

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  
MAY 12, 2016 MINUTES

Ladies and Gentlemen:

A meeting of the Governing Board for the Louisiana Citizens Property Insurance Corporation was held on Thursday, May 12, 2016. 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  
Fred Bosse  
Jason Dupree  
Gene Galligan  
Craig LeBouef  
Sam Little  
Preston Robinson (arrived following roll call)  
William (Bill) Starr  
Rep. Kirk Talbot

Absent were: Eric Berger  
Senator Eric LaFleur  
Eugene Montgomery  
Johnny Reeves  
Kevin Reinke  
Sen. John Smith

Also present: Commissioner Donelon  
Vijay Ramachandran, Interim CEO  
Steve Cottrell  
Paige Harper  
Ricky Lindsey

## Chairwoman's Report

Chairwoman Brignac called the meeting to order at 1:35 p.m., asking Ms. Harper to call roll. There being a quorum present, she began by noting that with the difficulty of obtaining a quorum and the fact that Rep Talbot needed to get back to the Legislature, she was going to have the Board address all voteable items first. Chair Brignac then asked Mr. Cottrell to begin with the agenda item dealing with the bond refinancing.

E) Bond Refinancing. Mr. Cottrell began by explaining that, although LCPIC refinanced some of its bonds last year, the company is again faced with an opportunity to refinance some of the 2006 bond debt. Originally \$978 million dollars was borrowed using bonds. Currently LCPIC still owes approximately \$600 million of that debt. At this time, because of extremely low interest rates, LCPIC is in a position to refinance bonds before their call date and save somewhere around \$92 million in interest. Since the company just went through a bond refinancing, there would be no need to re-do the RFP's for a new financing team, which would allow for a much quicker process. If the Board approves moving forward, the next step would be going to the Bond Commission in June. The anticipated closing date would be in mid-July or the first of August, avoiding the bulk of August and September, the highest hurricane probability months. Mr. Cottrell noted that LCPIC's outside counsel provided the formal resolution needed and it is in the Board book. With no questions from the Board forthcoming, Mr. Little moved to approve the resolution to move forward with the bond refinancing. Mr. Robinson seconded the motion. With no further discussion brought forward by Board members, Chairwoman Brignac called for a vote on the motion. With no opposition, the motion was approved unanimously.

A) i) The next item of business discussed was the first quarter financial statements required to be filed by May 15. Mr. Cottrell let the Board know that the Audit Committee met two weeks before the Board meeting to go over the financials in detail and to vote on a recommendation for the full Board. As such, Mr. LeBouef, Chair of the Audit Committee spoke to the Board and noted that the Audit Committee recommended that the Board accept the submission of the statutory first quarter 2016 financial statements to the Louisiana Department of Insurance as proposed. Mr. Bosse so moved. Mr. Galligan seconded. With no discussion on the motion forthcoming, Chairwoman Brignac called for a vote. The motion passed unanimously.

With the voteable items in the CEO report complete, Chairwoman Brignac moved to the Executive Session. She asked if anyone from the public first wished to address the Board. When no one stepped forward, Chairwoman Brignac stated that she would entertain a motion to go into Executive Session to discuss potential and pending litigation. Mr. Robinson so moved. Mr. Dupree seconded the motion. The Chairwoman called for a roll call vote. The motion passed unanimously and the Board entered into Executive Session. Everyone except LCPIC staff and the Board were asked to leave the room.

-----Executive Session-----

At the conclusion of the Executive Session, Chairwoman Brignac asked for a motion to exit Executive Session and re-enter the public forum. Mr. Galligan so moved. Mr. Little seconded the motion. A roll call vote was taken. The motion passed unanimously. Chairwoman Brignac noted that the Board had re-entered the public forum. She asked that the record reflect that the Board did not take any formal action while in Executive Session.

At this point, since the meeting still had a quorum, Chairwoman Brignac went back to the original agenda to address the items previously unaddressed because they were not voteable. She started with her report and the three items she had to discuss.

First, Chair Brignac reported to the Board on the CEO search. She stated that there were twelve resumes received and four interviews conducted. One additional interview is scheduled for the afternoon of the Board meeting. A decision will be made following that interview. Commissioner Donelon, Chairwoman Brignac, and Eugene Montgomery conducted the interviews. After a decision has been made, the CEO salary issue will be brought to the Board for a vote. After a short discussion, she moved to the next topic, a review of essential property coverage.

Chairwoman Brignac asked that LCPIC staff do research on what constitutes essential property coverage and if LCPIC may be providing more than is required. She asked that recommendations be brought back to the Board at the July meeting.

The last item on the Chairwoman's report was a reminder to the Board members that the deadline for submitting their Board of Ethics financial disclosures is May 15<sup>th</sup>. With her report complete, she moved on to the minutes of the prior meeting.

Mr. Starr moved to approve the March 22, 2016 minutes. Mr. Little seconded the motion. With no further discussion on the motion forthcoming, Chairwoman Brignac called for a vote. With no opposition, the motion passed unanimously.

- A) ii) Mr. Cottrell was then asked to continue with his update on LCPIC's investment strategy. He began by noting that the overriding principles in the investment policy has been to, first, have access to all cash at any time in the event of a hurricane, and, second, not to invest in things that would be risky and result in a reduction of value. Recently, LCPIC has branched out slightly and invested in three and six month treasury bills. Compared to the money market account where the cash has previously been "parked", at two basis points (two one-hundredths of a percent), LCPIC is now receiving 28 basis point on the three month treasury bills and 43 basis points on the six month treasury bills. The net difference will be approximately \$367,000. On \$136 million that may not seem like a lot, but it is more than before, while still maintaining relative stability.
- B) 2015 Actuarial Report. Mr. Cottrell let the Board know that this item on the agenda is a corporate governance issue and not really an item for him to really report on. At our auditor's recommendation, included in the Board book is the 2015 outside actuarial report from Merlinos for the Board to review at their leisure. However, one of item of note is the section on reserves. On page 3 of the report is a table with a reserve range. LCPIC's reserves are right in the middle of the range, which is a good thing. Chairwoman Brignac also noted that from a regulators standpoint the Department of Insurance always likes to see a company's reserves at midpoint or higher.
- C) Audit Update. Mr. LeBouef, as Chair of the Audit Committee spoke up to report that the Audit Committee met with the auditors at the Audit Committee meeting two weeks earlier. He stated that the audit appeared to be going very smoothly. He believed that the audit would be finalized by the June 1 deadline for statutory financials, although they were still testing a couple of areas. Additionally the auditors seemed to be taking some effort to understand the reserves and to come up with what they felt is a reasonable reserve amount, not having been familiar with some of the class action legal issues. However, they seem to have become comfortable with it now.
- F) 2016/2017 Reinsurance. Mr. Cottrell noted that it was a successful buy for LCPIC in the reinsurance market this year. The company was able to purchase the same amount of reinsurance as last year, even though insured values have decreased as a result of depopulation, with a reduction in the retention from \$50 million to \$35 million. Additionally, the cost came in at \$3.1 million under budget. After a discussion on the reinsurance, Chairwoman Brignac asked Ms. Harper to report on complaints.
- G) Complaints. Ms. Harper reported that for the months of March and April there were eight complaints received through the Department of Insurance. Three of those were policy related and five were claim related. With no questions regarding complaints, Chairwoman Brignac stated that the agenda was concluded.

With the conclusion of the agenda, and with no further business to discuss, Chairwoman Brignac stated that the next Board meeting is scheduled for July 14, 2016. Mr. LeBouef moved to adjourn the meeting; Mr. Bosse seconded. There being no opposition, the meeting was adjourned.

**Approved:**

I hereby certify that these are a true and correct copy of the May 12, 2016 minutes that were adopted by the Board of Directors of Louisiana Citizens Property Insurance Corporation on July 14, 2016.

  
Paige M. Harper, Secretary