

LOUISIANA CITIZENS
PROPERTY INSURANCE CORPORATION

FINANCIAL REPORT
(STATUTORY BASIS)

DECEMBER 31, 2024 AND 2023

LOUISIANA CITIZENS
PROPERTY INSURANCE CORPORATION

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May 13, 2025

To the Board of Directors of
Louisiana Citizens Property Insurance Corporation
Metairie, Louisiana

Opinion

We have audited the accompanying statutory financial statements of Louisiana Citizens Property Insurance Corporation (the "Company"), which comprise the statutory statements of admitted assets, liabilities, and surplus as of December 31, 2024 and 2023, and the related statutory statements of income, changes in surplus, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities, and surplus of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended, in accordance with the financial reporting practices prescribed and permitted by the Louisiana Department of Insurance as described in Note 1.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Basis of Accounting

As described in Note 1 to the financial statements, the financial statements were prepared by the Company in conformity with the financial reporting practices prescribed or permitted by the Louisiana Department of Insurance, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the reporting requirements of Louisiana. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting practices prescribed or permitted by the Louisiana Department of Insurance. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

In preparing the statutory financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the statutory financial statements as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the statutory financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the statutory financial statements. The information has been subjected to the auditing procedures applied in the audit of the statutory financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the statutory financial statements or to the statutory financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the statutory financial statements as a whole.

Restriction on Use

This report is intended solely for the information and use of the Board of Directors and management of the Company and the Louisiana Department of Insurance, is not intended to be, and should not be used by anyone other than these specified parties.

Duplantis, Sharpness, Hogan and Parker, LLP

New Orleans, Louisiana

LOUISIANA CITIZENS PROPERTY INSURANCE CORPORATION
STATUTORY STATEMENTS OF ADMITTED ASSETS, LIABILITIES, AND SURPLUS
DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
<u>ADMITTED ASSETS</u>		
Cash and invested assets:		
Cash, cash equivalents, and short-term investments	\$ 698,550,795	\$ 584,468,123
Bonds	167,794,398	113,196,922
Total cash and invested assets	<u>866,345,193</u>	<u>697,665,045</u>
Interest and dividends receivable	2,606,670	1,929,406
Premium receivable and agent's balances, net	74,339,559	81,725,683
Reinsurance receivable, net	5,240,444	4,427,497
Admitted electronic data processing equipment and software, at cost less accumulated depre- ciation of approximately \$19,415,030 and \$18,873,988 at December 31, 2024 and 2023, respectively	114,115	486,385
Emergency assessments receivable - 2005 deficit	113,000,000	166,530,000
Emergency assessments receivable - companies	17,058,249	20,000,000
Other receivables	<u>125,187</u>	<u>110,542</u>
TOTAL ADMITTED ASSETS	<u>\$ 1,078,829,417</u>	<u>\$ 972,874,558</u>

Continued

LOUISIANA CITIZENS PROPERTY INSURANCE CORPORATION
STATUTORY STATEMENTS OF ADMITTED ASSETS, LIABILITIES, AND SURPLUS
DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
<u>LIABILITIES AND SURPLUS</u>		
Liabilities:		
Loss reserves	\$ 70,310,939	\$ 80,949,065
Loss adjustment expense reserves	13,171,306	13,358,228
Commissions payable to agents	11,725,749	13,129,284
Unearned premiums	269,149,070	335,528,696
Other expenses (excluding taxes, licenses, and fees)	7,144,846	8,270,935
Taxes, licenses, and fees accrued	-	5,438,495
Provision for reinsurance	90,721	87,088
Accounts payable and other accrued expenses	38,157,192	9,268,184
Amounts retained or withheld from others	5,416	13,405
Ceded reinsurance premiums payable, net of ceding commissions	-	194,667
Unearned tax exempt surcharge	8,992,676	10,544,414
Interest payable	432,611	584,056
Bonds payable	115,468,370	171,908,361
Liability for funds restricted for debt service	157,842,852	129,001,482
	<hr/>	<hr/>
Total liabilities	692,491,748	778,276,360
	<hr/>	<hr/>
Surplus:		
Unassigned surplus	386,337,669	194,598,198
	<hr/>	<hr/>
Total accumulated surplus	386,337,669	194,598,198
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TOTAL LIABILITIES AND SURPLUS	<u>\$ 1,078,829,417</u>	<u>\$ 972,874,558</u>

See notes to statutory financial statements.

LOUISIANA CITIZENS PROPERTY INSURANCE CORPORATION
STATUTORY STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
REVENUES:		
Premiums earned	\$ 305,699,501	\$ 260,616,120
LOSSES AND UNDERWRITING EXPENSES:		
Losses incurred	65,600,112	83,356,956
Loss adjustment expenses incurred	17,402,750	14,922,572
Other underwriting expenses	70,371,918	85,563,298
Total losses and underwriting expenses	153,374,780	183,842,826
NET UNDERWRITING GAIN	152,324,721	76,773,294
Investment income	25,426,642	13,582,271
Interest expense	(3,038,568)	(4,122,604)
Emergency assessment loss	(3,012,491)	(146,672)
Application and other miscellaneous fees	2,905,522	4,135,586
Finances and service charges not included in premiums	1,216,124	800,268
Net loss from agents or premium balances charged off	(55,517)	(99,475)
NET INCOME	\$ 175,766,433	\$ 90,922,668

See notes to statutory financial statements.

LOUISIANA CITIZENS PROPERTY INSURANCE CORPORATION
STATUTORY STATEMENTS OF CHANGES IN SURPLUS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
SURPLUS, BEGINNING OF YEAR	\$ 194,598,198	\$ 77,089,434
Net income	175,766,433	90,922,668
Change in nonadmitted assets	(2,717,513)	10,220,574
Change in provision for reinsurance	(3,633)	106,451
Tax exempt surcharge	17,142,446	19,567,677
Other gains and losses in surplus	<u>1,551,738</u>	<u>(3,308,606)</u>
SURPLUS, END OF YEAR	<u>\$ 386,337,669</u>	<u>\$ 194,598,198</u>

See notes to statutory financial statements.

LOUISIANA CITIZENS PROPERTY INSURANCE CORPORATION
STATUTORY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
OPERATING ACTIVITIES:		
Premiums collected, net of reinsurance	\$ 237,745,379	\$ 283,107,462
Commissions and expenses paid	(95,929,709)	(89,475,488)
Net investment income	23,404,177	10,941,761
Other revenues received	1,053,638	4,689,707
Losses and loss adjustment expenses paid	(69,695,772)	(9,997,832)
Net cash provided by operating activities	<u>96,577,713</u>	<u>199,265,610</u>
INVESTING ACTIVITIES:		
Proceeds from investments sold or matured	39,860,000	19,695,000
Cost of investments acquired	(96,150,844)	(51,504,505)
Net cash (used) by investing activities	<u>(56,290,844)</u>	<u>(31,809,505)</u>
FINANCING ACTIVITIES:		
Payments on borrowed funds	(56,591,436)	(55,140,571)
Other cash provided	130,387,239	114,144,213
Net cash provided by financing activities	<u>73,795,803</u>	<u>59,003,642</u>
Net change in cash, cash equivalents, and short-term investments	114,082,672	226,459,747
Cash, cash equivalents, and short-term investments, beginning of year	<u>584,468,123</u>	<u>358,008,376</u>
CASH, CASH EQUIVALENTS, AND SHORT-TERM INVESTMENTS, END OF YEAR	<u>\$ 698,550,795</u>	<u>\$ 584,468,123</u>

See notes to statutory financial statements.

LOUISIANA CITIZENS PROPERTY INSURANCE CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

Louisiana Citizens Property Insurance Corporation was created in accordance with provisions of Louisiana Revised Statute (LRS) 22:2293 and began operations on January 1, 2004. The Company operates solely in Louisiana. The Company's principal business activity is to operate insurance plans which provide property insurance for residential and commercial property, solely for applicants who in good faith are entitled, but are unable to procure insurance through the voluntary market. The Company operates residual market insurance programs designated as the Coastal Plan and the Fair Access to Insurance Requirements Plan (FAIR Plan). The Coastal Plan is for property insurance written on locations between the Gulf of Mexico and the Intracoastal Waterway and the FAIR Plan is for property insurance written on locations above the Intracoastal Waterway.

Louisiana Citizens Property Insurance Corporation (the "Company") is a component unit of the State of Louisiana.

The Company is governed by a Board of Directors consisting of fifteen members, who serve without compensation. The Board consists of the Commissioner of the Department of Insurance, the State Treasurer, the chairman of the House Committee on Insurance, the chairman of the Senate Committee on Insurance or their designees, six representatives appointed by the Governor, three members appointed by the Commissioner of the Louisiana Department of Insurance, and two members appointed by the Governor.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Presentation and Accounting:

The accompanying financial statements have been prepared in conformity with accounting practices prescribed or permitted by the Louisiana Department of Insurance. The State of Louisiana generally requires that insurance companies domiciled in the State of Louisiana prepare their statutory basis financial statements in accordance with the National Association of Insurance Commissioners (NAIC) Accounting Practices and Procedures Manual. Such practices vary from accounting principles generally accepted in the United States of America (GAAP). The more significant variances from GAAP are as follows:

- Commissions and other costs of acquiring insurance are expensed when incurred rather than capitalized and amortized over the terms of the related policies as required by GAAP.
- Certain assets designated as "nonadmitted" are excluded from the balance sheet and are charged directly to unassigned surplus.
- Reserves for losses and loss adjustment expenses are reported net, rather than gross, of certain reinsurance recoverables.
- Gains and losses on the defeasance of debt are reported in the period the debt was extinguished rather than being amortized over the shorter of the remaining life of the old bonds or the life of the new bonds.

LOUISIANA CITIZENS PROPERTY INSURANCE CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Basis of Presentation and Accounting: (Continued)

- The statement of cash flows is presented in the required statutory format. This format differs from the format specified by GAAP which requires a reconciliation of net income to net cash flow from operating activities and supplemental schedules of noncash financing and investing activities.
- Cash, cash equivalents, and short-term investments in the statement of cash flows represent cash balances and investments with initial maturities of one year or less. Under GAAP, the corresponding caption of cash and cash equivalents includes cash and cash equivalents with initial maturities of three months or less. Also, under GAAP, short-term investments are disclosed separately from cash and include investments with remaining maturities of one year or less.
- Lease payments in the statements of lessees are expensed when incurred, and lease receipts in the statements of lessors are recognized as revenue when earned. However, under GAAP, lease accounting is based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.
- Subscription-based information technology arrangement (SBITA) payments are expensed when incurred. However, under GAAP, SBITA accounting is based on the principle that SBITAs are financings of the right to use an underlying subscription asset. The Company is required to recognize a right-to-use subscription asset and a corresponding subscription liability.

The aggregate effect on the accompanying statutory financial statements of the variations from GAAP is outlined in Note 14 to the financial statements.

Estimates:

The financial statements are prepared in conformity with accounting practices prescribed or permitted by the Louisiana Department of Insurance, which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Statement of Cash Flows:

For the purpose of reporting cash flows, cash includes cash, cash equivalents, and short-term investments. Cash equivalents and short-term investments include all liquid investments with a maturity of one year or less when purchased.

LOUISIANA CITIZENS PROPERTY INSURANCE CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Bond Investments:

Bonds, which consist solely of debt securities, are recorded as admitted asset values as prescribed by NAIC valuation procedures, and are rated in accordance with current NAIC guidelines. Debt securities are stated at amortized cost using the interest method. Bonds with a maturity of one year or less are recorded as cash and short-term investments within the Statutory Statements of Admitted Assets, Liabilities, and Surplus. Bonds with a maturity of greater than one year when purchased are recorded as bond investments.

Money Market Mutual Funds:

Money market mutual funds consist of investments in traditional money market funds and investments in exempt money market funds. Investments in money market mutual funds are classified as cash equivalents. Money market mutual funds are stated at fair value.

EDP Equipment and Operating System Software:

Electronic Data Processing (EDP) equipment and software purchased or developed for internal use with an original cost of over \$1,000,000 is capitalized and depreciated using the straight-line method over the software's useful life of three years for operating software and five years for non-operating software.

Depopulation:

The Company may undertake a depopulation effort on some or all of its in-force policies annually with the approval of the governing board of the Company per amended and reenacted Louisiana Revised Statute R.S. 22:2314(B)(1). The Company accounts for premiums of depopulated policies as a reduction of direct premiums written. Losses and other costs associated with depopulated policies are assumed by the acquiring entity and thus are removed from the Company's financial statements.

Loss Reserves and Loss Adjustment Expense Reserves:

The liabilities for losses and loss adjustment expenses include an amount determined from loss reports and individual cases and an amount, based on historical data, for losses incurred but not reported. Such liabilities are based on estimates and, while management believes that the amount is adequate, the ultimate liability may be in excess of or less than the amounts provided. The methods for making such estimates and for establishing the resulting liabilities are continually reviewed, and any adjustments are reflected in current earnings.

LOUISIANA CITIZENS PROPERTY INSURANCE CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Premiums:

Premiums are recorded as earned on a daily pro rata basis over the policy period. The portion of premiums not earned as of the end of the fiscal year are recorded as unearned premiums.

Premiums receivable includes amounts due from policyholders for billed premiums. Billings are calculated using the annual premiums for each policy and are paid either through an installment plan offered by the Company or in their entirety at the inception of the policy.

Market Risk:

The Company underwrites residential and commercial property insurance policies in the State of Louisiana through the Coastal Plan and the FAIR Plan. Therefore, adverse economic changes or certain changes in the insurance laws of the State of Louisiana could have a significant impact on the Company's future financial position and results of operations.

The Coastal Plan is for property insurance written on locations between the Gulf of Mexico and the Intracoastal Waterway. The FAIR Plan is for property insurance above the Intracoastal Waterway. Therefore, severe storm activity in any of these areas or throughout the State of Louisiana could have a significant impact on the Company's future financial position and results of operations.

Assessments:

In the event that the Governing Board of the Company determines that a deficit exists in either the Coastal Plan or the FAIR Plan, the Company may levy a regular assessment for each affected Plan in order to remedy any deficit. All insurers who become authorized and then engage in writing property insurance within the State of Louisiana shall participate in regular assessment of the Coastal and FAIR Plans in the proportion that the net direct premium of such participant written in the state during the preceding calendar year bears to the aggregate net direct premiums written in the state by all insurers during the preceding calendar year as certified to the Governing Board by the Louisiana Department of Insurance.

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 will be recovered through regular assessments. When the deficit incurred exceeds ten percent, the regular assessment may not exceed the greater of ten percent of the calendar year deficit or ten percent 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 an emergency assessment.

LOUISIANA CITIZENS PROPERTY INSURANCE CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Assessments: (Continued)

Upon determination by the Governing Board of the Company that a deficit exceeds the amount allowed to be recovered through regular assessment, the Governing Board shall levy an emergency assessment for as many years as necessary to cover all deficits. The amount of 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. The total amount of emergency assessment levied in any calendar year will not exceed the greater of: (a) ten percent 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 (b) ten percent of the aggregate statewide direct written premiums for subject lines of business and for all plan accounts of the Company 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 the emergency assessment will not exceed the greater of (a) or (b) above, the Governing Board shall impose an emergency assessment in the amount required by any applicable loan agreement, trust indenture, or other financing agreement.

All persons who procure a policy of insurance of one or more subject lines of business from an insurer who becomes authorized and then engages in writing property insurance within the State of Louisiana are subject to emergency assessment by the Company.

Liability for Funds Restricted For Debt Service and Related Accounting Changes:

The Commissioner of Insurance has the right to permit other specific practices that deviate from prescribed practices. In 2009, the Company received permission from the Louisiana Department of Insurance to reclassify, as a liability, the excess emergency assessments collected that were greater than the debt service costs since the inception of the bond debt in 2006 with the cumulative excess amount being \$157,842,852 and \$129,001,482 at December 31, 2024 and 2023, respectively. The Company records emergency assessment collections and costs through net income only in amounts sufficient to offset interest costs and amortization of bond issuance costs.

Reinsurance and Reinsurance Recoverables:

All catastrophe reinsurance premiums are recorded as premiums ceded and are amortized over the life of the hurricane season for which the payments apply. Reinsurance recoverables on unpaid losses are recorded as a reduction of losses incurred and loss adjustment expenses incurred. Reinsurance recoverable on paid losses is recorded as an asset in the accompanying statutory statements of admitted assets, liabilities, and surplus. Premiums ceded include catastrophe reinsurance purchased.

Income Taxes:

The Company is exempt from federal income tax pursuant to Private Letter Ruling 160165-03 from the Internal Revenue Service. Obligations issued by the Company constitute obligations of the State of Louisiana within the meaning of section 103(c)(1) of the Internal Revenue Code.

LOUISIANA CITIZENS PROPERTY INSURANCE CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Financial Instruments:

The carrying value of cash and cash equivalents, premiums receivable, other admitted assets, and other liabilities approximates fair value given their short-term nature.

Unlike private insurers that are subject to liquidation in the event of insolvency, the Company is able (and statutorily required) to levy assessments in the event of a deficit in any or all of its accounts.

2. CASH AND INVESTED ASSETS:

Cash, Cash Equivalents, and Short-Term Investments:

Cash, cash equivalents, and short-term investments as of December 31, 2024 and 2023 in the amount of \$698,550,795 and \$584,468,123, respectively, consisted of cash held in financial institutions, money market mutual funds, and bond investments with remaining maturities of one year or less at the time of acquisition. Money market mutual funds are reported at fair market value and short-term bond investments are reported at amortized cost. Cash, cash equivalents, and short-term investments as of December 31, 2024 and 2023 were as follows:

	<u>2024</u>	<u>2023</u>
Cash, Cash Equivalents, and Short-Term Investments:		
Cash	\$ 277,510,358	\$ 350,668,319
Cash Equivalents	3,136,929	750,667
Money Market Funds	400,061,384	230,738,470
Short-Term Bonds	17,842,124	2,310,667
Total Cash, Cash Equivalents, and Short-Term Investments	<u>\$ 698,550,795</u>	<u>\$ 584,468,123</u>

Bond Investments:

Bond investments as of December 31, 2024 and 2023 in the amount of \$167,794,398 and \$113,196,922, respectively, consisted of bonds with remaining maturities of one year or greater at the time of acquisition. Bond investments are reported at amortized cost.

3. ELECTRONIC DATA PROCESSING EQUIPMENT AND SOFTWARE:

Electronic Data Processing (EDP) equipment and software with an original cost of \$19,529,145 and \$19,360,373 at December 31, 2024 and 2023, respectively, is being depreciated using the straight-line method over the asset's useful life of three years for operating software and five years for non-operating software, in accordance with NAIC statutory requirements. Depreciation expense for EDP equipment and operating system software totaled \$558,559 and \$342,081 for the years ended December 31, 2024 and 2023, respectively.

LOUISIANA CITIZENS PROPERTY INSURANCE CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

4. LIABILITIES FOR LOSS AND LOSS ADJUSTMENT EXPENSES:

Activity in the liabilities for loss and loss adjustment expenses, net of reinsurance recoverables on unpaid losses, are summarized as follows for the years ended December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Balance at January 1,	\$ 94,307,293	\$ 50,299,233
Incurred related to:		
Current year	114,932,580	56,718,628
Prior years	<u>(31,929,718)</u>	<u>41,560,900</u>
Total incurred	<u>83,002,862</u>	<u>98,279,528</u>
Paid related to:		
Current year	78,579,877	39,540,021
Prior years	<u>15,248,033</u>	<u>14,731,447</u>
Total paid	<u>93,827,910</u>	<u>54,271,468</u>
Balance at December 31,	<u>\$ 83,482,245</u>	<u>\$ 94,307,293</u>

For both catastrophic and non-catastrophic claims, the loss adjusting function is performed by the Company through its employees and through contracted independent adjusting firms. The Company compensates the independent adjusting firms, depending upon the type or nature of the claims, either on a per-day rate or on a graduated fee schedule based on the gross claim amount, consistent with industry standard methods of compensation.

The Company is involved in a class action lawsuit and a number of other legal proceedings arising out of various aspects of its business which have been reserved for above. See Note 15 for a description of these class action claims.

5. AGENT COMMISSIONS:

The Company's policies are written by various insurance agents licensed in the State of Louisiana. These agents are compensated at commission rates established by the Board and calculated as a percentage of direct written premiums, net of certain surcharges and assessments. Agent commissions are reported in the statutory statements of income as other underwriting expenses. Agent commissions incurred were \$48,661,637 and \$59,489,967 during the years ended December 31, 2024 and 2023, respectively. Agent commissions payable were \$11,725,749 and \$13,129,284 for the years ended December 31, 2024 and 2023, respectively.

LOUISIANA CITIZENS PROPERTY INSURANCE CORPORATION
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6. UNASSIGNED SURPLUS:

Changes in balances of surplus from the prior year are, in part, due to collections made by the Company during the normal course of collecting policy component charges. The policy component charge affecting surplus funds is the tax-exempt surcharge.

The unassigned surplus as of December 31, 2024 and 2023 was \$386,337,669 and \$194,598,198, respectively.

7. LIABILITY FOR FUNDS RESTRICTED FOR DEBT SERVICE:

In 2005, the Company suffered losses of \$1.8 billion as a result of Hurricanes Katrina and Rita. In 2006, the Company issued \$978.2 million of bonds to pay for these losses. Under R.S. 22:2307, the Company may assess, in any one year, up to 10% of the total property premiums assessable statewide to pay the debt service on the bonds. The total statewide assessable premiums are approximately \$4.5 billion.

Emergency assessments were as follows:		2024	2023
2007	3.60% assessment rate	\$ 78,012,088	\$ 78,012,088
2008	5.00% assessment rate	99,751,686	99,751,686
2009	5.00% assessment rate	116,753,866	116,753,866
2010	4.30% assessment rate	103,046,094	103,046,094
2011	4.00% assessment rate	101,027,353	101,027,353
2012	3.90% assessment rate	92,242,635	92,242,635
2013	3.74% assessment rate	95,503,384	95,503,384
2014	3.54% assessment rate	94,979,546	94,979,546
2015	3.42% assessment rate	91,158,917	91,158,917
2016	2.93% assessment rate	77,527,977	77,527,977
2017	2.52% assessment rate	63,336,149	63,336,149
2018	2.57% assessment rate	65,959,470	65,959,470
2019	2.65% assessment rate	70,269,691	70,269,691
2020	2.60% assessment rate	71,352,147	71,352,147
2021	2.49% assessment rate	76,657,333	76,657,333
2022	2.40% assessment rate	88,983,859	88,983,859
2023	2.10% assessment rate	86,541,054	86,541,054
2024	1.70% assessment rate	79,358,879	-
Total assessments		1,552,462,128	1,473,103,249
Plus: cumulative bond earnings		46,453,419	40,393,635
Less: cumulative debt service		(1,441,072,695)	(1,384,495,402)
Liability for funds restricted for debt service		<u>\$ 157,842,852</u>	<u>\$ 129,001,482</u>

LOUISIANA CITIZENS PROPERTY INSURANCE CORPORATION
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8. REINSURANCE AGREEMENTS:

The Company purchases private reinsurance through Guy Carpenter & Company, LLC, as licensed reinsurance intermediaries. The participating reinsurance companies will reimburse the Company, through the intermediary, a specified percentage of losses incurred if a prescribed retention is reached.

The Company purchases reinsurance based on levels of loss. The Company is liable for the first amount of ultimate net loss, shown in the table below as "Company's Retention", arising out of each loss occurrence. The reinsurer is then liable, as respects each excess layer, for the amount by which such ultimate net loss exceeds the Company's applicable retention for that layer. However, the liability of the reinsurer under any excess layer of reinsurance coverage provided does not exceed either of the following: (1) the amount shown below as "Reinsurer's Per Occurrence Limit" for that excess layer as respect to loss or losses arising out of any one loss occurrence or (2) the amount shown as "Reinsurer's Term Limit" for that excess layer. Each excess layer of reinsurance coverage provided during the years ended December 31, 2024 and 2023 was as follows:

December 31, 2024 (in thousands):

	January 1, 2024 to May 31, 2024					
	First Excess	Second Excess	Third Excess	Fourth Excess	Fifth Excess	Sixth Excess
Company's Retention	\$ 200,000	\$ 300,000	\$ 500,000	\$ 800,000	\$ 1,050,000	\$ 1,330,000
Reinsurer's Per Occurrence Limit	\$ 100,000	\$ 200,000	\$ 300,000	\$ 250,000	\$ 280,000	\$ 420,000
Reinsurer's Term Limit	\$ 200,000	\$ 400,000	\$ 600,000	\$ 500,000	\$ 560,000	\$ 840,000
Annual Minimum Premium	\$ 38,500	\$ 57,500	\$ 57,000	\$ 34,375	\$ 33,600	\$ 44,100

	June 1, 2024 to December 31, 2024					
	First Excess	Second Excess	Third Excess	Fourth Excess	Fifth Excess	Sixth Excess
Company's Retention	\$ 200,000	\$ 300,000	\$ 500,000	\$ 800,000	\$ 1,050,000	\$ 1,330,000
Reinsurer's Per Occurrence Limit	\$ 100,000	\$ 200,000	\$ 300,000	\$ 250,000	\$ 280,000	\$ 670,000
Reinsurer's Term Limit	\$ 200,000	\$ 400,000	\$ 600,000	\$ 500,000	\$ 560,000	\$ 1,340,000
Annual Minimum Premium	\$ 42,000	\$ 66,000	\$ 66,000	\$ 35,000	\$ 33,600	\$ 67,000

LOUISIANA CITIZENS PROPERTY INSURANCE CORPORATION
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DECEMBER 31, 2024 AND 2023

8. REINSURANCE AGREEMENTS: (Continued)

December 31, 2023 (in thousands):

	January 1, 2023 to May 31, 2023						
	<u>First Excess</u>	<u>Second Excess</u>	<u>Third Excess</u>	<u>Fourth Excess</u>	<u>Fifth Excess</u>	<u>Seventh Excess</u>	<u>Eighth Excess</u>
Company's Retention	\$ 50,000	\$ 70,000	\$ 150,000	\$ 300,000	\$ 300,000	\$ 795,000	\$ 1,050,000
Reinsurer's Per Occurrence Limit	\$ 20,000	\$ 80,000	\$ 150,000	\$ 225,000	\$ 225,000	\$ 255,000	\$ 100,000
Reinsurer's Term Limit	\$ 40,000	\$ 160,000	\$ 300,000	\$ 450,000	\$ 450,000	\$ 510,000	\$ 200,000
Annual Minimum Premium	\$ 7,600	\$ 21,600	\$ 27,000	\$ 22,500	\$ 18,000	\$ 16,575	\$ 5,500

	June 1, 2023 to December 31, 2023					
	<u>First Excess</u>	<u>Second Excess</u>	<u>Third Excess</u>	<u>Fourth Excess</u>	<u>Fifth Excess</u>	<u>Sixth Excess</u>
Company's Retention	\$ 200,000	\$ 300,000	\$ 500,000	\$ 800,000	\$ 1,050,000	\$ 1,330,000
Reinsurer's Per Occurrence Limit	\$ 100,000	\$ 200,000	\$ 300,000	\$ 250,000	\$ 280,000	\$ 420,000
Reinsurer's Term Limit	\$ 200,000	\$ 400,000	\$ 600,000	\$ 500,000	\$ 560,000	\$ 840,000
Annual Minimum Premium	\$ 38,500	\$ 57,500	\$ 57,000	\$ 34,375	\$ 33,600	\$ 44,100

The premiums can also potentially be adjusted if the total insurable value is greater than 10% or less than 5% of the estimated total insurable value used to calculate the contract premium. In the event that all or any portion of the reinsurance under the excess layer above is exhausted by loss, the amount exhausted will be reinstated immediately upon payment of a reinstatement premium.

During the years ended December 31, 2024 and 2023, the Company purchased facultative reinsurance through Guy Carpenter & Company. Facultative reinsurance is coverage purchased by the Company to cover a single risk or policy. The Company obtained this reinsurance to cover high value policies against the risk of loss. The reinsurance covers the full length of the policy.

LOUISIANA CITIZENS PROPERTY INSURANCE CORPORATION
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DECEMBER 31, 2024 AND 2023

8. REINSURANCE AGREEMENTS: (Continued)

During the years ended December 31, 2024 and 2023, the Company also purchased County Weighted Industry Loss reinsurance based on levels of loss. The Company is liable for the first amount of ultimate net loss, shown in the table below as "Company's Retention", arising out of each loss occurrence. The reinsurer is then liable, as respects each excess layer, for the amount by which such ultimate net loss exceeds the Company's applicable retention for that layer. However, the liability of the reinsurer under any excess layer of reinsurance coverage provided does not exceed either of the following: (1) the amount shown below as "Reinsurer's Per Occurrence Limit" for that excess layer as respect to loss or losses arising out of any one loss occurrence or (2) the amount shown as "Reinsurer's Term Limit" for that excess layer. Each excess layer of reinsurance coverage provided during the years ended December 31, 2024 and 2023 was as follows:

December 31, 2024 (in thousands):

	January 1, 2024 to December 31, 2024		
	Second/Third County Weighted Industry Loss	Fourth/Fifth County Weighted Industry Loss	Sixth County Weighted Industry Loss
Company's			
Retention	\$ 300,000	\$ 800,000	\$ 1,330,000
Reinsurer's Per			
Occurrence Limit	\$ 500,000	\$ 530,000	\$ 670,000
Reinsurer's			
Term Limit	\$ 1,000,000	\$ 1,060,000	\$ 1,340,000
Annual Minimum			
Premium	\$ 111,250	\$ 55,650	\$ 53,600

December 31, 2023 (in thousands):

	January 1, 2023 to December 31, 2023		
	Second/Third County Weighted Industry Loss	Fourth/Fifth County Weighted Industry Loss	Sixth County Weighted Industry Loss
Company's			
Retention	\$ 300,000	\$ 800,000	\$ 1,330,000
Reinsurer's Per			
Occurrence Limit	\$ 500,000	\$ 530,000	\$ 420,000
Reinsurer's			
Term Limit	\$ 1,000,000	\$ 1,060,000	\$ 840,000
Annual Minimum			
Premium	\$ 112,500	\$ 67,840	\$ 39,900

LOUISIANA CITIZENS PROPERTY INSURANCE CORPORATION
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8. REINSURANCE AGREEMENTS: (Continued)

As of December 31, 2024, the Company had additional coverage through six catastrophe bonds. In 2024, the Company purchased a \$200 million, Class A three-year catastrophe bond that provides coverage for 29.85% of up to \$2 billion in losses in excess of \$1.33 billion covered by retention and traditional reinsurance. The Company also purchased a \$75 million, Class B three-year catastrophe bond that provides coverage for 25% of up to \$800 million in losses in excess of \$500 million covered by retention and traditional reinsurance.

In 2023, the Company purchased a \$120 million, Class A three-year catastrophe bond that provides coverage for 48% of up to \$1.05 billion in losses in excess of \$800 million covered by retention and traditional reinsurance. The Company also purchased a \$75 million, Class B three-year catastrophe bond that provides coverage for 25% of up to \$800 million in losses in excess of \$500 million covered by retention and traditional reinsurance.

In 2022, the Company purchased a \$120 million, Class A three-year catastrophe bond that provides coverage for 53% of up to \$525 million in losses in excess of \$300 million covered by retention and traditional reinsurance. The Company also purchased a \$55 million, Class B three-year catastrophe bond that provides coverage for 24% of up to \$525 million in losses in excess of \$300 million covered by retention and traditional reinsurance.

In 2021, the Company purchased a \$75 million, Class A three-year catastrophe bond that provides coverage for 75% of up to \$345 million in losses in excess of \$245 million covered by retention and traditional reinsurance. The Company also purchased a \$50 million, Class B three-year that provides coverage for 100% of up to \$120 million in losses in excess of \$70 million covered by traditional reinsurance. The 2021 catastrophe bonds were retired during the year ended December 31, 2024.

In 2020, the Company purchased additional coverage through a \$60 million, three-year catastrophe bond that provides coverage for 60% of up to \$360 million in losses in excess of \$260 million covered by retention and traditional reinsurance. The 2020 catastrophe bonds were retired during the year ended December 31, 2023.

The effect of reinsurance on premiums written and earned during the years ended December 31, 2024 and 2023 was as follows:

	<u>2024 Premiums</u>		<u>2023 Premiums</u>	
	<u>Written</u>	<u>Earned</u>	<u>Written</u>	<u>Earned</u>
Direct	\$ 518,276,701	\$ 584,741,249	\$ 618,059,736	\$ 524,271,006
Ceded	(279,041,748)	(279,041,748)	(263,654,886)	(263,654,886)
Net premiums	<u>\$ 239,234,953</u>	<u>\$ 305,699,501</u>	<u>\$ 354,404,850</u>	<u>\$ 260,616,120</u>

LOUISIANA CITIZENS PROPERTY INSURANCE CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

8. REINSURANCE AGREEMENTS: (Continued)

Amounts recoverable from reinsurers on unpaid losses and loss adjustment expenses are estimated based on the allocation of estimated unpaid losses and loss adjustment expenses among coverage lines. Actual amount recoverable will depend on the ultimate settlement of losses and loss adjustment expenses. Reinsurance contracts do not relieve the Company from its obligation to policyholders. The Company remains liable to its policyholders for the portion reinsured to the extent that any reinsurer does not meet the obligations assumed under their reinsurance agreements.

The provision for reinsurance at December 31, 2024 and 2023 was \$90,721 and \$87,088, respectively

9. LINE OF CREDIT:

The Company maintains a line of credit providing for a maximum borrowing of \$125,000,000 at December 31, 2024 and December 31, 2023. Interest on this note is payable monthly at a variable rate based on the 30-day Secured Overnight Financing Rate (SOFR) plus 2.0% for the years ended December 31, 2024 and December 31, 2023. SOFR at December 31, 2024 and December 31, 2023 was 4.53% and 5.34%, respectively. The line of credit is secured by all premiums and accounts receivable and revenue from all sources, exclusive of emergency assessments resulting from the 2005 catastrophes levied pursuant to LA R.S. 22:2307E. The line matures June 1, 2025. There was no balance outstanding on the line of credit at December 31, 2024 and 2023.

10. BONDS PAYABLE:

Series 2016AB:

In 2016, the Company issued \$217,510,000 of assessment revenue refunding bonds in order to advance refund \$213,195,000 principal amount of the Assessment Revenue Bonds Series 2006C1 through 2006C3, \$49,785,000 principal amount of the Assessment Revenue Bond Series 2012R, and to pay the cost of issuance of the Series 2016AB bonds, which consisted of 2016A bonds of \$160,810,000 and 2016B bonds of \$56,700,000. The bonds were issued in denominations of \$5,000 or any integral multiple thereof. The 2016A bonds bear interest of 5.00% per annum, payable semiannually on June 1 and December 1 of each year, commencing December 1, 2016. The 2016A bond maturity dates range from June 1, 2023 to June 1, 2026. The 2016B bonds bear interest of 2.64% and 2.74% per annum, payable semiannually on June 1 and December 1 of each year, commencing December 1, 2016. The 2016B bond maturity dates range from June 1, 2024 to June 1, 2025. Bond principal payments of \$53,530,000 and \$50,980,000 were made during the years ended December 31, 2024 and 2023, respectively. The outstanding balance due on these bonds as of December 31, 2024 and 2023 was \$113,000,000 and \$166,530,000, respectively.

LOUISIANA CITIZENS PROPERTY INSURANCE CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

10. BONDS PAYABLE: (Continued)

Series 2016AB: (Continued)

A schedule of debt service requirements, including bond premiums as of December 31, 2024 was as follows:

<u>Maturity</u>	<u>Principal</u>	<u>Interest</u>	<u>Premium</u>	<u>Total</u>
2025	\$ 55,345,000	\$ 4,037,042	\$ 1,880,779	\$ 61,262,821
2026	57,655,000	1,441,375	587,591	59,683,966
	<u>\$ 113,000,000</u>	<u>\$ 5,478,417</u>	<u>\$ 2,468,370</u>	<u>\$ 120,946,787</u>

Net unamortized premium at December 31, 2024 and 2023 was \$2,468,370 and \$5,378,361, respectively.

The total interest expense on the bonds for the years ended December 31, 2024 and 2023 was \$3,038,568 and \$4,122,604, respectively, including annual amortized premiums of \$2,909,991 and \$3,948,155, respectively, which was recorded as interest expense in the accompanying Statutory Statements of Income.

11. RETIREMENT PLANS:

Defined Benefit Plan:

The Company sponsors a non-contributory defined benefit pension plan covering all employees that were hired prior to April 1, 2008, through a service agreement with Property Insurance Association of Louisiana (PIAL) in which retirement expenses were previously reimbursed to PIAL.

The table below sets forth the changes in projected benefit obligations, changes in plan assets, and components of the net periodic benefit costs for the years ended December 31:

	<u>2024</u>	<u>2023</u>
Change in projected benefit obligation:		
Beginning projected benefit obligation, January 1,	\$ 1,842,297	\$ 1,824,183
Interest cost	95,488	97,032
Actuarial (gain) loss	(48,806)	40,734
Benefit payments	<u>(152,760)</u>	<u>(119,652)</u>
Ending projected benefit obligation, December 31,	<u>\$ 1,736,219</u>	<u>\$ 1,842,297</u>

LOUISIANA CITIZENS PROPERTY INSURANCE CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

11. RETIREMENT PLANS: (Continued)

	<u>2024</u>	<u>2023</u>
Change in plan assets:		
Fair value of plan assets, January 1,	\$ 2,003,354	\$ 1,923,291
Employer contributions	42,126	-
Benefit payments	(152,760)	(119,652)
Actual return on plan assets	30,345	199,715
Fair value of plan assets, December 31,	<u>1,923,065</u>	<u>2,003,354</u>
Funded status	<u>\$ 186,846</u>	<u>\$ 161,057</u>

Assumptions used to determine projected benefit obligations and pension costs at December 31, 2024 and 2023 were as follows:

	<u>2024</u>	<u>2023</u>
Discount rate	5.25%	5.50%
Long-term rate of return on assets	6.00%	5.25%
Compensation increase rate	N/A	N/A

Net periodic benefit cost for the years ended December 31, 2024 and 2023 included the following components:

	<u>2024</u>	<u>2023</u>
Interest cost	\$ 95,488	\$ 97,032
Expected return on plan assets	(118,176)	(97,221)
Amortization net prior service cost	1,445	1,445
Amortization net loss	9,970	12,146
Ending net periodic benefit cost, December 31,	<u>\$ (11,273)</u>	<u>\$ 13,402</u>

Changes in amounts recognized in accumulated surplus for the years ended December 31, 2024 and 2023 were as follows:

	<u>2024</u>	<u>2023</u>
Unrecognized balances, January 1,	\$ 457,286	\$ 532,637
Net prior service credit recognized	(1,445)	(1,445)
Net gain recognized	(9,970)	(12,146)
Actuarial (gain) loss occurring	39,025	(61,760)
Ending unrecognized balances, December 31,	<u>\$ 484,896</u>	<u>\$ 457,286</u>

LOUISIANA CITIZENS PROPERTY INSURANCE CORPORATION
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11. RETIREMENT PLANS: (Continued)

The fair value of assets as of December 31, 2024 was determined in a manner similar to the allocation method used for the funding policy of the PPIO, except that any contributions receivable for the plan year, but not yet paid by December 31, 2023 were excluded. The asset allocation method, in general, projects the assets from the prior year using the actual return on the PPIO fund for the years ended December 31, 2024 and 2023 and adjusting for actual payments and contributions.

Future benefit payments expected to be paid in each of the next five years and in the aggregate for the following five years:

Year ending December 31,	
2025	\$ 128,456
2026	131,211
2027	133,327
2028	134,851
2029	135,644
2030-2034	673,829
Total	<u>\$ 1,337,318</u>

Payables to the Pension Plan:

As of December 31, 2024 and 2023, the Company had no outstanding payables to the defined benefit plan.

Defined Contribution Plans:

Effective September 1, 2008, the Company froze its defined benefit pension plan and replaced it with a defined contribution plan. The Company contributes 11% of each employee's wages to the defined contribution plan. Contributions are expensed each month and the Company carried no assets or liabilities for the defined contribution plan on its statement of admitted assets, liabilities, and surplus. The Company's contributions to the plan were \$803,246 and \$671,408 during the years ended December 31, 2024 and 2023, respectively.

In addition, the Company sponsors a contributory 401k plan covering eligible employees for which the Company matches 75% of employee contributions up to a maximum of 6% of eligible compensation. The Company's contributions to the 401k plan during the years ended December 31, 2024 and 2023 totaled \$257,492 and \$244,214, respectively.

LOUISIANA CITIZENS PROPERTY INSURANCE CORPORATION
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12. OTHER POSTEMPLOYMENT BENEFITS:

Plan Description:

The Company provides postemployment medical and life insurance for qualified employees hired prior to January 1, 2010. Employees may qualify for participation in the plan by a) attaining age 55 and completing 14 years and one hour of service or b) attaining age 60; completing at least five years of service, two of which occur after October 28, 2010, being employed with the Company at the time of retirement, and retire in good status.

Contribution Rates:

Plan members contribute 25% of medical premiums, including Medicare supplement, dental and vision coverage, and 100% of supplemental life insurance. Plan members are not required to contribute for basic life insurance.

Funding Policy:

The Company's plan is administered by the Company. The table below sets forth the changes in accumulated postemployment benefit obligation (APBO) for eligible participants, changes in plan assets, and components of the net periodic benefit costs for fiscal years ended December 31:

	<u>2024</u>	<u>2023</u>
Change in benefit obligation:		
Beginning APBO, January 1,	\$ 2,779,456	\$ 2,957,380
Service cost	32,621	37,293
Interest cost	143,844	160,202
Plan participants' contributions	19,833	30,750
Actuarial (gain)/loss	(331,939)	(298,179)
Benefit payments	(75,978)	(107,990)
Ending APBO, December 31,	<u>\$ 2,567,837</u>	<u>\$ 2,779,456</u>

	<u>2024</u>	<u>2023</u>
Change in plan assets:		
Fair value of plan assets, January 1,	\$ -	\$ -
Employer contributions	56,145	77,240
Plan participants' contributions	19,833	30,750
Benefit payments	(75,978)	(107,990)
Fair value of plan assets, December 31,	<u>-</u>	<u>-</u>
Funded status	<u>\$ (2,567,837)</u>	<u>\$ (2,779,456)</u>

LOUISIANA CITIZENS PROPERTY INSURANCE CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

12. OTHER POSTEMPLOYMENT BENEFITS: (Continued)

Funding Policy: (Continued)

Net periodic benefit cost for the years ended December 31, 2024 and 2023 included the following components:

	<u>2024</u>	<u>2023</u>
Service cost	\$ 32,621	\$ 37,293
Interest cost	143,844	160,202
Net prior service cost amortization	(22,709)	(22,709)
Amortization net loss	(43,123)	(2,555)
Ending net periodic benefit cost, December 31,	<u>\$ 110,633</u>	<u>\$ 172,231</u>

Assumptions used to determine projected benefit costs at December 31, 2024 and 2023 were as follows:

	<u>2024</u>	<u>2023</u>
Discount rate	5.25%	5.50%
Long-term rate of return on assets	N/A	N/A
Rate of compensation increase	3.00%	3.00%
Assumed health care cost trend during first year	7.00%	7.00%
Ultimate health care cost trend rate	5.00%	5.00%
Year ultimate health care cost trend reached	2030	2029

The discount rate was chosen by the plan sponsor based on market information on the measurement date.

Changes in amounts recognized in accumulated surplus for the years ended December 31, 2024 and 2023 are included in the table below:

	<u>2024</u>	<u>2023</u>
Change in unrecognized balances		
Unrecognized balances, January 1,	\$ (824,543)	\$ (551,628)
Net prior service cost recognized	22,709	22,709
Net (gain)/loss recognized	43,123	2,555
Actuarial loss/(gain) occurring	(331,939)	(298,179)
Ending unrecognized balances, December 31,	<u>\$ (1,090,650)</u>	<u>\$ (824,543)</u>

LOUISIANA CITIZENS PROPERTY INSURANCE CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

12. OTHER POSTEMPLOYMENT BENEFITS: (Continued)

Funded Status and Funding Progress:

The plan has no assets and has a funded ratio of zero.

Future benefit payments expected to be paid in each of the next five years and in the aggregate for the following five years:

Year ending December 31,	
2025	\$ 72,652
2026	89,700
2027	106,661
2028	124,450
2029	145,062
2030-2034	864,474
Total	<u>\$ 1,402,999</u>

13. LEASES:

The Company is obligated under a non-cancelable operating lease for office space that began on October 1, 2023 and will expire in March 2034. The future minimum payments as of December 31, 2024 were as follows:

Year ending December 31,	
2025	\$ 412,770
2026	459,995
2027	469,195
2028	478,579
2029	488,150
Thereafter	2,182,107
Total	<u>\$ 4,490,796</u>

Rental expense for the years ended December 31, 2024 and 2023 was \$416,605 and \$504,577, respectively.

LOUISIANA CITIZENS PROPERTY INSURANCE CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

14. RECONCILIATION OF GAAP AND STATUTORY BASIS OF ACCOUNTING
(UNAUDITED):

A reconciliation between the change in net position and the deficiency in net position as reported under GAAP basis and statutory basis for the years ended December 31, 2024 and 2023 was as follows:

	<u>2024</u>	<u>2023</u>
Change in net position - GAAP basis	\$ 283,880,414	\$ 226,015,849
Adjustments to:		
Pension plan expense	(142,194)	(10,378)
Other	(7,121,573)	(18,676,482)
Amortization expense - right of use asset	264,000	263,202
Amortization expense - right of use asset SBITA	515,613	185,600
Rent expense	(367,220)	(381,647)
Software maintenance expense	(681,451)	(352,534)
Interest expense	474,031	236,687
Investment increase (decrease) in fair value	10,367	(976,284)
Excess emergency assessments	(82,371,370)	(99,122,273)
Tax exempt surcharge	(18,694,184)	(16,259,072)
Net income - statutory basis	<u>\$ 175,766,433</u>	<u>\$ 90,922,668</u>
	<u>2024</u>	<u>2023</u>
Total increase (deficiency) in net position - GAAP basis	\$ 455,734,272	\$ 171,853,858
Adjustments to:		
Non-admitted assets	(28,081,960)	(25,364,446)
Right of use assets	(2,498,174)	(2,706,000)
Right of use assets SBITA	(1,881,999)	(2,397,612)
Net pension asset	522,912	677,918
Lease liability	2,879,030	2,894,737
SBITA liability	1,741,232	2,232,884
SBITA accrued interest	39,372	50,479
Other accrued liabilities	(198,456)	(211,269)
Restricted assessments	(41,457,532)	(39,245,910)
Allowance for doubtful accounts	2,829,752	9,951,325
Investment increase in fair value	185,261	174,894
Emergency assessments receivable	(3,385,320)	76,774,428
Provision for reinsurance receivable	(90,721)	(87,088)
Accumulated surplus - statutory basis	<u>\$ 386,337,669</u>	<u>\$ 194,598,198</u>

LOUISIANA CITIZENS PROPERTY INSURANCE CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

15. COMMITMENTS AND CONTINGENCIES:

The Company is involved in certain litigation and disputes incidental to its operations. In the opinion of management, after consultation with legal counsel, there are substantial defenses to such litigation and disputes and any ultimate liability, in excess of reserves resulting there from, will not have a material adverse effect on the Company's financial condition or results of operations.

The Company is also involved in other potentially significant litigation described below; any of which could have a material adverse effect on the financial condition or results of operations. These matters raise difficult and complicated factual and legal issues and are subject to many uncertainties and complexities, including the underlying facts of each matter; novel legal issues; variations between jurisdictions in which matters are being litigated, heard, or investigated; differences in applicable laws and judicial interpretations; the length of time before many of these matters might be resolved by settlement, through litigation or otherwise; and the current legal environment faced by large corporations and insurance companies.

The outcome of these matters may be affected by decisions, verdicts, settlements, and the timing of such in other individual and class action lawsuits that involve the Company, other insurers, or other entities and by other legal, governmental, and regulatory actions that involve the Company, other insurers, or other entities. The outcome may also be affected by future state legislation, the timing, or substance of which cannot be predicted.

In lawsuits, plaintiffs seek a variety of remedies. In some cases, the monetary damages sought include punitive or treble damages. Often specific information about the relief sought, such as the amount of damages is not available. When specific monetary demands are made, they are often set just below a state court jurisdictional limit in order to seek the maximum amount available regardless of the specifics of the case.

For the reasons previously specified, it is often not possible to make meaningful estimates of the amount or range of loss that could result from the known and unknown matters described. The Company reviews these matters on an ongoing basis and follows appropriate accounting guidance when making accrual and disclosure decisions. When assessing "reasonably possible" and "probable" outcomes, the Company bases its decisions on its assessment of the ultimate outcome following all appeals. Additionally, in instances where a judgment, assessment or fine has been rendered against the Company, there is a presumption that criteria in reaching a "reasonably possible" and "probable" outcome have been met. In such instances, the amount of liability recorded by the Company will include the anticipated settlement amount, legal costs, insurance recoveries and other related amounts and take into account factors such as the nature of the litigation, progress of the case, opinions of legal counsel, and management's intended response to the litigation, claim, or assessment.

Due to the complexity and scope of the matters disclosed below and the many uncertainties that exist, the ultimate outcome of these matters cannot be reasonably predicted. In the event of an unfavorable outcome in any one or more of these matters, the ultimate liability may be in excess of amounts currently reserved.

LOUISIANA CITIZENS PROPERTY INSURANCE CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

15. COMMITMENTS AND CONTINGENCIES: (Continued)

A summary of potentially significant litigation is as follows:

Oubre v. Louisiana Citizens Property Insurance Corporation. The plaintiffs in this suit allege that the Company failed to timely initiate loss adjustment as required by Louisiana statutory law exposing the Company to penalties up to a mandatory limit of \$5,000 per claim. On July 23, 2012, the Company settled the majority of this class action suit with a payment of \$104.7 million to the plaintiff counsel for distribution to the current class members. The Company entered into a settlement with the class for the remaining Oubre claims. For the years ended December 31, 2024 and 2023, the Company did not make any payments towards Oubre settlements. The Company has paid \$145.5 million towards the final settlement as of December 31, 2024. At December 31, 2024 and 2023, the Company had a reserve of \$3.7 million for this case for resolution of the remaining claims which the Company believes is adequate. The reserve is included in loss and loss adjustment reserves on the accompanying Statutory Statements of Admitted Assets, Liabilities, and Surplus.

Various other lawsuits against the Company have arisen in the course of the Company's business, including approximately 472 first-party suits, the majority of which are related to first party suits related to 2021 Hurricane Ida and 2020 Hurricanes Laura, Delta and Zeta. The Company believes it has established appropriate reserves for all lawsuits, in addition to class action claims described above. The Company has no assets that it considers to be impaired.

In addition to claims under the insurance policies it issues, the Company is potentially exposed to various risks of loss, including those related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. As of December 31, 2024 and 2023, the Company had insurance protection in place from various commercial insurance carriers covering various exposures, including workers' compensation, property loss, employee liability, general liability, directors' and officers' liability, business auto, and cyber insurance. Management continuously revisits the limits of coverage and believes that current coverage is adequate. There were no significant reductions in insurance coverage from the previous year.

16. DEPOPULATION:

The Louisiana State Legislature created the Company to operate insurance plans as a residual market for residential and commercial property. The legislature further intended that the Company work toward the ultimate depopulation of these residual market plans also known as the Coastal Plan and the FAIR plan. To encourage the ultimate depopulation of these residual market plans, the Louisiana Citizens Property Insurance Corporation Policy Take-Out Program was created.

LOUISIANA CITIZENS PROPERTY INSURANCE CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

16. DEPOPULATION: (Continued)

Under the take-out plan guidelines, not less than once per calendar year, the Company, with the approval of the governing board of the corporation, may offer some or all its in-force policies for removal to the voluntary market. The Company shall include in any offers for depopulation policies that, based on geographic and risk characteristics, serve to reduce the exposure of the corporation. Each insurer admitted to write homeowners insurance or insurance insuring one or two family owner occupied premises for fire and allied lines or insurance which covers commercial structures in the State of Louisiana may apply to the Company to become a take-out company. Insurers will be approved to participate in the depopulation of the Company based on statutory guidelines set forth in accordance with LRS 22:2314(C).

Policies may be removed from the Company at policy renewal or as part of a bulk assumption. In an assumption, the take-out company is responsible for losses occurring from the assumption date through the expiration of the Company's policy period.

Unearned premiums remitted to take-out companies pursuant to assumption agreements is reflected as a reduction in "Premiums earned" in the Statutory Statements of Income and totaled \$38,027,279 and \$22,101,996 for the years ended December 31, 2024 and 2023, respectively.

The Company provides administration services with respect to the assumed policies. All agreements provide for the take-out company to adjust losses. The take-out company pays a ceding commission to the Company to compensate for policy acquisition costs, which includes servicing company fees and agent commissions. While the Company is not liable to cover claims after the assumption, the Company continues to service policies for items such as policyholder endorsements or cancellation refunds. Should the Company process and provide a refund to policyholders, such amount is subsequently collected from the take-out company. At December 31, 2024 and 2023, there were no assumed premiums due from certain take-out companies.

17. EMERGENCY ASSESSMENT RECEIVABLE:

In 2006, the Company recorded \$978,205,000 long-term emergency assessment receivables for the issuance of the Assessment Revenue Bonds Series 2006. The receivable was recorded in relation to the 2005 plan year deficit. This represents the amounts to be collected from all policyholders ultimately to repay the 2005 deficit bonds outstanding. As of December 31, 2024 and 2023, the Company's emergency assessment receivable for the 2005 deficit was \$113,000,000 and \$166,530,000, respectively.

During the years ended December 31, 2024 and 2023, the Company has \$17,058,249 and \$20,000,000, respectively, in emergency assessment receivable – companies. This receivable is the estimated emergency assessment from participating insurance companies, which is paid to the Bond Trustee for bond repayment.

LOUISIANA CITIZENS PROPERTY INSURANCE CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

17. EMERGENCY ASSESSMENT RECEIVABLE: (Continued)

As the money is collected from the insurance companies and individual policyholders, the emergency assessment receivable is reduced along with the reduction to bonds payable.

18. SUBSEQUENT EVENTS:

The Company has evaluated subsequent events through the date these financial statements were available to be issued, May 13, 2025. During this period, the Company had one material recognizable subsequent event that required recognition in the disclosures to the December 31, 2024 financial statements.

As of December 31, 2024, the Company has collected sufficient assessments to cover all remaining debt service obligations through June 2026. On January 9, 2025, the Board of Directors voted to discontinue the approved 1.36% assessment rate for 2025, effective April 1, 2025.

LOUISIANA CITIZENS PROPERTY INSURANCE CORPORATION
SUPPLEMENTARY INFORMATION
SUPPLEMENTAL INVESTMENT RISK INTERROGATORIES
DECEMBER 31, 2024

The following is a summary of certain statutory financial data included in the supplemental investment risk interrogatories.

1. Total admitted assets as reported on the Statutory Statements of Admitted Assets, Liabilities, and Surplus \$1,078,829,417
2. By investment category, the ten largest exposures to a single issuer/borrower/investment, excluding (i) U.S. government, U.S. government agency securities, and those U.S. government money market funds listed in the Appendix to the *SVO Purposes and Procedures Manual*, as exempt, (ii) property occupied by the Company, and (iii) policy loans.

Issuer	Description of Exposure	Amount	% of Total Admitted Assets
State of Louisiana	Bonds	\$ 43,657,352	4.0%
Louisiana Local Government Environmental Facilities and Community Development Authority	Bonds	26,081,572	2.4%
City of New Orleans, Louisiana	Bonds	17,558,701	1.6%
East Baton Rouge Louisiana Sewerage Commission	Bonds	9,104,468	0.8%
Louisiana Public Facilities Authority	Bonds	8,038,040	0.7%
City of Lafayette, Louisiana	Bonds	7,862,607	0.7%
Parish-wide School District of Ascension Parish, Louisiana	Bonds	5,789,922	0.5%
St. Tammany Parish Wide School District No 12 Louisiana	Bonds	3,813,579	0.4%
Louisiana Housing Corporation	Bonds	3,731,380	0.3%
Bossier Parish Schools	Bonds	3,293,365	0.3%

3. Amounts and percentages of total admitted assets held in bonds. Total bonds consist of \$167,794,398 of bonds, \$17,842,124 in short-term bonds, and \$3,136,929 in cash equivalents, consisting of bonds maturing in three months or less from the purchase date, reported as cash, cash equivalents, and short-term investments on the Statutory Statement of Admitted Assets, Liabilities, and Surplus.

Exposure	Amount	% of Total Admitted Assets
Bonds	\$ 188,773,451	17.50%