

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, July 11, 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

Brian Chambley

Renee Free

Gene Galligan

Denise Gardner

Craig LeBouef

Eugene Montgomery

Rep. Talbot

Brian Van Dreumel

Absent were: Jeff Albright

Eric Berger

Tom Glasson

Kevin Reinke

Sen. Smith

William (Bill) Starr

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 asking Ms. Harper to call roll. With nine members present, a quorum was met and the meeting moved forward. For his report, Chair Lorusso noted that the impending storm seemed to have shifted a little to the east. He asked everyone to please be safe.

The next item on the agenda was the minutes of the previous meeting. Chair Lorusso asked Ms. Harper to present the minutes from the May meeting. After the Board members were given an opportunity to review the minutes, Mr. LeBouef moved that the May 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

1. Overview. Mr. Newberry began his report with the current, 2019, round of depopulation. He informed the Board that Access Home, Safepoint, South Vanguard and Spinnaker are the four companies requesting approval to participate in this round. After a discussion of the companies, and their AM Best and Demotech ratings, Mr. LeBouef moved:

To approve for participation in the 2019 round of depopulation (thirteenth round overall), the four companies, Safepoint Insurance Company, Southern VanGuard Insurance Company, Access Home and Spinnaker, that applied to take part in the 2019 depopulation program.

Ms. Gardner seconded the motion. With no objections, the motion was adopted unanimously.

Next, Mr. Newberry gave the Board members an update on LCPIC’s CAT preparedness for the 2019 hurricane season. Worley is LCPIC’s third-party administrator for catastrophe claims, with BrightClaim as their backup. LCPIC has first right of refusal on 725 independent adjusters, with over 1,000 adjusters currently certified to handle LCPIC claims. The company has tested its CAT plan and processes multiple times both on an in-house basis, but also with our vendors. Mr. Newberry noted that a CAT workflow is included in the Board book. It shows how LCPIC will handle a CAT and respond to claims.

Mr. Newberry also introduced a proposed plan for catastrophe compensation for employees who work extended hours in response to a CAT. It would also allow LCPIC to utilize the services of employees from other residual markets in the event of a CAT that leaves the company short-handed. Hourly employees would receive time and a half, while for exempt employees the daily rate would be $275 a day and $325 for holidays. The payment of CAT pay would be subject to the approval of the CEO. The proposed catastrophe compensation would be eligible for reimbursement through reinsurance. Mr. Montgomery, chair of the Compensation Committee said that they had not had a quorum at the Compensation Committee meeting where the proposed compensation plan was discussed, but that he had reviewed it and was in favor. He moved:

To approve and implement the proposed Catastrophe Compensation Policy as recommended by LCPIC management.

 Mr. Galligan seconded the motion. With no further discussion, and no objections to the motion, it was approved unanimously.

Mr. Newberry then moved on to a proposal to amend the Committee Charters. Committees have sometimes had difficulty establishing a quorum and thus have been unable to hold the minimum number of meetings outlined in their respective charters. This has caused an issue with auditors. The proposal is to amend all of the Charters to state that the Committees would hold meetings on an “as needed” basis, with no minimum number required Mr. Van Dreumel moved as follows:

To approve an amendment of each of the Charters for the LCPIC Executive, Audit, Actuarial, Compensation, Litigation and Investment Committees to state that committee meetings shall be held on an “as needed” basis. Any reference to an annual required minimum number of meetings shall be deleted.

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

Next, Mr. Newberry introduced proposed changes to the Actuarial Protection Class Ratings filed by LCPIC. These changes were proposed in order to bring LCPIC into compliance with Directive 215 issued by the Commissioner of Insurance. The directive states that insurers shall not apply the same premium or use the same factor in calculation of the premium for any two areas. As such LCPIC proposes to use PIAL relativities where needed in order to become compliant. LCPIC’s opining actuary, Derek Haney, has reviewed the proposed changes. Ninety (90%) percent of LCPIC’s policyholder’s will see an impact of less than one (1%) percent change in their premium calculations. So, the impact of this change will be very slight. Mr. Van Dreumel moved:

To adopt the PIAL protection class relativities, as needed, in compliance with LDOI Directive 215 and LA RS 22:1460(I)(1)(c).

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

1. Financials. Mr. Sciortino began by touching on the corporate overview as of May 2019 and included in the Board book. He noted that as of that date, LCPIC had a total net of inforce policies of just over 38,000 and total insured value of $7.3 billion. That number is down from 40,955 in May 2018 with a total insured value of $8 billion. In May of this year, the company had $131.2 million in total operating cash and $84.8 million in investments, for a total cash, investment position of $216 million. Reinsurance continues to be LCPIC’s biggest expenditure. The income statement shows a year to date net income of $5.7 million, which is $1 million over budget. Even though LCPIC experienced some weather-related claims activity in May, the company remains under budget on claims for the year. Operating expenses are currently $343,000 under budget. Surplus is at $180.7 million, up from $174.3 at the close of 2018.
2. 2018 Audit Report. Moving on to an update on the 2018 Audit Ms. Sciortino stated that the Statutory Audit was complete and a copy was included in the Board Book. The opinion was returned as unqualified, which is good news. The GAAP Audit also garnered an unqualified opinion. The audit process was very positive and went smoothly.
3. 2005 Deficit Re-Certification. Mr. Sciortino noted that LCPIC is required under the terms of its Bond documents to recertify the 2005 deficit resulting from Hurricanes Katrina and Rita. As of May 31, 2019 the deficit was $1.356 billion. The deficit was originally certified in 2005 as $953.6 million. The deficit increases as claims developed and were paid and as LCPIC continues to pay out amounts related to the Katrina and Rita class actions. However, the increasing amount of the deficit does not impact the outstanding debt remaining on the deficit bonds. After discussion of the deficit and class actions, Mr. LeBouef moved:

To approve a re-certification, as required annually by the terms of the outstanding LCPIC Katrina and Rita related bonds, of the 2005 LCPIC deficit at an amount of $1,356,420,776.

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

1. Next, Mr. Sciortino addressed the proposed 2020 Emergency Assessment. The calculated assessment for 2020 is 2.6%. This rate is down slightly from the current assessment rate of 2.65%. Mr. Sciortino stated that the calculations for the emergency assessment rate have been verified by the Louisiana Department of Insurance. The bonds will be paid off in 2026. Rep. Talbot then moved:

To approve and set for implementation the 2020 Assessment Rate at 2.60%, as calculated by LCPIC and verified by the Louisiana Department of Insurance.

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

1. Complaints. The final item on the CEO report was complaints. Ms. Harper reported that in May and June 2019, one policy-related complaint was received. After one questions regarding the complaint, 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. Ms. Gardner so moved. Mr. Van Dreumel 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. Van Dreumel so moved. Mr. LeBouef 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. Galligan so moved; Mr. Montgomery seconded. There being no opposition, the meeting was adjourned at 2:08 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.

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Paige M. Harper, Secretary