

**LOUISIANA CITIZENS PROPERTY INSURANCE CORPORATION
PLAN OF OPERATION**

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This Plan of Operation (the "Plan") is effective 1/1/04 (the "Effective Date") and amended 2/5/2015.

Section 4

DEFINITIONS

As used in this Plan:

- (A) "Account" means the Corporation bank account established pursuant to Section 21.
- (B) "Agent" means a property insurance agent licensed in accordance with the requirements of the state.
- (C) "Assessable Insureds" means insureds who procure a policy of insurance for one or more Subject Lines of Business from an Assessable Insurer as defined herein or from the FAIR or Coastal Plans as programs of the Corporation.
- (D) "Assessable Insurers" means admitted insurers authorized to write one or more Subject Lines of Business in Louisiana. Any insurer who becomes authorized to engage in writing property insurance within Louisiana and who engages in writing property insurance within Louisiana shall become an Assessable Insurer on January first immediately following such authorization, and shall cease to be an Assessable Insurer one year after the end of the first calendar year during which the insurer no longer holds a certificate of authority to transact insurance for Subject Lines of Business in Louisiana.
- (E) "Assessment" means Regular Assessments and/or Emergency Assessments authorized herein as the context may require.
- (F) "Bond" or "Bonds" means bonds, notes, certificates, and any other instrument evidencing financial indebtedness or other borrowing, any one of such instruments, or an issue of such instruments, as appropriate in the context, issued pursuant to the Statute and the Plan.
- (G) "Coastal Area" means all of that area of the state defined as coastal area in the Manual of Rules and Procedures of the Louisiana Insurance Underwriting Plan. Eligible risks in the designated Coastal Area shall be eligible for coverage in the Coastal Plan.
- (H) "Coastal Plan" means the successor to that program amended and permanently established by Act 35 of the 1970 Regular Session of the Louisiana Legislature to provide a residual market for adequate insurance on property in the Coastal Areas of the state, now available as a program of the Louisiana Citizens Property Insurance Corporation.
- (I) "Corporation" means the Louisiana Citizens Property Insurance Corporation, and includes the residual market insurance programs known as the "Coastal Plan" and the "FAIR Plan".
- (J) "Coverage" means insurance in the Coastal Plan or Fair Plan as required pursuant to the Statute to be offered by the Corporation.
- (K) "Debt Service Expense" means all interest expense incurred or projected to be incurred by the Corporation on existing or anticipated borrowings or other indebtedness, and all fees, commissions, required reserves, expenses and costs incurred or projected to be incurred in respect of such borrowings or other indebtedness for the current Plan year.
- (L) "Department" means the Department of Insurance of the State of Louisiana.
- (M) "Earned Premium" means the portion of a premium paid by an insured which has been allocated to the Corporation's loss experience, expenses, and profit year to date.

(N) "Emergency Assessments" mean all Assessments which the Board is authorized to levy pursuant to the Statute, to be collected by Assessable Insurers and the FAIR and Coastal Plans, and collected from Assessable Insureds, upon the issuance or renewal of policies for Subject Lines of Business in accordance with Section 17 of this Plan.

(O) "Essential Property Insurance" means any of coverages defined in LA R.S. 22:2292(6).

(P) "Executive Director" means the CEO or President of the Louisiana Citizens Property Insurance Corporation.

(Q) "FAIR Plan" means the successor to that program established by Act 424 of the 1992 Regular Session of the Louisiana Legislature, and designated as the "Fair Access to Insurance Requirements Plan" to provide a residual market for adequate insurance on property in the state, now available as a program of the Louisiana Citizens Property Insurance Corporation.

(R) "FAIR Plan Area" means all of that area of the state defined as non-coastal area in the Manual of Rules and Procedures of the Louisiana Joint Reinsurance Plan. Eligible risks in the designated FAIR Plan Area shall be eligible for coverage in the FAIR Plan.

(S) "Financial Products" means agreements or arrangements for interest rate exchanges, interest rate swaps, interest rate caps, floors or collars, or other hedge arrangements, forward sales or purchases, put options, call options, currency exchanges, other derivatives or synthetic transactions, or any one or combination of them, used by or on behalf of the Corporation as a hedge in connection with any loans made to or Bonds issued by or on behalf of the Corporation or in connection with investment of proceeds or funds related to such loans or Bonds. All investments shall be in compliance with R.S.22:581 through R.S. 22:601.

(T) "General Expenses" for any plan year means operating expenses and any other expenses of an Account not already included or excluded by this Plan in the calculation of Operating Result incurred by the Corporation. Where expenses under a multi-year contract are not finally determined until the contract has expired, the accrual of expense in each year shall be subject to adjustment after expiration or termination of the contract.

(U) "Governing Board" means that Governing Board of Directors which is established under R.S. 22:2294 and where appropriate, any appointed designee to the Governing Board.

(V) "Incurred Losses" in an Account for any plan year means the sum of; (1) losses paid; (2) change in reserves for all known losses; (3) change in reserves for losses incurred but not reported; (4) paid and reserved loss adjustment expenses and less; (5) reimbursable with respect to such plan year.

(W) "Insurable Property" means real and tangible personal property at an affixed location in Louisiana when such property is in an insurable condition and basic property insurance is not obtainable in the voluntary market and as further defined by the Governing Board.

(X) "Investment Income or Loss" for any plan year means for an Account the sum of; (1) interest income on investments; (2) dividends declared, paid and received; (3) realized gains or losses, as the case may be, from sales and maturities of investments; (4) income, gain or loss on Financial Products, and less; (5) expenses allocated to such activities set forth in (1) through (4) above.

(Y) "Market Equalization Charge" means the surcharge which the Board is authorized to levy on all FAIR and Coastal Plan policies pursuant to the Statute, to be collected by the FAIR and Coastal Plans, and collected from Assessable Insureds, upon the issuance or renewal of policies for Subject

Lines of Business in accordance with Section 16 of this Plan.

(Z) "Net Direct Premiums" for determining Participation Ratios and Assessments for any plan year means gross direct premiums, excluding reinsurance assumed, written for Subject Lines of Business, less return premiums, dividends paid or credited to policyholders, or the unused or unabsorbed portions of premium deposits. In no event shall premiums on industrial fire insurance policies be considered as Net Direct Premiums.

(AA) "Operating Result" of an Account for any plan year means the result obtained by applying the total of all General Expenses, Debt Service Expenses (other than Debt Service Expenses associated with the financing of prior year Plan Deficits), and Incurred Losses of that Account for that plan year against the Total Revenue of that Account for that plan year all as determined in accordance with the accounting practices prescribed or permitted by the Department of Insurance of the State of Louisiana or the provisions of this Plan.

(BB) "Participation Ratio" for any plan year means the proportionate participation of each Assessable Insurer individually and all Assessable Insureds collectively as calculated pursuant to Section 15 of the Plan.

(CC) "Plan of Operation" means the document setting the rules of operation of the Corporation, as promulgated by the Governing Board and approved by the Louisiana Senate Committee on Insurance and the Louisiana House Committee on Insurance.

(DD) "Plan Deficit" means the amount by which the negative Operating Result for a plan year exceeds all accumulated profits and excess reserves over and above reasonably anticipated recurring operating costs. A negative Operating Result is determined by applying the total of all General Expenses, Debt Service Expenses, and Incurred Losses for that plan year against the Total Revenue for the plan year all as determined in conformity with the accounting practices prescribed or permitted by the Department of Insurance of the State of Louisiana.

(EE) "Plans" means the FAIR Plan and/or the Coastal Plan.

(FF) "Regular Assessments" mean all Assessments which the Board is authorized to levy pursuant to the Statute, to be collected by the Corporation from Assessable Insurers in accordance with Section 16 of this Plan.

(GG) "Section" means a Section of this Plan.

(HH) "Senior Management" means the officer positions appointed annually by the Board of Directors, other than the CEO/President)

(II) "Statute" means Louisiana Act 1133, Subpart B, Regular Session 2003, otherwise referred to as LA R.S. Title 22, Chapter 15, Louisiana Citizens Property Insurance Corporation.

(JJ) "Subject Lines of Business" means the lines of business defined in LA R.S. 22:2292(12)

(KK) "Subscriber Agreement" means a contractual agreement delineating the terms, provisions and conditions permitting insurance producers and/or producer agencies to bind coverage and write property and casualty insurance issued by the Corporation through the FAIR and Coastal Plans.

(LL) "Surplus" means surplus for an Account determined in accordance with the accounting practices prescribed or permitted by the Department of Insurance of the State of Louisiana.

(MM) "Total Revenue" for an Account means Earned Premium, Market Equalization Surcharges, other surcharges, Investment Income or Loss, and fees and miscellaneous income, but not including the proceeds of any Assessments levied and collected pursuant to Sections 16 or 17, or the proceeds from any indebtedness incurred to finance or refinance a Plan Deficit.

Section 5

BOARD OF DIRECTORS

A. The governing body of the Corporation shall be a Governing Board of Directors which shall consist of members as prescribed in LA R.S. 22:2294.

B. All members of the Governing Board shall serve at the pleasure of the respective appointing party. The Governing Board reserves the right to request a review of an appointee by the appointing party for cause.

C. At any meeting of the Governing Board, each Governing Board member will have one (1) vote. There shall be no proxy voting.

D. The quorum necessary for transaction of business is set forth in LA R.S. 22:2294. Acts of a majority of the Governing Board members present at a meeting at which a quorum is present shall be the acts of the Governing Board.

E. The members of the Governing Board shall elect the Chairman. The members of the Governing Board shall elect a Vice Chair. Officers of the Corporation shall be elected to serve term of one year each, but shall be eligible for reelection to multiple terms.

F. The Governing Board Chairman shall appoint an executive committee (the "Executive Committee") of five (5) Governing Board members consisting of the Chair, the Vice Chair and three (3) other Governing Board members. The Governing Board shall approve the Chair's appointments. This Committee shall meet as often as is deemed necessary by the Committee, or upon call of the Committee Chair, and shall maintain minutes and records of their actions and report same to the Governing Board on a regular and timely basis for approval.

G. The Governing Board Chairman shall appoint a finance committee (the "Finance Committee"), an audit committee (the "Audit Committee"), a litigation committee (the "Litigation Committee"), and an actuarial committee (the "Actuarial Committee") consisting of at least three (3) Governing Board members each. The Governing Board shall approve the Chair's appointments. The Chair will serve as an ex-officio member of each committee. These Committees shall meet as often as is deemed necessary by the Committees, or upon call of the Committee Chair, and shall maintain minutes and records of their actions and report same to the Governing Board on a regular and timely basis.

H. The Chair shall preside at all meetings of the Governing Board. The Board shall set all regular meeting dates; however, a meeting of the Governing Board shall also be noticed and held within fourteen (14) days after receipt of written requests delivered to the Chair by any four (4) Governing Board members. The Chair may also call special meetings of the Board. Meetings of

the Governing Board shall be conducted at Corporation offices or other locations designated by notice within the State of Louisiana.

I. The Vice Chair shall serve as Chair when the Chairman is unavailable or unable to serve as Chair.

J. The members of the Governing Board shall receive no salary, but each member shall be reimbursed for necessary travel and other expenses actually incurred while in attendance at the meetings of the Governing Board or on business for the Governing Board.

K. Governing Board meetings shall be conducted in accordance with R.S. 42:4.1 through 42:10 (“the open meetings law”) and to the extent not in conflict therewith, Robert’s Rules of Order.

L. Unless authorized by law, no member of the Board shall also be a member of any body with regulatory or oversight authority over the Corporation.

Section 6

DUTIES AND POWERS OF THE GOVERNING BOARD AND THE CORPORATION

A. The Board shall have the duty and power on behalf of the Corporation to:

(1) Undertake all actions as authorized, required or otherwise permitted by the Statute and this Plan.

(2) Engage in any and all corporate actions or undertakings permitted corporations in the State and such actions that are not prohibited by, or contrary to, the provisions of the Statute.

(3) Adopt By-Laws and approve the rules, procedures, underwriting guidelines, inspections, and claims practices, and all amendments thereto, governing the operations of the FAIR and Coastal Plans.

(4) Provide for the filing of rates, forms and rules concerning the classification of risks with the Department of Insurance, giving recognition to the requirements expressed in the Statute and other applicable statutory provisions.

(5) Pursuant to the provisions of the Statute and this Plan, make and levy Regular Assessments, Emergency Assessments, and Market Equalization Charges in accordance with the provisions of this Plan.

(6) Employ or retain such persons as are necessary to perform the duties of the Corporation and the Plans.

(7) Amend, subject to the approval of the Louisiana Senate Committee on Insurance and the Louisiana House Committee on Insurance, the Plan of Operation filed with the office of property and casualty of the Department of Insurance at any time.

(8) Review and approve such contracts as are necessary to carry out the purpose of the Statute and this Plan. Without limiting the generality of the foregoing, the Corporation may enter into such loan, credit, trust indenture, or other financing agreements as are necessary in connection with indebtedness to be incurred by or on behalf of the Corporation. Any such financing agreements

shall be executed and delivered on behalf of the Corporation by the Chairman or any other officer of the Corporation as authorized by resolution of the Governing Board.

(9) Delegate to the Chief Executive Officer or the Chief Operations Officer the authority to execute contracts for and on behalf of the Corporation having values less than the limit set in accordance with LA RS 39:1596, or with regard to professional services, the limit set forth in LA RS 39:1503.

(10) Contract with individuals or entities able and willing to provide policy service, claim service, accounting service, or management service on behalf of the Corporation. Alternatively, the Corporation is authorized to perform any or all such services itself.

(11) Retain an independent auditing firm for the Corporation.

(12) Review and approve the audited financial statements of the Corporation.

(13) Approve the budget of the Corporation.

(14) Adopt policies, procedures and standards of conduct designed to prevent conflict of interest for members of the Board.

(15) Develop and establish, as may be permitted by the Statute or this Plan, (i) programs for the removal of policies from the Corporation; and (ii) the criteria, guidelines, and procedures for computing and determining Board adopted take-out credits and other statutory credits as exemptions from Regular Assessments for Assessable Insurers qualifying pursuant to the Statute or this Plan for such credits or exemptions.

(16) Establish and approve written job descriptions for all Senior Management of the Corporation including, but not being limited to, the functions and responsibilities of each position and the compensation to be paid.

B. The Corporation shall have the powers and duties set forth in the Statute and specifically as prescribed in LA R.S. 22:2297.

C. Louisiana Citizens Property Insurance Corporation (LCPIC) staff shall provide notification to the Board of Directors within 48 hours of learning of any singular event, demand, expense, litigation or other exposure that will or has the potential to cost LCPIC \$1,000,000 or more. Exceptions to this notification requirement are any events or expenses that were previously approved by the Board either individually or as part of a Board approved budget; any payments or expenses that fall under a contract previously approved by the Board; and any claim payment made within the limits of a policy of insurance issued by LCPIC (i.e. extra-contractual damages meeting the threshold amount should be reported accordingly). The Board shall approve all such expenses before they are paid. In the event that the Board is unable to meet prior to the date such expenses are due and payable, the Executive Committee or Litigation Committee respectively, or the Board Chair, may consider the expense and give approval, if the full Board has been appropriately notified. Such approvals must be ratified by the Board.

Section 7

MANAGEMENT OF THE CORPORATION

The Executive Director and Senior Management of the Corporation shall be engaged for the Corporation by the Commissioner of Insurance, and such individuals shall serve at the pleasure of the Commissioner.

Section 8

ELIGIBILITY REQUIREMENTS

A. Any person having an insurable interest in Insurable Property is entitled to apply for Coverage through the Coastal Plan or the FAIR Plan directly or through a representative. Every such application shall be submitted on forms prescribed by the Governing Board of the Corporation and on file with the office of property and casualty of the Department of Insurance.

B. The term “insurable interest” as used in this section shall be deemed to include any lawful and substantial economic interest in the safety and preservation of property from loss, destruction, and pecuniary damage.

C. If the Corporation determines by means of its eligibility that the property is insurable, the Corporation, upon receipt of the premium or such portion thereof as is prescribed for in either the Coastal Plan or the FAIR Plan, shall cause to be issued the appropriate policy of Essential Property Insurance not to exceed one year. Any policy issued pursuant to the provisions of this section shall be renewed annually, upon payment of premium due, so long as the property meets the definition of Insurable Property.

D. The limits of liability and types of coverage provided by the Plans will be in accordance with the Manual of Rules and Procedures (Underwriting Guidelines) adopted by the FAIR and Coastal Plans as approved by the Governing Board under the provisions of Section 6 of this Plan.

Section 9

ASSESSABLE INSURERS AND ASSESSABLE INSUREDS

A. Every insurer that meets the criteria as set forth in the Statute shall be an Assessable Insurer of the Corporation.

B. An Assessable Insurer ceasing to meet the criteria as specified in the Statute or this Plan, shall automatically cease to be an Assessable Insurer of this Corporation effective one (1) year after the end of the first calendar year during which the Assessable Insurer no longer holds a certificate of authority to transact insurance for Subject Lines of Business in the state. Such Assessable Insurer shall no longer be bound by this Plan thereafter; however, such Assessable Insurer shall remain liable for any past, present or future Assessments by the Corporation with respect to the plan years during which the Assessable Insurer reports Net Direct Written Premium for the Subject Lines of Business, and therefore develops a Participation Ratio pursuant to Section 15.

C. If an Assessable Insurer fails to pay a Regular Assessment after written notice from the Corporation and reasonable collection efforts by the Corporation, the unpaid Assessment shall be paid by the remaining Assessable Insurers, each contributing its proportionate share of the unpaid Assessment in accordance with the applicable provisions of the Plan.

D. Each Assessable Insurer shall have a cause of action in any liquidation proceeding or action against the insolvent or defaulting Assessable Insurer and shall have full authority to exercise such rights in any action or proceeding for its pro rata share of contributions resulting from paragraph (C) above.

Section 10

PROCESSING APPLICATIONS FOR INSURANCE

A. The Corporation shall adopt application forms for use by the Plans. The forms shall be designed to obtain all of the information necessary for underwriting and rating the risk. Such forms may also elicit additional information that the Corporation may use to revise its rates, underwriting rules, policy forms, and endorsements. An application is considered complete when every question on the application form is answered fully and the form is signed and dated by the proposed named insured, the insured's representative if any, and submitted to the Plans. The Plans may request additional information from the applicant or other sources provided said information is pertinent to issuance of a policy by the Plans.

B. All applications for insurance must be submitted in accordance with the provisions contained in the Manual of Rules and Procedures as approved by the Governing Board in accordance with the provisions of Section 6 of this Plan. The application may be submitted directly by the property owner or by the owner's representative. Submission of an application does not bind coverage. Coverage can only be bound by the Plans and the Corporation, or the agent of record, subject to the agent's compliance with the Subscriber Agreement.

C. When the applicant appoints a representative to submit an application, the Corporation will discuss the application information only with the applicant's representative or producer of record. If the applicant requests that the Corporation communicate with a party other than the producer of record, the applicant must provide a letter of record authorizing release of information to said party.

D. The agent/producer of record must complete the portion of the application requiring the agent or broker's license number, expiration date and signature. No agent or producer of record, even if licensed to represent one or more Assessable Insurers, shall hold himself out as an agent of the Corporation or the Plans.

E. The Corporation may establish minimum requirements and performance standards for agents who submit applications to the Plans. These requirements will be designed to ensure the efficient transmission of applications, forms, notices, and money from the agent to the Plans, ensure the efficient operation of the Plans and the Corporation, and the efficient and convenient servicing of applicants and policyholders. The Corporation shall have the power to bar an agent from submitting new applications or renewing business in the Plans if the agent fails to comply with the requirements or standards.

F. The Corporation and the Plans may distribute information to agents via website

communication.

Section 11

COMMISSIONS

No Agent's commission shall be paid by the Corporation on any policy or coverage of the Corporation not bound in accordance with the binding requirements and provisions of this Plan and the Corporation's Underwriting Manual. Agent's commissions will be paid only on premiums earned and collected and at rates to be set by the Corporation not to exceed 10%.

Section 12

UNDERWRITING STANDARDS

A. The Corporation shall adopt written underwriting guidelines for approval by the Governing Board in accordance with Section 6 of this Plan.

B. Applications, inspection reports and rating details will be examined by the underwriter to determine if the property meets reasonable underwriting standards.

C. Reasonable underwriting standards include but are not limited to the following:

(1) The amount of insurance requested, together with other insurance, is within reasonable relationship to the replacement value or actual cash value of the property involved; or

(2) Physical condition of the property, such as its construction, heating, wiring, evidence of previous fires or damage or general deterioration; or

(3) The property's present use or housekeeping, such as vacancy, overcrowding, storage of rubbish or flammable materials; or

(4) Other specific characteristics of ownership, condition, occupancy or maintenance that are violative of law or public policy.

D. Neighborhood or any environmental hazard beyond the control of the property owner shall not be deemed to be acceptable criteria for declining a risk.

E. Credit scoring shall not be deemed acceptable sole criteria for declining a risk.

Section 13

RATES, RATING PLANS AND RULES

A. As a residual market, the Plans made available by the Louisiana Citizens Property Insurance Corporation are not intended to offer rates competitive with the voluntary market.

B. The Corporation will adopt rates, rating plans, and rules for approval by the Governing

Board in accordance with Section 6 of this Plan. All rates, rating plans, and rules will be filed with the Department of Insurance for approval.

C. The Corporation shall make a filing with the Department of Insurance to adopt policy forms, endorsement forms, and supplemental forms to be used in connection with the issuance of policies or endorsements by the Plans.

D. Rates for policies issued under the Coastal Plan and the FAIR Plan shall be set by the Governing Board of the Corporation, adjusted annually, in accordance with the Statute, specifically, but not limited to, LA R.S. 22:2303.

E. In addition to the rates adopted in accordance with the Statute, including the premium tax provided for in R.S. 22:831, the Plans shall impose and collect an additional amount equal to the premium tax to augment the financial resources of the Corporation and the Plans. This amount shall be equal to the premium tax and shall be designated as a charge accruing to the state of Louisiana, but shall be retained by the Corporation as a state contribution to the Corporation for the public purpose as set forth in R.S. 22:2291.

F. The Corporation shall make a rate filing at least once a year for the Plans. The Corporation shall not adopt a rate that is inadequate under R.S. 22:1451. The rates will be approved by the Louisiana Department of Insurance prior to use.

G. The Corporation will establish premium installment plans as determined by the Governing Board to be appropriate. Any payment plan adopted will include a servicing fee for those policy holders electing to use such a plan.

H. The Corporation will establish a non-refundable application processing fee at an amount deemed appropriate to cover the costs associated with the issuance of a policy including the ordering of an inspection on the risk.

I. The Corporation will develop hurricane underwriting restrictions that will allow the suspension of binding new or increases in coverage when any part of the state is threatened, or potentially threatened, by the presence of a tropical depression or hurricane.

J. All policy cancellations shall be in accordance with applicable law and the rules of orders of the Department of Insurance. Policies or binders in effect for less than sixty (60) days may be cancelled at the option of the Plans for any reason. Policies or binders in effect for sixty (60) days or more may only be cancelled by the Plans for the following reasons:

(1) Non-payment of premium, application fees, Market Equalization Charges, or Emergency Assessments.

(2) Misrepresentation of any material fact, either before or after a loss.

(3) For cause which would have been grounds for non-acceptance of the risk had such cause been known at the time of acceptance.

(4) For changes in physical condition of the property or other change in conditions that would make the property uninsurable or otherwise ineligible for coverage by the Plans.

- (5) For evidence of incendiaries.
 - (6) For any other reason permitted by applicable law.
- K. Policies issued are subject to a minimum earned premium.

Section 14

APPEALS

- A. If the Corporation for any reason denies an application and refuses to issue an insurance policy on Insurable Property to any applicant, or takes no action on an application, within 90 days from receipt of the application, such applicant may appeal to the Louisiana Department of Insurance.
- B. The Louisiana Department of Insurance or its hearing officer, after reviewing the facts, may direct the Corporation to issue, or cause to be issued, an appropriate insurance policy to the applicant. The Corporation shall provide the Department any information deemed necessary to a determination concerning the reason for the denial or delay of the application.
- C. Appeals must be submitted in writing.

Section 15

PARTICIPATION RATIOS

- A. The Participation Ratios of Assessable Insurers shall be determined annually in accordance with this Section and the Statute. A separate Participation Ratio for each Assessable Insurer shall be computed annually. The Participation Ratio shall establish each Assessable Insurer's share of any Assessment being levied by the Corporation pursuant to Sections 16 and 17 of this Plan.
- B. An Assessable Insurer's Participation Ratio for an Account in any Plan Year shall be in the proportion that the Net Direct Written Premium of such Assessable Insurer for the Subject Lines of Business during the preceding calendar year bears to the aggregate statewide Net Direct Written Premium for the Subject Lines of Business for the preceding calendar year. The promulgated Participation Ratio of an Assessable Insurer for an Account shall be adjusted to reflect, where applicable:
- (1) the eligibility of one or more Assessable Insurers for Regular Assessment credits or exemptions, as permitted by the Statute, or other applicable law and/or otherwise pursuant to this Plan; and
 - (2) the eligibility of one or more Assessable Insurers for Regular Assessment credits or exemptions under incentive plans adopted by the Board.
- C. The Assessable Insurers annually shall report to the Department their direct written premium in the preceding year for the Subject Lines of Business. All premium reports shall be on

such form and shall be delivered at such time as specified by the Department. An Assessable Insurer that fails to submit the required report by the specific time shall have its Participation Ratio calculated by the Corporation, using such figures as are available to the Corporation and without the benefit of any credits or adjustments allowed by paragraph (B) above.

D. The Corporation annually shall advise each Assessable Insurer, in writing, of its Participation Ratio in an Account. The notice to each Assessable Insurer shall include a calculation of that Assessable Insurer's Participation Ratio.

E. If an Assessable Insurer wishes to contest the Corporation's determination of a Participation Ratio in an Account, it must submit a letter of appeal by certified mail to the Corporation within 30 days after the date the Corporation mailed the notices to all Assessable Insurers. The Corporation reserves the right to revise the Participation Ratios in an Account if errors or omissions in the calculations are discovered.

F. If a letter of appeal is properly submitted to the Corporation within the allowed time frame, the Corporation will act on the appeal within 30 days of receipt of the appeal and notify the Assessable Insurer of its decision within 15 days of its action. Any Assessable Insurer who does not agree with the decision of the Corporation may appeal to the Department via certified mail within 30 days of receipt of the notification.

G. The failure of an Assessable Insurer to file a letter of appeal within the time frame specified in paragraph (E) shall constitute approval of and consent to its Participation Ratio, and such Participation Ratio shall become final and binding on each Assessable Insurer and Assessable Insureds collectively.

Section 16

REGULAR ASSESSMENTS

A. In the event that the Governing Board of the Louisiana Citizens Property Insurance Corporation determines that a deficit exists, the Corporation may levy a Regular Assessment in accordance with the Statute in order to remedy such deficit.

B. A Regular Assessment shall not be levied on Assessable Insurers and Assessable Insureds unless and until all profits and excess reserves over and above reasonably anticipated recurring operating costs have been exhausted and the Governing Board has projected a deficit pursuant to the requirements of LA R.S. 22:2307.

C. All Assessable Insurers shall participate in a Regular Assessment in proportions calculated in accordance with LA R.S. 22:2299 and 22:2300.

D. When the deficit incurred in a particular calendar year is not greater than ten percent of the aggregate statewide direct written premium for the Subject Lines of Business for the prior calendar year, the entire deficit shall be recovered through Regular Assessments of Assessable Insurers.

E. When the deficit incurred in a particular calendar year exceeds ten percent of the aggregate

statewide direct written premium for the Subject Lines of Business for the prior calendar year, the Regular Assessment may not exceed the greater of:

(1) ten percent (10%) of the calendar year deficit, or

(2) ten percent (10%) of the aggregate statewide direct written premium for the Subject Lines of Business for the prior calendar year. Any remaining deficit shall be recovered through Emergency Assessments pursuant to Section 17 of this Plan.

F. If the Corporation is unable to collect all Regular Assessments within ninety (90) days of the Assessment being levied, the uncollected amounts shall be levied as an additional Regular Assessment against the other Assessable Insurers.

G. Assessable Insurers shall not participate in the gains or losses of the Corporation. If there is a positive Operating Result attributable to any calendar year, such amount will be held as surplus available to offset any deficit in future years.

H. Assessable Insurers shall be permitted to recoup all Regular Assessments from their voluntary policyholders by applying a surcharge to all policies for Subject Lines of Business. The surcharge shall be a uniform percentage of premiums, but shall not be considered premium, nor subject to any premium taxes, commissions, fees, or other charges. Assessable Insurers shall cease to collect the surcharge once the full amount of the Regular Assessment has been collected. If an Assessable Insurer collects more than its fair share of a Regular Assessment, all funds collected in excess of the insurer's share must be remitted to the Corporation for use in defraying future deficits. Assessable Insurers must notify the Department of Insurance at least thirty (30) days in advance of the commencement of such a surcharge.

I. Market Equalization Charge:

(1) When a Regular Assessment is levied by the Corporation, all policies issued by the Corporation shall be subject to a Market Equalization Charge. This charge shall be a uniform percentage of premiums determined in accordance with LA R.S. 22:2307.

(2) The Market Equalization Charge shall be shown separately on the declarations page of policies issued for Subject Lines of Business, and are not part of the insurer's rate, are not premium, and are not subject to any premium taxes, commissions, fees, or other charges. However, failure to pay the Market Equalization Charge shall be treated as failure to pay premium.

(3) The Market Equalization Charge shall be collected by the Corporation from their Assessable Insureds upon issuance or renewal of policies for Subject Lines of Business without such obligation being affected by any credit, limitation, exemption, or deferment. The Corporation must notify the Department of Insurance at least thirty (30) days in advance of the commencement of such a surcharge.

(4) The Market Equalization Charge is a fully earned, first dollar collected surcharge.

Section 17

EMERGENCY ASSESSMENTS

A. All persons who procure a policy of insurance of one or more Subject Lines of Business from an Assessable Insurer or the Corporation are subject to Emergency Assessment by the Corporation, and are collectively referred to as "Assessable Insureds".

B. Upon determination by the Governing Board, in accordance with LA R.S. 22:2307, that a deficit exceeds the amount that will be recovered through Regular Assessments, the Governing Board shall levy, after verification by the Department of Insurance, Emergency Assessments, for as many years as necessary to cover deficits to be collected from all Assessable Insureds upon issuance or renewal of policies for Subject Lines of Business, excluding National Flood Insurance policies.

C. The amount of an Emergency Assessment levied in a particular year shall be a uniform percentage of that year's Direct Written Premium for the Subject Lines of Business and that year's Direct Written Premium for all Accounts of the Corporation as determined by the Board and verified by the Department pursuant to paragraph (F) below. In setting the uniform percentage to be levied in a particular plan year, the Board shall take into consideration the actual or projected amount of uncollected Assessments, and Regular or Emergency Assessments that are collected but become unavailable as a result of having been pledged as security for, or for application in respect of, indebtedness of the Corporation imposed in a prior year with respect to the Plan Deficit.

D. The aggregate amount of Emergency Assessments levied in any calendar year shall not exceed the greater of:

(1) ten percent (10%) of the amount needed to cover the original deficit, plus interest, fees, commissions, required reserves, and other costs associated with the financing of the original deficit, or

(2) ten percent (10%) of the aggregate statewide direct written premiums for Subject Lines of Business of the Corporation for the prior year, plus interest, fees, commissions, required reserves, and other costs associated with financing the original deficit. To the extent the aggregate amount of Emergency Assessment will not exceed the greater of (1) or (2) above, the Governing Board shall impose Emergency Assessment in the amount required by any applicable loan agreement, trust indenture or other financing agreement.

E. Emergency Assessments shall be shown separately on the declarations page of policies issued for Subject Lines of Business, and are not part of the insurer's rate, are not premium, and are not subject to any premium taxes, commissions, fees, or other charges. However, failure to pay the Emergency Assessment shall be treated as failure to pay premium.

F. When an Emergency Assessment is levied by the Corporation, the assessment percentage applicable to each Assessable Insured is the ratio of the total amount being assessed by the Corporation to the aggregate statewide direct written premium for the Subject Lines of Business for the prior year.

G. The Corporation and each Assessable Insurer that writes the Subject Lines of Business shall

collect Emergency Assessment from their policyholders without such obligation being affected by any credit, limitation, exemption, or deferment.

H. Emergency Assessments are fully earned, first dollar collected surcharges.

Section 18

COLLECTION OF SURCHARGES

A. REGULAR ASSESSMENT:

(1) The levying of Regular Assessments on Assessable Insurers shall be the duty of the Governing Board, and the Chief Executive Officer shall administer the implementation and collection of all Regular Assessments.

(2) The Governing Board shall levy Regular Assessments as authorized by the Statute.

(3) Regular Assessment computations for any Plan year shall include the expenses of making such Assessments, uncollected amounts from prior Regular Assessments of that year, and items of revenue, expense or additions to reserves required by any loan agreement, trust indenture or other financing agreement which in the opinion of the Governing Board will affect the need for or results of the Regular Assessment. (4) All Regular Assessments shall be paid within thirty (30) days from the date of notice of assessment. 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.

B. MARKET EQUALIZATION CHARGES:

(1) The levying of Market Equalization Charges on Assessable Insureds of the FAIR and Coastal Plan policyholders shall be the duty of the Governing Board, and the Chief Executive Officer shall administer the implementation and collection of all Market Equalization Charges.

(2) The Governing Board shall levy Market Equalization Charges as authorized by the Statute.

(3) The Corporation shall establish a periodic remittance schedule for payment by the FAIR and Coastal Plans to the Corporation of all Market Equalization Charges collected by the FAIR and Coastal Plans.

C. EMERGENCY ASSESSMENTS:

(1) The levying of Emergency Assessments on Assessable Insureds shall be the duty of the Governing Board, and the Chief Executive Officer shall administer the implementation and collection of all Emergency Assessments.

(2) The Governing Board shall levy Emergency Assessments as authorized by the Statute.

(3) The Corporation shall adopt a uniform schedule for Assessable Insurers to expeditiously remit collected Emergency Assessments to the Corporation. (4) 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.

Section 19

REPORTS OF INSPECTION

A. All reports of inspections performed by the Corporation shall be made available to the Assessable Insurers participating in the Coastal Plan and the FAIR Plan, and the Louisiana Department of Insurance. An applicant or his representative shall be entitled to a copy of any inspection report on property in which the applicant has an insurable interest.

B. All inspection reports shall be in writing and shall contain information describing occupancy, information necessary for underwriting and rating, construction, and physical deficiencies.

Section 20

ANNUAL AND QUARTERLY REPORTS

The Corporation shall file annual and quarterly reports as required by LA R.S. 22:2305.

Section 21

ESTABLISHMENT AND ADMINISTRATION OF ACCOUNTS

A. The Corporation shall establish a LCPIC Account which encompasses both the FAIR Plan and Coastal Plan and shall maintain such Account in accordance with the Statute, this Plan, and any applicable loan agreements, trust indentures or other financing agreements. The Corporation may pledge its revenues, assets or other property to secure indebtedness or other obligations owed to lenders, holders of Bonds, or providers of Financial Products. Pledged revenues, property or assets of the personal lines account and commercial lines account may be co-mingled when in the custody of any authorized trustee, escrow agent or other custodian for the lenders, holders of Bonds or providers of Financial Products so that the granting of parity interests to such various lenders, holders and providers in such security may be effectuated.

B. Any indenture trustee and each co-indenture trustee and separate indenture trustee (if any) appointed under a trust indenture, and each collateral trustee, co-collateral trustee and separate collateral trustee, if any, appointed under a security agreement, and each bank agent, co-bank agent and separate bank agent, if any, appointed under a bank collateral agreement, which trust indenture, security agreement or bank collateral agreement, as applicable, has been approved by the Governing Board, shall constitute an “authorized trustee, escrow agent or other custodian” for purposes of this Section.

Section 22

IMMUNITY FROM LIABILITY

Immunity from liability shall be determined in accordance with the Statute, including, but not limited to LA R.S. 22:2296.

Section 23

INDEMNIFICATION

A. Extent of Indemnification. The Corporation shall indemnify:

- (1) Its Governing Board members;
- (2) Governing Board Committee members;
- (3) Employees of the Corporation;
- (4) Former or current Governing Board or Committee members, or former or current Plan employees;
- (5) Whether a natural or legal person;
- (6) Whether individually or as a group;
- (7) Individuals or entities retained by the Corporation;
- (8) Where applicable, the estate, executor, administrator, heirs, legatees, devisees, trustees, assigns, or successors in interest of any such person;
- (9) Where applicable, any person, not previously described, who is or may be vicariously liable for the actions of any aforementioned person.

Indemnification shall be made where claims or causes of action are based upon allegations as to the conduct of any person contemplated by this Plan in the performance of its/his/her duties, or in the exercise of its/his/her discretion in the performance of duties, owed to the Corporation or the FAIR Plan and Coastal Plan, and all persons vicariously liable for the actions of any such persons (hereinafter referred to as the "Indemnified Persons"). These persons shall be referred to in this Section as "Indemnified Persons".

B. Right of Indemnification. Such indemnification shall not depend upon whether or not the Indemnified Person is a member of the Governing Board, or any committee or subcommittee thereof, a Corporation or FAIR Plan or Coastal Plan employee, retained by the Corporation or a

person vicariously liable for the actions of any such persons, or the estate, executor, administrator, heir, legatee, devisee, trustee, assign, or successor in interest of any such person at the time any claim, action, suit or proceeding is begun, prosecuted or threatened, nor on whether the liability to be indemnified was incurred, or the act or omission occurred, prior to the adoption of this Plan; provided however, that the Corporation's duty to indemnify any person shall arise only where claims or causes of action are based upon allegations as to the conduct of such persons in the performance of its/his/her duties, or in the exercise of its/his/her discretion in the performance of duties, or upon vicarious liability therefore, owed to the Corporation and only if it/he/she acted in good faith and in a manner it/he/she reasonably believed to be in, or not opposed to, the best interests of the Corporation and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. This Section shall not be construed to indemnify any Assessable Insurers for failure to pay an Assessment owed to the Corporation, or to indemnify any person liable for any other payment, debt or obligation to the Corporation. The Corporation shall not indemnify or hold harmless any person who is the subject of any legal action seeking to impose criminal or administrative sanctions unless and until such individual(s) is fully exonerated.

C. Effect on Other Rights. The right of indemnification hereunder shall not be exclusive of other rights the Indemnified Party may have as a matter of law or otherwise.

D. Determination of Questions Involving Indemnification. In each instance in which a question of indemnification hereunder arises, including, without limitation, those instances in which two or more Indemnified Persons are seeking indemnification hereunder as a result of the same occurrence, determination in the first instance of the right to indemnification hereunder, and of the time, manner and amount of payment thereof, shall be made by the Governing Board.

Nothing in this paragraph is intended to make an adverse determination finally binding upon an Indemnified Person, or to preclude any Indemnified Person from appealing an adverse determination or from instituting legal proceedings to enforce a right of indemnification under this Section.

E. Apportioning Expenses of Indemnification. The indemnification provided for in this Section shall be deemed to be an expense of the Corporation.

F. Corporation's Duty to Defend Indemnified Persons. The Corporation shall defend any Indemnified Person from all claims and actions, whether in contract or tort, law or equity where such claims or actions are based upon allegations as to the conduct of such persons in the performance of its/his/her duties, or in the exercise of its/his/her discretion in the performance of duties, or upon vicarious liability therefore, owed to the Corporation. The Corporation shall advance reasonable litigation costs and attorneys fees to any Indemnified Person upon proper demand and approval by the Governing Board. The Corporation will not indemnify any person subject to a claim, charge or cause of action for a crime unless and until said individual(s) is fully exonerated. Furthermore, the Corporation will not indemnify any person subject to a claim for criminal fines payable to any state or federal agency, or any governmental or regulatory authority.

G. Limitations on the Corporation's Duty to Defend Indemnified Persons. The Corporation shall advance reasonable litigation costs and attorneys fees to any Indemnified Person upon proper demand and approval by the Governing Board. The Corporation shall have no duty to oversee the conduct of any litigation or otherwise assure the competence of any counsel retained by any Indemnified Person. However, if the Governing Board, in its sole discretion, determines that any interest of the Corporation is implicated in any litigation brought by or against any Indemnified Person, the Indemnified Person shall have a duty to cooperate with counsel for the Corporation, in order to advance the interests of the Corporation and lower the costs of litigation.

H. Limited Hold Harmless Provision. The Corporation shall hold harmless an Indemnified Person who makes a request for payment, otherwise proper under this Section, for reimbursement of awards of money damages made against them, including interest accrued prior to judgment, or amounts paid or agreed upon settlement or reasonable costs incurred. This right to request payment of such amounts is not subject to alienation or assignment, and no Indemnified Person shall have the right to create a contingent liability on the part of the Corporation for such payments by attempting any such assignment or alienation to any other person, including any attorney representing such Indemnified Person. Where, in its sole discretion, the Governing Board determines that such requests or payments are proper and promote the purposes of this Section, the Governing Board may authorize payment for arbitration awards, costs of arbitration or mediation, or similar expenses or awards arising from alternative dispute resolution procedures. Notwithstanding the foregoing, the Corporation will not hold harmless any person subject to a criminal charge unless and until said individual is fully exonerated. Furthermore, the Corporation will not hold harmless any person subject to a claim for fines payable to any state or Federal agency, or any governmental or regulatory authority.

Section 24

AGENT FOR SERVICE OF PROCESS

The Secretary of State shall be designated as the agent for service of process upon the Corporation.

Section 25

DEPOPULATION

The Corporation shall maintain a depopulation program consistent with the requirements of LA R.S. 22:2314. The Governing Board may adopt a credit schedule for Essential Property Insurance voluntarily written in designated areas of the state, and participation by Assessable Insurers may be reduced in accordance with the provisions of such credit schedule. The Governing Board may also develop and adopt criteria, in accordance with State statute, for the implementation of other programs designed to reduce new and renewal writings.

Section 26

REINSURANCE

The Corporation may purchase reinsurance on risks insured by the Plans in accordance with a reasonable and prudent reinsurance program. The reinsurance shall be purchased for the benefit of the policyholders of the Plans and shall enhance the capability of the Corporation to timely and efficiently process claims from Plan policyholders resulting from a hurricane or other natural disaster.

Section 27

SELECTION OF SERVICE PROVIDERS

A. All requests for proposals (RFPs) issued by the Corporation shall be issued under an open access plan. The Corporation will provide reasonable notice to potential service providers and other interested parties of its intent to solicit RFPs. The notice will be published in at least two (2) journals and appear once a week for two (2) consecutive weeks. The notice will also be published on the Corporation's Website at www.lacitizens.com.

B. The notice will include specific information about the service contract, including but not limited to, the procedure and deadline for submission of the proposal and appropriate information on whom to contact at the Corporation.

In the event of a catastrophe, a state of emergency declared by an authorized political subdivision, or similar emergency as reasonably determined by the Governing Board, the Corporation is not bound to the notice provisions contained herein, but rather shall use reasonable notice based on the existing situation and circumstances.

Section 28

BORROWING POWERS

A. The Governing Board is authorized to arrange for and consummate a taxable or tax-exempt borrowing or borrowings of money for the Corporation to meet its anticipated financial obligations or to fund a Plan Year Deficit or an anticipated Plan Year Deficit upon a finding by the Governing Board that the funds derived, or to be derived, from the borrowing are reasonable and necessary for the Corporation to currently meet, or in the future be able to meet, its mandated purposes or financial obligations as set forth in the Plan or the Statute.

B. The Corporation may pledge the proceeds of assessments, insurance and reinsurance recoverables, surcharges, and other funds available to the Corporation as the source of revenue for and to secure Bonds or other indebtedness, or lines of credit or other financing mechanism issued or created, or to retire debt incurred as a result of deficits, or in any other way that the Governing Board determines will efficiently recover such deficits.

C. The purpose of lines of credit or other financing mechanisms is to provide initial and temporary additional resources to assist the Corporation in covering claims and expenses attributable to a catastrophe.

D. Any indebtedness incurred, and the costs incurred by the Corporation in processing and procuring such indebtedness, shall be properly reflected on the books and records and financial statements of the Corporation in accordance with applicable accounting principles.

E. All Bonds, other indebtedness, lines of credit, or other financing mechanisms shall be approved by the Louisiana State Bond Commission.

F. Under no circumstances shall it be construed that the full faith and credit of the State of Louisiana be used to secure the Bonds or indebtedness discussed in this section. Any offering documents associated with any debts under this section shall clearly state it is not secured by the full faith and credit of the State.

Section 29

BONDING POWERS

A. The Corporation may incur taxable or tax exempt debt in any form legally cognizable, including debt evidenced by a Bond or Bonds issued directly by the Corporation, and may use the proceeds of such bond issue to defray expenses, fund deficits, purchase reinsurance, repay principal and interest of another debt or any portion thereof, or fund any other Corporation expense or liability.

B. The Corporation also may incur reasonable expenses to enhance, encourage or increase the sale or placement of such Bonds among investors. Such reasonable expenses shall include, but are not limited to, obtaining a rating for the bond issue, obtaining legal opinions, appearing before a body of investors for promotional purposes, registering the bond issue, or such other steps reasonably expected to enhance, encourage or increase the sale or placement of such Bonds, and other expenses reasonably related to the bond issue. These expenses may be funded by the Bonds.

C. The Corporation shall have the power, right and authority to pledge or offer as security for a bond issue any income, asset, or expectation of the Corporation. The Corporation may pledge or encumber the income which is, or may be, received under Regular Assessments, Market Equalization Charges, or Emergency Assessment imposed under the Statute, other reinsurance receivables, and other funds available to the Corporation as security for Bonds issued by the Corporation. The Corporation shall have all other power reasonable and necessary to effectuate the requirements of this Section.

D. The Corporation is authorized to take all actions needed to facilitate tax-free status for any

Bonds or other indebtedness.

Section 30

CORPORATE INVESTMENT POLICY

- A. The Investment Committee shall develop investment guidelines and policies for approval by the Governing Board in accordance with R.S. 22:581 through R.S. 22:601.
- B. The Corporation shall only make investments in accordance with the investment guidelines and policies approved by the Governing Board.
- C. Investment guidelines and policies shall be established to provide an investment portfolio designed to complement and support the insurance operations of the Corporation and provide reasonable risk/return characteristics. Investments will be limited to securities rated in one of the three highest rating categories of any nationally recognized rating service, or, in the case of commercial paper, one of prime quality and of the highest letter and numerical rating, as established by a nationally recognized rating service, or any other comparable rating as determined by the Department of Insurance.
- D. The guidelines and policies shall be established to provide adequate diversification in the investment portfolio.

Section 31

DISSOLUTION PROVISIONS

- A. Upon depopulation of the Plans, such that less than one thousand policies are written in a plan year, and a determination by the Governing Board that the declaration and purpose as set forth in R.S. 22:2291 no longer requires operation of the Plans, and with approval of the Louisiana Senate Committee on Insurance and the Louisiana House Committee on Insurance and the Commissioner of Insurance, effectuate a plan of dissolution of the Corporation.
- B. Upon dissolution, the assets of the Corporation shall be applied first to pay all debts, liabilities, and obligations of the Corporation, including the establishment of reasonable reserves for any contingent liabilities or obligations, and all remaining assets of the Corporation shall become property of the state and be deposited in the general fund. However, no dissolution shall take effect as long as the Corporation has Bonds or other financial obligations outstanding unless adequate provisions have been made for the payment of the Bonds or other financial obligations pursuant to the documents authorizing the issuance of the Bonds or other financial obligations.