE COMMITTEE
FOR THE LOUISIANA CITIZENS PROPERTY INSURANCE CORPORATION

RE: LOUISIANA CITIZENS PROPERTY INSURANCE CORPORATION
EXECUTIVE COMMITTEE MEETING
OCTOBER 9, 2003 - 9:30 A.M.
MINUTES

Ladies and Gentlemen:

An Executive Committee Meeting for the Louisiana Citizens Property Insurance Corporation was held on October 9, 2003. The meeting was held at the office of the Property Insurance Association of Louisiana, located at 433 Metairie Road, Metairie, Louisiana. The following is an official record of the meeting.

ORGANIZATION OR COMPANY: REPRESENTED BY:

Allstate Insurance Company Mike Ely
Commissioner of Insurance Appointee Chad Brown, Chairman
IIA of Louisiana Jeff Albright
Louisiana Farm Bureau Insurance Co. Blaine Briggs
PIA of Louisiana Hal Stiel

OTHERS PRESENT: REPRESENTED BY:

Department of Insurance Chad Brown
Local Counsel Ernest O’Bannon
Louisiana Department of Insurance Chris Faser
Staff Caryl Mathes
Staff Curt Reeson
Staff Pat Santos
Staff Terry Lisotta

Mr. Brown, Chairman of the Executive Committee, welcomed all members and guests to the Executive Committee meeting for the Citizens Property Insurance of Louisiana.

Mr. Brown, Chairman, accepted a motion, which was seconded and approved unanimously to dispense with the reading of the Anti-Trust Preamble and acclimate the Preamble into the permanent records of the meeting.
ANTI-TRUST PREAMBLE

The Property Insurance Association of Louisiana/Louisiana Joint Reinsurance Plan/Louisiana Underwriting Plan strives to conduct all its activities in compliance with the antitrust laws. The federal antitrust laws prohibit all agreements which unreasonably interfere with free and open competition. The McCarran-Ferguson Act allows the insurance industry to operate under a limited federal antitrust exemption, subject to insurance regulation by the states. With the exception of acts of boycotts, coercion and intimidation, which are matters, saved for federal antitrust enforcement, the states provide for the regulation of insurance and enforcement sanctions. State regulations are administering the insurance industry in areas such as rates, unfair trade practices, claims practices, solvency, as well as others.

The extent of the limited exemption is not well defined and antitrust concerns are serious matters, particularly in the area of pricing. Price fixing and conspiracies to set prices are, per se, violations of federal antitrust laws. Other than that, application of the antitrust laws to a particular set of circumstances can be ambiguous. Therefore, this meeting will err on the side of caution to avoid any chance that you as participants may be subject to prison and/or treble damages. Most importantly, remember that discussions in violation of antitrust laws are no less punishable if they take place outside of this meeting room.

The following subjects will give rise to antitrust problems. We will not be discussing them as part of any joint activities except as authorized and/or mandated by Louisiana statutes:

- Raising, lowering or stabilizing actual rates
- Restricting the availability of insurance
- Allocating markets, territories or insureds
- Boycotting in any form
- Actual or future prices
- Profit levels
- Credit terms
- Premium costs
- Quoting or not quoting certain classes or types of risks

If any company participating in this meeting were to transact its business with respect to any one of the above topics in a manner similar to a participant who is a competitor, the discussion of that topic at this meeting may be offered as evidence of the existence of a conspiracy in violation of the antitrust law.
Staff was asked to present the following items for your review and approval.

E.03:01  LOUISIANA CITIZENS PROPERTY INSURANCE CORPORATION ORGANIZATIONAL MEETING MINUTES – SEPTEMBER 18, 2003

A motion was made, seconded, and approved unanimously to adopt the minutes as presented.

E.03:02  2004 MEETING DATES

A motion was made, seconded, and approved unanimously to accept the dates as presented.

E.03:03  PLAN OF OPERATION

The Executive Committee reviewed the draft Plan of Operations and offered recommendations for improvement. The final draft will be prepared to present to the Governing Board for approval at the next meeting.

E.03:04  NON-RENEWAL NOTICES

Staff was instructed to develop recommendations for the issuance of policies on LCPIC paper for review and approval by Counsel and the Department.

E.03:05  ASSESSMENTS

Staff presented a written report demonstrating the calculation of Regular and Emergency Assessments under the terms of the Statute. A discussion ensued concerning the information to be included on the declarations pages of the policies relative to multiple assessments.

A motion was made, seconded, and approved unanimously to allow all assessments to be combined on a single line on the declarations page with a supplemental schedule attached to reflect the details as necessary.

E.03:06  BY-LAWS

The committee was provided a copy of the draft Citizens By-Laws for review. No specific suggestions were offered concerning the content.

E.03:07  ORGANIZATION CHART-OFFICERS

The organizational chart presented was discussed and reviewed. A motion was made, seconded, and approved unanimously to accept the chart as presented.

Also reviewed and approved, by a properly presented motion, and seconded was the positions for officers, their job descriptions and salaries.
E.03:08 STATEMENT OF ETHICS AND CONFLICT OF INTEREST
PROCEDURE

The issue of Conflict of Interest was discussed. Mr. Stiel questioned the contents contained in the statement relative to licensed agents. He had concerns about members of the Board who were also licensed agents. Mr. O’Bannon wanted to study the statement and determine if potential conflicts exists.

E.03:09 SIGNATURES ON POLICY/JACKET

A motion was made, seconded, and approved unanimously to use the signatures of the Chairman of the Board, Chris Faser, III, and the Secretary, Terry M. Lisotta in the policy jackets of Louisiana Citizens Property Insurance Corporation.

E.03:10 EXPENSE AUTHORIZATION LIMITS

Staff presented proposed expense authorization limits for LCPIC Senior Management based on dollar limitations and type of expense incurred.

A motion was made, seconded, and approved unanimously to approve the expense authorization limits as proposed.

E.03:11 2004 BUDGET

A preliminary draft of the additional budget expense items to be incurred by LCPIC was presented for informational purposes only.

E.03:12 FLORIDA TELEPHONE CONFERENCE/TEXAS WIND STORM VISIT/TEXAS SYSTEMS OVERVIEW

Pat Santos briefed the committee on the recent conference he attended for the Independent Bureau Field Representatives in Mississippi.

Curt Reeson reported that we are learning from the problems that Florida and Texas have encountered and adapted our methodology to avoid those same difficulties. Both Texas and Florida have indicated they will be following our development to see how successful we are, and if they can benefit from it. Please see section EC 03.22 for additional information presented under Systems Planning and Development

E.03:13 PUBLIC BID LAWS & PROFESSIONAL SERVICES CONTRACTS

Mr. O’Bannon further reviewed the statues referring to this subject and finds we are within the law’s scope to execute agreements for professional services as previously agreed.

No additional action was taken on this item. Staff was instructed to prepare the agreements previously prepared.
E.03:14  BONDING AUTHORITY

Staff provided a verbal report that the services of an investment banker and bond insurer by engaged. Once the team is established work can commence on the skeletal structure of the official statements and bond documents. The team and procedures should be in place well before the need to seek financing exists.

Staff was instructed that the Investment Committee would provide guidance on this matter.

E.03:15  ADOPTION OF FAIR & COASTAL PLAN’S RULES, RATES AND FORMS BY CITIZENS

Staff gave a verbal report that the appropriate filings had been made to obtain approval for LCPIC to use the rules, rates and forms currently used by LJRP and LUJP. The filing is on the LIRC agenda for the October 2003 meeting.

E.03:16  MEMBERSHIPS: PIPSO/CLUE

Staff requested clarification on the reporting requirements provided for in the Statute. The question concerned the requirement to comply with NAIC reporting requirements under R.S. 22:1451. Mr. Chad Brown indicated that the Department will need to conduct additional research before this issue can be addressed.

A question also was raised about membership in ISO. The decision was reached that since PIAL is already a member of ISO there is no need for LCPIC to also be a member and incur duplicate membership fees.

A motion was made, seconded, and approve unanimously for LCPIC to participate in PIPSO and CLUE.

E.03:17  PRIVATE LETTER RULING

Staff gave a verbal report that the official request for the private letter ruling from the IRS had been completed and forwarded to Mr. Michael Colodny for submission to the Internal Revenue Service. The contact persons named on the power of attorney include Mr. Michael Colodny, Mr. John Rouchell and Mr. Ernest O’Bannon.

E.03:18  AGENT BROCHURES

Pat Santos developed a shell for an information brochure to be sent to agents explaining the LCPIC. Mr. Hal Stiel and Mr. Jeff Albright were provided drafts to review and to provide comments and or recommendations.

E.03:19  PUBLIC RELATIONS MORTGAGE COMPANIES

Mr. Ernest O’Bannon indicated that he had not able to identify any single organization that could assist us with the public relations issues associated with conducting business with mortgage companies. Staff recommended that contact
could be made with local mortgage companies to try to ascertain the best way to address this issue. Staff was given permission to pursue this matter.

E.03:20 BANKING RFP'S SERVICES

Staff provided the details on the RFP process employed for the selection of banking services by LCPIC. Fourteen banks were contacted and seven banks responded to the RFP. Based on the cost/revenue comparison, staff recommended that Hibernia National Bank be selected as the banking service provider for LCPIC.

A motion was made, seconded, and approved unanimously to utilize the services of Hibernia National Bank for the banking functions of LCPIC.

E.03:21 SYSTEMS PLANNING & DEVELOPMENT

Curt Reeson provided a slide presentation detailing the options, cost, and timeframes required for systems development and implementation. Additionally, the information gained from visiting the Texas Windstorm, combined with the phone conference information obtained from the Florida Citizens Plans, indicates we are heading in the right direction by having a customized system developed which will be totally owned, operated and maintained by the La. Citizens Property Insurance Corporation. Both Texas and Florida chose different approaches which failed, and are now changing to having their own customized systems developed. Consequently, they incurred considerable expenses and now face additional costs in changing direction.

The Executive Committee also approved proceeding with step 2 of our methodology, a Statement of Need workflow analysis. The Committee also authorized Curt Reeson to proceed with addendums to the current SBS/PIAL contract for the subsequent phases of the new system development. Additionally, the Executive Committee approved Curt Reeson to respond to other potential vendors of our decision to have our own customized system written, rather that the other options that were considered in the overall analysis.

E.03:22 FORUM

At this time no new items were added to the agenda.

A motion was made, seconded, and approved unanimously to adjourn the meeting.

This concludes the minutes for the above-mentioned meeting. If you have any questions, please feel free to give me a call.

Yours very truly,

TERRY M. LISOTTA
Executive Director/Secretary