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
SEPTEMBER 13, 2007
MINUTES

Ladies and Gentlemen:

A Special meeting of the Governing Board for the Louisiana Citizens Property Insurance Corporation was held on Thursday, September 13, 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 and commenced at 1:05 P.M.

Present were:  Bill Newton, Chairman
               Michael W. Domingue
               Jeff Albright
               Ann Metraile
               Senator Robert Kostelka
               Mike Ely
               Treasurer John Kennedy/Jim Napper
               Joelle Lapeze
               John Miletti
               Rep. Rick Farrar

Also present:  Commissioner James J. Donelon
               John Wortman, CEO, Louisiana Citizens
               Dean Stroud, MacNeil Group
               Chris Mills, Bankers Divisional Director
               Julie Jenkins
               Greg Pellegrini, Vice President & General Counsel, First Premium
               Lisa Barthelemew
               Joby Najolia
               Whitney Little
               Michelle Middlebrook
               Lolly Leger, Trinity Claims Service
               Ronnie L. Johnson, McGlinchey Stafford
               Denise Brignac, Louisiana Dept. of Insurance
               Billy Bostick, Bostick Crawford
               Terrell Moss, Louisiana Dept. of Insurance
               Dan West, McGlinchey Stafford
               Trey Roche
               Tina Grant, La. Attorney General’s Office
Bill Newton, chairman welcomed all members and guests to the meeting.

A quorum was present, and the roll call was dispensed.

SPECIAL MATTER

On the motion of Mr. Ely, seconded by Mr. Miletti, the Board on roll call vote unanimously approved changing the order of today’s agenda moving the litigation committee’s report to this part of the meeting.

LITIGATION REPORT (moved to this part of the meeting, see SPECIAL MATTER, above)

On the motion of Rep. Farrar, seconded by Ms. Lapeze, the Board on a roll call vote unanimously approved going into executive session to receive the Litigation Committee’s update on the status of the Litigation Subcommittee’s discussions prior to the Board meeting.

On conclusion of the executive session, Mr. Newton called the Board meeting back into session, and announced there would be a report.

On motion of Rep. Farrar, the Board would authorize the McGlinchey firm and the Attorney General’s office to prepare and file suit against PIAL at John Wortman’s direction. The motion was seconded by Mr. Domingue, approved unanimously. Additionally, Rep. Farrar motioned to authorize the McGlinchey firm to prepare an intervention into arbitration between PIAL and SBS to be filed at John Wortman’s direction. The motion was seconded by Mr. Domingue and approved unanimously.

Also, on motion of Rep. Farrar, the Board would reaffirm its adopted statement of ethics and conflict of interest procedures, to only expend public funds for public purposes, to maintain itemized receipts for all purchases, to record all meal and travel receipts, the participants and business purpose for those expenditures and develop Board approval for all senior management expenditures. The motion was seconded by Mr. Domingue and approved unanimously.

Further, on motion of Rep. Farrar, the Board would seek reimbursement for all non-public expenditures from any and all who may have expended them. Mr. Domingue seconded and it was unanimously approved.

On motion from Rep. Farrar, seconded by Mr. Domingue, the Board voted unanimously to ask the Attorney General’s office for an expedited opinion as to what type of agency, public or otherwise, Citizens is and what State laws apply.
On motion of Mr. Napper, the Board would include in all contracts a provision that all parties acknowledge they are bound by Louisiana Ethics Law. The motion was seconded by Mr. Domingue and passed unanimously.

Rep. Farrar made a motion to amend the service provider contracts to include a provision that they are bound by Louisiana Ethics law. The motion was seconded by Sen. Kostelka, and unanimously passed.

SPECIAL ITEM

Mr. Curry was asked to research whether Citizens should file a separate claim against S.B.S. outside of the arbitration filed by PIAL.

PRIOR MEETING MINUTES

Mr. Domingue moved to accept the prior minutes from meetings on May 10, May 17, May 31, and June 13, 2007. It was seconded by Ms. Metrailer and unanimously passed.

CHAIRMAN’S REPORT

Mr. Newton reported that he and Mr. Wortman are working on programs to guide Boards of Directors in future activities and evaluating Committee Structure and will report more as they progress.

CEO REPORT

Rating Agency Visits

Mr. Wortman reported that the presentations to the Bond Rating Agencies, had good feedback and that Moody’s has taken Citizens off the watch list without any downgrades. He further applauded Gordon King and Mark Brockelman for their efforts.

Discussion:

In answer to Mr. Miletti’s question about negative outlook it was stated that it is caused by fear of another event, inability to produce financials, and negative publicity which are producing uncertainty. Mr. Wortman suggested another visit when the financials are done.

2008 Emergency Assessments

Mr. Wortman stated there will be no regular assessments. Last year’s regular and emergency assessment came to 18.6 percent. This year will only be an emergency assessment of 5 percent, which Senator Kostelka confirmed will be subject to the tax
credit rebate. The 2007 assessment is above plan, and Mr. Wortman stated there will be excess which can be used to reduce future assessments or pay down principal.

Underwriting Issues

An e-mail survey to agents was blitzed and is being widely received. Binding authority was released last week and is going well.

We are in the beginning stages of the audits that claims personnel are conducting and the quality assurance piece is working to help relationships with service providers.

Inspections and surcharges were included in materials in the CEO report.

Katrina/Rita Claims

As to Katrina, 61,000 of 65,000 reported claims have been closed. Total paid thus far is approximately $1.2 billion.

As for Rita, 14,000 of 15,000 reported claims have been closed. Total paid thus far is approximately $110 million. We are finalizing reinsurance with about $15 million in recoveries yet to come, which should be finalized within the next 30-60 days.

Status of Systems/Financial Project

In early May, a plan was implemented with the help of Bostick and Crawford and is going through testing. We believe the data mark will be ready and we have moved the data out of LPMS into the data mart with proper definitions and will be able to extract management reports and use financials to feed the general ledger.

As for financials, more difficult than anticipated, there are problems because the bank had reconciliation problems after the storm and to an undisciplined financial focus because of the need to settle claims. This should be done within a maximum of 4 to 6 weeks. The reconciliation will be through 2006. The LLA is preparing an R.F.P. to select an audit firm to prepare the financials. After that, financials should be available within 60-90 days.

Separation of LCPIC/PIAL

This is moving forward and we are addressing issues of employee tenure/benefits, organizational structure, and the issue of quasi government or private corporation. An appeal was made for the industry to assist with work flow analysis and productivity improvement. Also, for input for a R.F.P. for a data system.

Exposure Update/Take-Out Activity
Data is being compiled for the take-out market which sorts data to allow companies to determine specifics on properties and their risk exposure. It will also aid disaster assistance as far as claims are concerned. Hopefully, it will be operational by next storm season. Password security issues are being addressed.

Replacement Cost

Commercial lines mid-term changes have been implemented, but there are still considerations that need to be addressed. There is one personal line product which is wind and hail that needs to get converted to replacement costs. We are working on a procedure for this.

Discussion

Mr. Albright brought up the issue of mid-term changes. If available mid-term, it needs to be available to all policyholders. Mr. Wortman assured they are aware of the issue. He clarified that this is an optional endorsement. He was not clear whether an updated survey was required, but will look into it. Ms. Lapeze expressed concern that we aren’t rolling in replacement costs on undervalued property. Mr. Wortman stated that they are working to make Marshall Swift Boecht more easily accessible in terms of the value piece.

SPECIAL ITEM

In answer to Commissioner Donelon’s question regarding volumes, Mr. Wortman stated that there are about 165 thousand policies in place and are consistently writing around 8,000 new apps per month, and a total premium of $300 million annually. The total values are close to $25 billion, and the market appears to be better than first thought. He stated that the company is preparing to do the Legislative mandated policy bundles.

LEGISLATIVE AUDITOR

Mr. Daryl Purpera reported that the Compliance Audit is in exit phase and is expected to be issued within about four weeks. They will continue auditing expenses. The Performance Audit Division is working on the litigation project. If financial data through 2006 is available by 11/1, they would move up the timetable on the financial audit. They will be working with Mr. Brockelman. The R.F.P. can’t go out until the financial data is available. The quarterly statements from 2005 were prepared internally.

PROPERTY INSURANCE ASSOCIATION OF LA REPORT

There was no report due to the absence of Mr. Herbert and Mr. Deutsch.

SERVICE PROVIDER REPORTS

Bankers
Mr. Chris Mills handed out a summary report for personal lines as well as the commercial lines.

In answer to Mr. Albright’s question of reduced commercial lines writing, he responded that they are definitely seeing a smaller amount everyday.

First Premium

Greg Pellegrini handed out a summary report for non-cat and cat claims.

In answer to Mr. Albright, he stated that they are seeing revenue numbers coming down. He stated that they have become more competitive on their G.A. side.

MacNeill

Dean Stroud handed out a summary report and explained that their numbers are current. New business numbers have been flat, so it down a little, and renewals are down also.

LITIGATION

Mr. Waters reported more new lawsuits due to the two year anniversary. There are several new class actions, including the one filed by the Attorney General against every insurer in the state. Prescription was not extended, but if in negotiations or mediation extension totaling agreements were given through the end of the year or 30 days after mediation.

CONTRACTS

Mr. Albright moved for Board affirmation and approval of the contracts for Mr. Wortman, Mr. Brockelman and Mr. Laffey. Mr. Napper second the motion, and they motion was unanimously approved.

POLICY SIGNATURES

Mr. Wortman asked for Board approval for Mr. Newton and himself to sign as Chairman and CEO. Mr. Napper moved to approve, seconded by Mr. Albright. The motion was unanimously passed.

OPEN SESSION

Mr. Newton asked if there was anything to discuss, and hearing nothing, asked for a motion to adjourn. The motion was made by Mr. Albright and seconded by Mr. Ely, and passed with no opposition.

Adjournment was at 3:50 p.m.