

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 12, 2017 MINUTES

Ladies and Gentlemen:

A meeting of the Governing Board for the Louisiana Citizens Property Insurance Corporation was held on Thursday, January 12, 2017. 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 Gardner, Chairwoman

 Eric Berger

Thomas Enright

Gene Galligan

Craig LeBouef (arrived following roll call)

Sam Little

Eugene Montgomery

Kevin Reinke

Sen. Smith

William (Bill) Starr (arrived following roll call)

Rep. Talbot

Absent were: Jeff Albright

Jason Dupree

Also present: Richard Newberry, CEO

Steve Cottrell

Paige Harper

 Vijay Ramachandran

 Ricky Lindsey

 Derek Haney

Chairwoman’s Report

Chairwoman Gardner called the meeting to order at 1:00 p.m., asking Ms. Harper to call roll. There being a quorum present, she began by noting that had gotten married over the holidays and was no longer Denise Brignac. She is Denise Gardner now. She moved on to the second agenda item, the minutes of the September 8th and November 10th, 2016 meetings. After a review of the minutes, Mr. LeBouef moved to approve them as proposed. Mr. Galligan 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&B) Overview and Management Report and Depopulation Review. Mr. Newberry began his report by updating the Board on the change in the number of in-force policies from 2015 to 2016. In November of 2015 LCPIC had 83,592 policies in force. In November 2016, that number had dropped to 64,215. That change brought the net coverage amount down from $17 million to $13 million. As a further note, he added that from 2010 to 2017 the company went from 106,000 policies to 54,000, basically cutting the policy count in half. The depopulation program was very successful. Mr. Newberry stated, however, that it is time to discuss reaching a “tipping point” and maintaining a strong and viable LCPIC, which is a necessary benefit for the state of Louisiana. He went on to state that further depopulation using the same methodology, without regard to concentration, rate of risk, or segmentation will erode LCPIC’s viability and potentially increase the risk of assessment to policyholders and companies here in Louisiana. He went on to discuss the ways in which he believes the issue should be addressed, including pursuing a change in LCPIC’s depopulation legislation to better manage the depopulation process. After a great deal of discussion, it was determined via a motion by Rep. Talbot that the Board would give Mr. Newberry authorization to pursue legislative changes to depopulation. Mr. Little seconded the motion. With no further discussion on the motion forthcoming, Chair Gardner called for a vote. It passed unanimously.

C) 2017 Reinsurance Plan. Mr. Cottrell introduced the goals going into the planning stage for the 2017 reinsurance program. The Pelican 2 CAT bond will expire in May and the idea has been to put another in its place. Additionally, the main goal is to maintain 1 in 100 reinsurance coverage. LCPIC also wants to insure that it is covered in the event of a second storm in a year.

1. Financials. The next topic Mr. Cottrell addressed was the financials from November 2016. The 2016 year end financials were not yet complete. He reported that LCPIC’s cash continues to improve; although because policy counts are decreasing, there is not a large projected increase in cash. With regard to the year to date numbers from November, LCPIC shows an income of $62 million, which is significantly higher than what was budgeted. This is the result of reinsurance refunds related to Katrina and Rita.
2. Personal Lines Rate Filing Proposal. Mr. Cottrell next introduced the proposed personal lines rate filing for 2017. He and the LCPIC in-house actuary, Derek Haney presented the proposal, reviewing the steps taken to come up with the proposed rates. After completing the review, Mr. Cottrell reported that the proposed personal lines rates represent a 3.4% rate increase in the FAIR Plan, a 1.5% rate increase in the Coastal Plan, both of which come to a 3.2% rate increase overall. 70% of the proposed rates were market driven. After some discussion and answering questions, Mr. Cottrell concluded and Chair Gardner asked if anyone would like to move to approve the proposed rates for filing. Mr. Berger 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. Mr. LeBouef seconded the motion. With no further discussion on the motion forthcoming, Chair Gardner called for a vote. The motion passed unanimously. Mr. LeBouef then made a motion to allow LCPIC 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. Starr seconded the motion. With no further discussion on the motion forthcoming, Chair Gardner called for a vote. The motion passed unanimously.
3. Complaints. The final item on the CEO report was complaints. Ms. Harper reported that in November and December 2016, five complaints were received. Three were claim related and two were policy related. Mr. Berger asked how many open claims LCPIC currently has. Mr. Ramachandran responded 200. Mr. Berger then asked how many has the company processed in 2016. Mr. Ramachandran responded approximately 2,100. Mr. Berger stated that he felt this was a very low complaint ratio and wanted to compliment LCPIC for providing quality customer service.

With that discussion concluded, Chairwoman Gardner moved on to the Executive Session. She asked if anyone from the public first wished to address the Board. Mr. LeBouef stated that he would like to make a couple of comments from the Audit Committee. He noted that no reports had come in to the whistleblower hotline since the last Board meeting and that the internal control audits performed by Larry Hayward were going very well. In the last report Mr. LeBouef received from Mr. Hayward, only four items were noted and all were of low risk. Mr. LeBouef wanted to commend Mr. Hayward and the departments within LCPIC for doing as good a job as they can do with internal controls. With no other speakers from the public, Chairwoman Gardner stated that she would entertain a motion to go into Executive Session to discuss potential and pending litigation. Mr. Berger so moved. Mr. LeBouef 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 Gardner asked for a motion to exit Executive Session and re-enter the public forum. Mr. Little so moved. Mr. Montgomery seconded the motion. A roll call vote was taken. The motion passed unanimously. Chairwoman Gardner 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.

With the conclusion of the agenda, and with no further business to discuss, Chairwoman Gardner stated that the next Board meeting is scheduled for March 9, 2017. Sen. Smith moved to adjourn the meeting; Mr. Galligan 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 January 12, 2017 minutes that were adopted by the Board of Directors of Louisiana Citizens Property Insurance Corporation on March 9, 2017.

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Paige M. Harper, Secretary