

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  
SEPTEMBER 10, 2015 MINUTES

Ladies and Gentlemen:

A meeting of the Governing Board for the Louisiana Citizens Property Insurance Corporation was held on Thursday, September 10, 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  
Gene Galligan  
Senator Eric LaFleur  
Craig LeBouef  
Sam Little  
Senator Dan Morrish  
Johnny Reeves  
Preston Robinson

Absent were: Eric Berger  
Fred Bosse  
Rep. Cromer  
Jason Dupree  
Eugene Montgomery  
Kevin Reinke  
William (Bill) Starr

Also present: Vijay Ramachandran, CEO (interim)  
Steve Cottrell  
Paige Harper  
Ricky Lindsey  
Derek Haney

#### Chairwoman's Report

Chairwoman Brignac called the meeting to order at 1:19 p.m., asking Ms. Harper to call roll. There being a quorum present, she began her report with a topic that Commissioner Donelon wanted to discuss, a concern by an agent(s) that HO-3 policies that have been depopulated may be bouncing back to Louisiana Citizens due to a failure to pass a take-out company's inspection requirements for a HO-3 policy. When the risk fails, it comes back to LCPIC where we inspect the property as well. Because it doesn't meet the requirements for a HO-3 policy, a fire and extended coverage policy is offered, but the policyholder wants the coverage they had previously with LCPIC (these are policies not inspected when written as HO-3's originally). The Commissioner suggests a one-time offer to allow policies in that situation to come back to LCPIC as a HO-3 for one year. After much discussion it was determined that LCPIC management would do additional research and the issue would be added to the agenda for the next Board meeting.

At this point Chairwoman Brignac decided to move to the non-voteable items on the CEO report since one of the Board members had stepped out of the room for a few minutes and a quorum was no longer present for voting purposes.

## CEO Report

- B) Management Report. Next, Mr. Cottrell noted that the monthly management report was included in the Board book and provides information from premiums to numbers of policies to claims with a breakdown of insured values. Given the earlier HO-3 topic discussed, he pointed out that LCPIC has 9,398 HO-3 policies. With no questions from Board members forthcoming, Mr. Cottrell moved on.
- G) Depopulation Update. Mr. Ramachandran reported that LCPIC is on track to conduct another round of depopulation on December 1, 2015. There are currently six companies signed up to participate: Access Home, Maison, Coastal Select, Capitol Preferred, Safe Point Insurance and Prepared Insurance. The last two are new participators. They are companies out of Tampa, Florida. Mr. Ramachandran estimated that 35,000 unique policies would be requested, with anywhere between 7,000 to 10,000 policies actually authorized for take-out. After an in-depth discussion, the Chairwoman moved to the next topic, Complaints.
- H) Complaints. Ms. Harper noted that in July and August, LCPIC received a total of twelve (12) complaints. One of those included both policy and claim elements; nine were policy related; two were claim related. With no question on the complaints, the agenda moved to the voteable items.
- A) Financials. The first item in the financials that Mr. Cottrell addressed was the cash outlook. Mr. Cottrell reported that he believed that without a storm, by the end of 2015 LCPIC will have more than \$100 million in cash. The company is a little over \$12 million ahead of budget. At the beginning of 2015 LCPIC was in a negative surplus situation, but now has just under \$16 million in positive surplus. With regard to the balance sheet, in July LCPIC refinanced \$415 million dollars of debt down to \$350 million. Mr. Cottrell then introduced the statutory financials that needed to be ratified by the Board. They were previously submitted to the Department of Insurance, but because of the timing of the meetings, management was not able to bring them to the Board prior to filing. The financials were, however, given to the Audit Committee members to review, with an opportunity to ask questions, prior to submission. After discussion among the Board members and answering questions, Chairwoman Brignac asked for a motion to ratify the June 30, 2015 statutory financial statements filed with the Department of Insurance on August 15, 2105. Mr. Robinson so moved. Sen. Morrish seconded. With no further discussion on the motion forthcoming, Chairwoman Brignac called for a vote. With no opposition the motion passed unanimously.
- C) 2006B Bond Refinancing Update. Mr. Cottrell reported that LCPIC received a lot of investor interest. \$1.7 billion of the company's bonds subscribed and there is an effort to sell \$350 million and \$1.7 billion of requests came in. This allowed LCPIC to push the price down a little. The gross savings in debt service is \$109 million over the life of the new bonds.
- D) 2016 Assessment Rate. The savings from the refinancing allows the assessment rate for 2016 to drop from what would have been 3.31 to 2.93%. LCPIC provided the calculations to the Louisiana Department of Insurance and they have validated the math and approved the assessment. The next step is for the Board to set the 2016 Emergency Assessment rate at the 2.93%. Mr. Little so moved. Mr. Galligan seconded the motion. Chairwoman Brignac asked if there was any further discussion on the motion. There being none forthcoming she called for a vote. With no opposition, the motion passed unanimously.
- E) Proposed Commercial Rate Filing. Mr. Cottrell explained that last year LCPIC and the Department of Insurance agreed that LCPIC would blend risk models AIR and RMS for the purposes of rate making when projecting future storm losses. He also explained how our in-house actuary, Mr. Derek Haney developed an actuarially sound rate, taking into consideration company expenses and projected losses. A risk load was also included. That rate was then reviewed by an outside actuary for validation. At this point the proposed rates are ready to be sent to the Louisiana Department of Insurance for review and approval, if the Board approves such a filing. LCPIC currently writes under 4,000 commercial policies, with an average value of almost \$500,000 per policy in the FAIR plan and \$250,000 in the Coastal plan. The overall proposed rate change is an 8.7% decrease. The decrease is driven almost entirely by the reduction in reinsurance and the cost of the CAT bond. After a lengthy discussion, Senator LaFleur moved to approve the submission of the proposed rates resulting in an overall decrease of 8.7%, as well as the formulas used to create those rates. Mr. Robinson seconded the motion. Chairwoman asked if there was any discussion on the motion. There being none forthcoming, and with no opposition, the motion was approved unanimously. Next, Senator LaFleur moved to implement the proposed rate decrease if the Department of Insurance approved as is, or within .5% of the rates filed, with an effective date of February 1, 2016. Mr. Robinson seconded the motion. Again, with no further discussion forthcoming on the motion, Chairwoman Brignac called for a vote and with no opposition, the motion was approved unanimously.
- F) Actuary Appointment. The final item on the agenda was the appointment of the company's outside actuary. LCPIC has used Merlinos and Company for the past five or six years. Matt Merlinos is the currently appointed actuary for the company. However, another partner in the firm, Ryan Purdy is the actuary LCPIC works with most frequently. LCPIC management would

like to have him appointed as the actuary from Merlino's. Making the change will reduce LCPIC's costs. No change in the firm is being requested. Craig LeBouef moved to appoint Ryan Purdy as LCPIC's outside actuary. Senator Morrish seconded the motion. With no further discussion forthcoming, Chairwoman Brignac called for a vote. The motion passed unanimously.

With the conclusion of the agenda, Commissioner Donelon asked about the status of the agent reciprocity issue with border states. Mr. Galligan spoke up and expressed the opinion that if other states would not allow Louisiana agents to place business in their pools then Louisiana should not allow their agents to place business in LCPIC. Mr. Ramachandran had put together a schedule and Texas has the majority of out of state agents placing business in LCPIC and Mississippi (the main state at issue) has only fifty. Commissioner Donelon stated that he would be amenable to a motion for reciprocity. Mr. Ramachandran noted that it would be up to the Board but that it may be something that needed to be checked. Chairwoman Brignac stated that it would be looked into. With no further business to discuss, Mr. Robinson moved to adjourn the meeting; Senator LaFleur 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 September 10, 2015 minutes that were adopted by the Board of Directors of Louisiana Citizens Property Insurance Corporation on November 12, 2015.

  
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Paige M. Harper, Secretary