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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
JANUARY 14, 2021 MINUTES

Ladies and Gentlemen:

A meeting of the Governing Board for the Louisiana Citizens Property Insurance Corporation was held on Thursday, January 14, 2021. 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: Nicholas Lorusso, Chairman
Jeff Albright
Eric Berger
Rep. Brown
Brian Chambley
Gene Galligan
Craig LeBouef
Tony Ligi
Eugene Montgomery
Kevin Reinke
William (Bill) Starr
Sen. Talbot
Brian Van Dreumel

Absent were: Thomas Glasson

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

Chairman's Report

Chairman Lorusso called the meeting to order, asking Ms. Harper to call roll. There being a quorum present, he began by wishing everyone a Happy New Year. Chair Lorusso then moved on to the second agenda item, the minutes of the prior meeting on November 12, 2020. After a review of the minutes, Mr. LeBouef moved to approve them as proposed. Mr. Van Dreumel seconded the motion. With no further discussion on the motion forthcoming, a vote was taken and the motion passed unanimously.

The next item on the agenda was the CEO Report.

CEO Report

A) Overview. Mr. Newberry began his report by updating the Board on reinsurance market going into the coming treaty year. 2020 was an unprecedented year, particularly in terms of frequency. Through the third quarter of the year there were 16 events, tying the all-time annual record in the United States. This will drive our reinsurance pricing for the 2021-2022 treaty year. After an in-depth discussion and answering questions, Mr. Newberry moved on to an update on the latest round of depopulation.

Only one company, Safepoint, requested policies to depopulate. LCPIC offered 4,089 policies and Safepoint requested 2,171 of those policies. Of those, 76 were authorized by agents and producers. However, as of the date of the Board meeting, 7 of those policyholders had submitted opt out forms, leaving 69 policies to be depopulated.

The next topic of discussion in the CEO report was a 2020 storm update. Mr. Newberry highlighted the claim statistics/metrics for the storms. To date, LCPIC has paid \$50,213,584.62 in indemnity and has \$3,051,281.08 of reserved indemnity.

Next up for discussion was the CAT Vendor RFP. The final version was provided to the Board for approval. Mr. Newberry gave some background information and then asked Stephanie Jackson to talk to the Board about liquidated damages and how they are addressed in the RFP. In the past, LCPIC has paid a retainer to the claims vendor(s) for them to guarantee and provide an agreed upon number adjusters in the event of a catastrophe. In this RFP, LCPIC has decided not to offer a retainer but instead is asking vendors to propose the number of adjusters they can commit to LCPIC for storm response. The proposed vendor contract would hold vendors to that commitment by requiring vendors to forfeit 50% of their fees (\$350 a day, each day until they comply) if they do not provide the committed number of adjusters. After a thorough discussion by Board members with Ms. Jackson and Mr. Newberry, Mr. Albright moved to approve the RFP as proposed. Mr. Montgomery seconded. With no further discussion forthcoming and no opposition, the motion was approved unanimously.

The next item brought to the Board by Mr. Newberry were proposed LCPIC Assessment Guidelines. Ms. Harper and Mr. Warren Byrd of the LDI explained that the current guidelines were contained in a Department of Insurance Directive 198. The LDI was amending Directive 198 to remove all references to guidelines that pertain to a duty of LCPIC and not the LDI. The proposed LCPIC guidelines constitute all of those sections being removed from Directive 198 and are not new. Sen. Talbot moved to approve and adopt the proposed LCPIC Assessment guidelines. Mr. LeBouef seconded the motion. With no further discussion and no opposition, the LCPIC Assessment guidelines were approved and adopted unanimously.

B) Personal Lines Rate Filing Proposal. The next topic on the agenda was the proposed personal lines rate filing. Mr. Newberry began with a review of the process used in calculating proposed rates. He explained that there are three main steps, 1) an actuarial rate making review; 2) the market study; 3) comparing the actuarial study rates to the market study rates and taking the higher of the two, then adding an additional ten (10) percent to those rates. After completing the review, Mr. Newberry reported that the proposed personal lines rates represent a 2% rate increase in the FAIR Plan, a 4.9% rate increase in the Coastal Plan, both of which come to a 2.3% rate increase overall, with a proposed effective date of 6/1/2021. After an in depth discussion of the rating process, Chair Lorusso asked if anyone would like to move to approve the proposed rates and methods and formulas for filing. Mr. Van Dreumel moved to submit the proposed rates to the LDOI for approval and to approve the formulas and calculations that went into the making the rates, and to allow LCPIIC to implement the rate filing as approved by the LDOI as long as there is not a material change of more than plus or minus .5%. Mr. Berger seconded the motion. With no further discussion on the motion forthcoming, Chair Lorusso called for a vote. The motion passed unanimously.

C) Financials and Management Report. Next up, Mr. Sciortino presented the November 2020 financials. As of November, LCPIIC has ending operating cash of \$41.4 million, another \$53.4 million in invested cash/cash equivalents for a total of \$94.5 million in operating cash. The company's cash and investments was at \$172.2 million at the end of November. On the income statement through November shows a net loss of \$29.5 million, with storm related activity being the primary driver of that number. Losses were incurred are at 95.1 million, LAE incurred at \$7.9. However, that is offset by the ceded losses in LAE. The net impact of the 2020 storms to LCPIIC on the bottom line on the income statement is \$35 million.

From the corporate overview in the Management report, LCPIIC had a net inforce policy count of 35,849 at the end of November, down from 36,788 the year prior. Likewise, TIV was \$6.9 billion, down from \$7.1 billion at the end of November 2019.

E) Complaints. The final item on the CEO report was complaints. Ms. Harper reported that in November and December 2020, 13 complaints were received. Ten were claim related, two policy related and one was for claim and policy reasons. With no questions regarding the claims, Chair Lorusso moved forward with the agenda.

With the CEO report concluded, Chairman Lorusso moved on to the Executive Session. He asked if anyone from the public first wished to address the Board. With no speakers from the public, Chairman Lorusso stated that he would entertain a motion to go into Executive Session to discuss potential and pending litigation. Mr. Montgomery so moved. Sen. Talbot seconded the motion. The Chairman called for a roll call vote. The motion passed unanimously and the Board entered into Executive Session. Everyone except LCPIIC 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. Sen. Talbot 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 the conclusion of the agenda, and no further business to discuss, Chairman Lorusso asked for a motion to adjourn. Rep. Brown so moved; Mr. Berger seconded. There being no opposition, the meeting was adjourned at 2:12 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 January 14, 2021 minutes that were adopted by the Board of Directors of Louisiana Citizens Property Insurance Corporation on March 11, 2021.

Paige M. Harper, Secretary