

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 9, 2019 MINUTES

Ladies and Gentlemen:

A meeting of the Governing Board for the Louisiana Citizens Property Insurance Corporation was held on Thursday, May 9, 2019. 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: Nick Lorusso, Chairman
Eric Berger
Tom Glasson
Craig LeBouef
Eugene Montgomery
Kevin Reinke
William (Bill) Starr
Brian Van Dreumel

Absent were: Jeff Albright
Brian Chambley
Gene Galligan
Denise Gardner
Ron Henson
Sen. Smith
Rep. Talbot

Also present: Richard Newberry, CEO
Paige Harper
Joe Sciortino
Derek Haney
Ricky Lindsey

Chair's Report

Chair Lorusso called the meeting to order at 1:00 p.m. He began by Ms. Harper to call roll. With eight members present, a quorum was met and the meeting moved forward. For his report, Chair Lorusso reminded Board members that their Ethics Financial Disclosures are due on May 15 and asked them to get them turned in.

The next item on the agenda was the minutes of the previous meeting. Chair Lorusso asked Ms. Harper to present the minutes from the January meeting. After the Board members were given an opportunity to review the minutes, Mr. Glasson moved that the January 2019 minutes be approved. Mr. Van Dreumel seconded the motion. With no further discussion on the motion or the minutes, Chair Lorusso called for a vote. The minutes were approved unanimously.

Chairman Lorusso then moved to the CEO Report and asked Mr. Newberry to take over with his updates.

CEO Report

A) Overview. Mr. Newberry began his report by noting that the schedule of Board meetings for the remainder of 2019 is included in in the Board book. He asked if a Board member cannot attend a scheduled meeting, that they let LCPIC management know in advance so that the availability of a quorum can be evaluated. He further noted that a schedule of Board Committees with the meeting requirements for each is included in the Board book. Mr. Newberry let the Board know that the issue will be brought to the Board to vote on changing each Committee Charter to allow for meetings "as needed" rather than requiring a specified number of meetings each year. Chair Lorusso asked Ms. Harper to send out a list of Committees and Committee members to the full Board.

Next, Mr. Newberry gave the Board members a corporate overview. He noted that year to date, LCPIC has \$16 million in earned premium, down from \$17.6 million last year at the same time. Further, the current policy count is at 38,323, down from 41,315.

He then moved on to discuss a proposed penalty on the late payment of assessments by insurers. In working with the LDOI on updating Directive 198, LCPIC became aware that the Plan of Operation states that LCPIC shall levy late payment penalties as adopted by the Board. LCPIC currently does not have such a penalty. Management is proposing a late payment penalty equal to the then current judicial interest rate as set by the Louisiana Commissioner of Financial Institutions. Mr. Van Dreumel moved as follows:

To approve the proposed penalty on late payment of assessments, both regular and emergency, by insurers. Specifically, in the event any outstanding portion of the Regular Assessment is not paid or appealed within thirty (30) days from the date of notice of assessment, Citizens is vested with the right to apply a penalty to the outstanding balance equal to the judicial interest rate, as set by the Louisiana Commissioner of Financial Institutions, and in effect at the time of the failure to timely remit payment. Further, All Emergency Assessments collected shall be remitted by the collecting Assessable Insurer by the end of the month following the end of each calendar quarter, and in the case of any applicable "true up" at the end of each calendar year, within 30 days of notification by LCPIC that an additional amount is due. In the event any outstanding amount is not appealed within the 30 day time-frame, Citizens is vested with the right to apply a penalty to the outstanding balance equal to the judicial interest rate, as set by the Louisiana Commissioner of Financial Institutions, and in effect at the time of the failure to timely remit

payment.

Mr. LeBouef seconded the motion. Chair Lorusso called for a vote. With no further discussion forthcoming and no opposition, the motion was approved unanimously.

Next, Mr. LeBouef moved the following:

To approve the proposed amendments to the Plan of Operation, to forward the amended Plan to the House and Senate Insurance Committees for approval, and then to file the amended Plan of Operation with the Commissioner of Insurance, in accordance with LA RS 22:2298. The amendment includes, but is not limited to, a change in the definition of Senior Management and the addition of a penalty on late payments of the Regular and Emergency Assessments by insurers.

Mr. Van Dreumel seconded the motion. With no further discussion or opposition, Chair Lorusso stated that the motion was approved unanimously.

Mr. Newberry's next item in his overview was an update on the 2019-2020 reinsurance program. The Board voted, as part of the 2019 budget, to spend \$25 million on reinsurance. At the time of the Board meeting it looks that the program will come in around \$24.5 million. LCPIC hopes to save a bit more, but hurricanes that hit the US in the last few years, as well as fires out west, have impacted reinsurance rates. Following a discussion, he moved on to the next item where Mr. Newberry informed the Board that the LDOI had approved the personal line rates approved for filing in January 2019.

The next update Mr. Newberry gave the Board was on the 2019 round of depopulation. He discussed the final numbers for the 2018 round of depopulation and the methods used to calculate the optimal policies to put into the 2019 depopulation process. Mr. Newberry asked the Board to approve offering 4000 policies in the current round. After a discussion by the Board, Mr. Berger moved:

To approve the recommendation of LCPIC staff to accept the proposed requirements, dates, and timeline, as presented during the May 9, 2019 Board Meeting, for Depopulation Round 13. This includes authorization to offer 4,000 distinct policies for removal to the voluntary market.

Mr. Glasson seconded the motion. With no further discussion and no opposition, Chair Lorusso determined that the motion was approved unanimously.

In conclusion of his overview, Mr. Newberry drew the attention of the Board to the 2018 Actuarial Opinion. He explained that the opinion included detailed findings along with the supported methodology used by the appointed actuary, Derek Haney. He also explained that the opinion was being provided to the Board members upon their request. With no questions on the Actuarial Opinion, Mr. Newberry turned the table over to Mr. Sciortino to present the financials.

B) Financials. Mr. Sciortino began by giving an overview of the 2018 financials. He noted that LCPIC ended 2018 with total operating cash of \$125.44 million and a total cash/investment position of \$209.6 million. The company had begun the year with \$219 million; the decrease was driven by the \$21 million LCPIC paid for the class action in 2018 and an increase of \$10 million in pure operating cash. With regard to the income statement, LCPIC ended 2018 with \$17.1 million of net income, which was \$24.4 million over budget. Surplus increased to \$174.3 million. After further explaining the financials, Mr. LeBouef moved:

To approve the 2018 Yellow Book financials presented by LCPIC management and reviewed by

the members of the Audit Committee; and to retroactively approve the filing of those financials with the Louisiana Department of Insurance on March 1, 2019, the required due date.

Mr. Van Dreumel seconded the motion. With no further discussion and no opposition, the motion passed unanimously.

Next, Mr. Sciortino addressed the 1st Quarter financials for 2019. He reported that LCPIC was at \$4.9 million of net income compared to a budget of \$3.7 million. The principal driver of the gain was being under budget in terms of losses incurred. There was nothing else of significance to report on those financials. Mr. LeBouef then moved:

To approve the 1st Quarter 2019 financials presented by LCPIC management and reviewed by the members of the Audit Committee; and to approve the filing of those financials with the Louisiana Department of Insurance no later than May 15, 2019, the required due date.

Mr. Van Dreumel seconded the motion. With no questions or further discussion and no opposition, the motion passed unanimously.

C) Line of Credit Renewal. Mr. Sciortino next addressed the renewal of LCPIC's line of credit. He reported that as LCPIC's cash position has increased, and with the strengthening of the reinsurance program, the line of credit has reduced over the years. The expiring line of credit is at \$50 million. The proposal is to renew the line of credit for another two years, remaining at \$50,000,000. Mr. Sciortino also explained that if the Board approved the renewal, LCPIC would then need to take the line of credit to the Louisiana Bond Commission for further approval before executing the renewal. After some discussion on the issue, Mr. Reinke moved:

To approve the renewal of the line of credit, as presented and set forth in the attached resolution.

Mr. Glasson seconded the motion and with no further discussion and no opposition, the motion was passed unanimously.

D) 2018 Audit Update. The next topic on the agenda was the 2018 Audit update. Mr. Sciortino reported to the Board that the audit was going smoothly. The statutory report has already been received, ahead of schedule. It will be file on June 1. The GAP audit report will follow and filed by June 30. There have been a couple of best practices recommendations related to IT and LCPIC has already been working on those. All positive news from the Auditors.

E) Complaints. The final item on the CEO report was complaints. Ms. Harper reported that in March and April 2019, three complaints were received, one claim-related, one policy related and one related to an Oubre penalty check that the claimant wants reissued (LCPIC does not issue those checks). With no questions regarding the claims, the CEO report was concluded.

With the conclusion of the CEO report, Chairman Lorusso moved on to the Executive Session. He asked if anyone from the public first wished to address the Board. With no other speakers from the public stepping forward, Chairman Lorusso stated that he would entertain a motion to go into Executive Session to discuss potential and pending litigation. Mr. Berger so moved. Mr. Montgomery seconded the motion. The Chairman 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, Chairman Lorusso asked for a motion to exit Executive Session and re-enter the public forum. Mr. Montgomery so moved. Mr. Berger seconded the motion. A roll call vote was taken. The motion passed unanimously. Chairman Lorusso noted that the Board had re-entered the public forum. He asked that the record reflect that the Board did not take any formal action while in Executive Session.

With no further business to discuss, Chairman Lorusso asked for a motion to adjourn. Mr. LeBouef so moved; Mr. Van Dreumel seconded. There being no opposition, the meeting was adjourned at 2:19 p.m.

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 May 9, 2019 minutes that were adopted by the Board of Directors of Louisiana Citizens Property Insurance Corporation on July 11, 2019.

Paige M Harper

Paige M. Harper, Secretary