

LOUISIANA USED MOTOR VEHICLE COMMISSION
STATE OF LOUISIANA

REGULAR MEETING
February 20, 2012
BEGINNING AT 9:31 A.M.

3132 VALLEY CREEK
BATON ROUGE, LOUISIANA

REPORTED BY:
BETTY D. GLISSMAN, CCR

Betty D. Glissman, CCR
(225) 754-8609

1 APPEARANCES:

2

3 CHAIRMAN:

4 MR. JOHN POTEET

5

6 COMMISSIONERS PRESENT:

7 MR. TONY CORMIER (arrived late)

8 MR. RON DUPLESSIS

9 MR. GEORGE FLOYD (arrived late)

10 MR. KIRBY ROY

11 MR. HENRY "DARTY" SMITH

12 MR. DINO TAYLOR

13 MR. DOUGLAS TURNER

14

15

16 REPRESENTING THE LOUISIANA USED MOTOR
17 VEHICLE COMMISSION:

18

ROBERT W. HALLACK, ESQUIRE

19

HALLACK LAW OFFICE

13007 JUSTICE AVENUE

20

BATON ROUGE, LOUISIANA 70816

21

SHERI MORRIS, ESQUIRE

ROEDEL, PARSONS, KOCH, BLACHE,

22

BALHOFF & McCOLLISTER

8440 JEFFERSON HIGHWAY, SUITE 301

23

BATON ROUGE, LOUISIANA 70809

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1 ALSO PRESENT:

2

3 MS. KIM BARON

4 MR. DEREK PARNELL

5 MS. MONA ANDERSON

6 MR. KEVIN REMBERT

7 MS. SHEILA JONES

8 MS. BECKY BERTRAND

9 Mr. KEITH KIRALY

10 Mr. RICHIE KIRALY

11 Mr. CHARLES HANSBERRY

12 Mr. EDDIE BRIDGES

13 Mr. G. KATZ

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1 MR. POTEET:
2 All right. Let's stand for
3 the Pledge.

4 (PLEDGE OF ALLEGIANCE.)

5 MS. BARON:
6 John Poteet?

7 MR. POTEET:
8 Here.

9 MS. BARON:
10 George Brewer?

11 MR. BREWER:
12 (No response.)

13 MS. BARON:
14 Louis Bourgeois?

15 MR. BOURGEOIS:
16 (No response.)

17 MS. BARON:
18 Tony Cormier?

19 MR. CORMIER:
20 (No response.)

21 MS. BARON:
22 Ron Duplessis?

23 MR. DUPLESSIS:
24 Here.

25

1 MS. BARON:
2 George Floyd?

3 MR. FLOYD:
4 (No response.)

5 MS. BARON:
6 Kirby Roy?

7 MR. ROY:
8 Here.

9 MS. BARON:
10 Darty Smith?

11 MR. SMITH:
12 Here.

13 MS. BARON:
14 Douglas Turner?

15 MR. TURNER:
16 Here.

17 MS. BARON:
18 Dino Taylor?

19 MR. TAYLOR:
20 Here.

21 MS. BARON:
22 Mr. Chairman, we have a
23 quorum.

24 MR. DUPLESSIS:
25 Very good.

1 MS. BARON:

2 Just barely.

3 MR. POTEET:

4 All right. The first thing
5 we have is we've got some items for
6 discussion and action. We need approval of
7 the minutes from the previous meeting.

8 MR. ROY:

9 I so move.

10 MR. SMITH:

11 Second.

12 MR. POTEET:

13 We have a motion and we have
14 a second.

15 All in favor, say "Aye."

16 (All "Aye" responses.)

17 MR. POTEET:

18 That passes.

19 Financial matters, Mona, are
20 you ready to do the review of the financial
21 report?

22 MS. ANDERSON:

23 If you turn in your packet to
24 your financial statements, Page 1 on your
25 balance sheet, our end of January balance in

1 the bank account was \$1,299,698. The
2 deferred revenue portion of that balance was
3 \$214,470. And so that left a million 85 in
4 this year's revenue, which is about \$226,000
5 higher than last year at this time, pretty
6 good cash flow there. The accounts
7 receivable hearings balance increased to
8 \$63,800. We'll discuss that in the report
9 later.

10 On Page 2 of that balance
11 sheet report, again you can see the deferred
12 revenue, that being \$214,470, which it
13 increased \$28,000 from last month. At the
14 bottom of the page, the year-to-date revenue
15 over expenditures was \$424,393 compared to
16 last year, which was \$318,512, about a
17 \$106,000 increase.

18 Moving on to the revenue and
19 expenditure statement on the next page, you
20 can see your revenues there. On the second
21 page -- on Page 4 is the year-to-date total
22 for the revenues of \$938,477. That's about
23 \$136,000 -- we have about \$136,000 left in
24 the -- to be earned in the budget or about
25 12.7 percent. Last year at this time, we

1 had about 22 percent left to collect in the
2 revenue. So we're doing really good in the
3 -- collecting our revenue this year.

4 The expenditures, at this
5 time of the year, we should have about 42
6 percent left in the budget. The total
7 actual expenditures, we have about 49.74
8 percent. So we're looking good with our
9 expenditures. Salaries and related benefits
10 are under budget with \$307,000 left in the
11 budget.

12 On Page 5, the operating
13 expenditures are under budget, and we have
14 48 percent left there, 68 percent left on
15 our professional services, nothing out of
16 the ordinary. Our miscellaneous operating
17 services, again, are higher due to the
18 credit card fees. We have more online than
19 we anticipated in 2010. And on the last
20 page, Page 6, you can see that our
21 month-to-date revenue over expenditures was
22 \$46,945 and year to date \$424,393.

23 If you turn to the next page,
24 your revenue and expenditure report reflects
25 that amount again mid page there. At the

1 bottom is our net revenue. The revenues are
2 \$15,600 higher than last year at this time
3 and the expenditures are \$5,200 lower than
4 last year at this time.

5 Turning on to the certificate
6 of deposit report, all of the items on that
7 report are pretty much the same as you saw
8 last month. And we did go out -- you had
9 requested that we obtain a six month
10 \$100,000 CD and we did search for that, the
11 best rate that we could find there. So
12 you'll see that reflected on next month's
13 report. We obtained that \$100,000 CD from
14 LA Capitol Federal Credit Union, and the
15 rate is a little higher than the operating
16 account at point four zero percent. It's
17 quite a game in the banking business
18 nowadays. Some banks were not even taking
19 \$100,000 six month CDs anymore. It's going
20 to be a struggle from here on that rate.

21 On the last page, Page 9, is
22 your accounts receivable hearing report. We
23 added Value Imports at \$38,900 and that
24 brought your total to what you saw on the
25 balance sheet of \$63,800.

1 And were there any questions?

2 That concludes my report.

3 MR. DUPLESSIS:

4 I have one question. At
5 point seven five percent, what prevents us
6 from buying State bonds, short-term State
7 bonds?

8 MS. MORRIS:

9 Nothing prevents you from
10 buying State bonds, you are investing in
11 public bonds.

12 MR. DUPLESSIS:

13 Well, I mean, we're paying,
14 what, six -- there are some bonds I bought
15 some the other day. They were tax free
16 state and federal, 5.73, and they were State
17 bonds.

18 MS. ANDERSON:

19 How long do you have to leave
20 them in?

21 MR. DUPLESSIS:

22 Six months.

23 MS. ANDERSON:

24 Six months.

25 MR. DUPLESSIS:

1 But you can short sell them.
2 I mean, you can sell them at any time and
3 receive the revenue. So, I mean, it's worth
4 looking into.

5 MR. ROY:

6 What's the interest rate?

7 MR. DUPLESSIS:

8 5.73 to 6.15 or something.

9 They range, but, you know, they're
10 underwritten by the State, and we ought to
11 be able to buy a bond in the state that we
12 live in.

13 MS. MORRIS:

14 You can invest in State
15 bonds.

16 MR. DUPLESSIS:

17 Yes.

18 MS. ANDERSON:

19 We've got some CDs that are
20 coming up in April, so we can look at that
21 then and try to see what we can get there.

22 MR. TAYLOR:

23 Do we have to go into a
24 committee meeting to discuss it like last
25 time?

1 MR. DUPLESSIS:

2 I don't think so. I think
3 they're a clear cut buy, but I'm not sure
4 how you do it.

5 MS. MORRIS:

6 I believe that the statute
7 lists investments that you can put your
8 money in without having to go before the
9 committee and not -- public bonds, I
10 believe, are in there, municipal bonds,
11 state bonds, federal bonds, because they're
12 guaranteed.

13 MR. DUPLESSIS:

14 Absolutely. So I think it
15 would be a good investment for us.

16 MR. POTEET:

17 Yes. Let's take a look at
18 that and see what the alternatives are.

19 MS. ANDERSON:

20 Landmark is one of the banks
21 that wouldn't take the \$100,000 CD and
22 that's coming up in April. So we may have
23 to move that some place else.

24 MR. DUPLESSIS:

25 We should have a decision

1 before then.

2 MR. POTEET:

3 Sure. Thank you, Ron.

4 MR. DUPLESSIS:

5 Sure.

6 MR. POTEET:

7 Any other questions on the
8 financial statements or any financial
9 matters at this time?

10 (No response.)

11 MR. POTEET:

12 We need a motion to approve
13 the financial statements.

14 MR. SMITH:

15 I make a motion.

16 MR. ROY:

17 Second.

18 MR. POTEET:

19 I have a motion and a second.

20 All in favor, say "Aye."

21 (All "Aye" responses.)

22 MR. POTEET:

23 The financial statements are
24 approved.

25 Legal matters and pending

1 litigation, Mr. Hallack. By the way, good
2 morning.

3 MR. HALLACK:

4 Good morning, I'm sorry I was
5 late.

6 MR. POTEET:

7 That's okay.

8 MR. HALLACK:

9 We do have a judgment on
10 Value Imports. The document you saw last
11 time was the ruling of the Court and the
12 actual judgment. We now have 30 days to
13 file a devolutive appeal and 60 days -- no,
14 I'm sorry, 60 days to file a devolutive
15 appeal, 30 days to file a suspensive appeal.
16 So we'll wait. There's no real reason to
17 wait if we have to do anything about the
18 dealership.

19 Is that it?

20 MR. POTEET:

21 Triple A.

22 MR. HALLACK:

23 We had a hearing in Monroe
24 not last Friday, but the Friday before last
25 enjoining Dontel George and AAA from selling

1 used parts in the State of Louisiana. So
2 you're out there and you catch somebody
3 that's connected with Dontel George or AAA
4 selling used parts, let us know. What the
5 order -- injunction will allow us to do, if
6 he violates that, he is in contempt of
7 court, and then we can have a contempt
8 proceeding and the Court will decide what to
9 do. And I think I talked to y'all last time
10 about some of the various things that courts
11 do. We have Gene Alexander from -- do you
12 remember Gene? Gene was -- there's still a
13 bench warrant out for Gene Alexander. They
14 never picked him up on the bench warrant,
15 though.

16 And then I told you about Don
17 Best, who was supposed to walk around the
18 Commission parking lot with a sandwich board
19 saying, I will not sell used cars in
20 Louisiana. So that's some of the various
21 things. They can fine them. They can put
22 them in jail. They can make them do silly
23 things.

24 MS. BARON:

25 Do we need to monitor the AAA

1 website to make sure it's not up and they're
2 not advertising for used parts?

3 MR. HALLACK:

4 Right, we do need to do that.
5 Now, I checked before I went to Monroe and
6 it said that it's under construction.

7 MS. BARON:

8 Okay.

9 MR. HALLACK:

10 But he did, up until a couple
11 of months ago, have a website up.

12 MS. BARON:

13 What title was it under?

14 MR. HALLACK:

15 It was under AAA Auto
16 Network.

17 MS. BARON:

18 Auto Network.

19 MR. HALLACK:

20 He's had, like, three or four
21 businesses under AAA, but AAA Auto Network,
22 he actually organized as an LLC, I believe.

23 Does anybody have any
24 questions?

25 MR. POTEET:

1 So now he can be arrested is
2 what you're saying?

3 MR. HALLACK:

4 Well, he can be held in
5 contempt of court and the court will
6 determine what they need to do with him,
7 whether they'll put him in jail for a little
8 while for violating the Court order or just
9 simply fining him or whatever, but he has to
10 be first held in contempt of court, and then
11 we would have to offer proof to the Court
12 that he violated the Court's order.

13 MR. POTEET:

14 That sounds pretty good.

15 MR. HALLACK:

16 Yes.

17 MR. POTEET:

18 All right. Policy and
19 procedures, discussion of salvage titles.

20 MR. PARNELL:

21 This was an item that was on
22 the agenda on last month, something that
23 Commissioner Taylor -- we wanted to kind of
24 discuss as a whole. We deferred it from
25 last month. So I'll ask Commissioner Taylor

1 to go ahead and take the lead on this
2 discussion item.

3 MR. TAYLOR:

4 I guess I need to tell you
5 what happened and the research I've done and
6 actually I believe that everything is okay,
7 but I'll let y'all decide that. I purchased
8 a vehicle from a wholesaler. The vehicle I
9 purchased was -- the wholesaler bought at a
10 car auction. At that car auction, they
11 advertised it to have or announced it to
12 have insurance papers. He didn't tell me.
13 I re-sold the car. If it would have went to
14 title, it would have came back a salvage
15 title.

16 So I called Montie, which
17 Montie was very, very helpful. He worked at
18 it, but there wasn't a lot that he could do
19 within the Commission always deciding
20 whether we could do anything at all within
21 the Commission. You know, I was emotional
22 at the time, of course, but anyway, since
23 then, me and him have settled and it's going
24 to cost me about two grand, but even with
25 that being said, I can tell you that I

1 believe that everything in our salvage title
2 laws and definitions is there. The only
3 issue we have is that if a title comes in
4 from out of state -- and you might need to
5 help me with this, but from what I
6 understand, if a -- Copart handles a lot of
7 these insurance company salvage, and in
8 doing this, they are the ones that apply for
9 the salvage title in the insurance company's
10 name. What happened in my particular case
11 is that they did that, but they didn't apply
12 for a salvage title. They applied for a
13 clean title and they got a clean title.

14 It says in our statutes that
15 if it's 75 percent or more, it's a total
16 loss. Either their representative or the
17 insurance company has to apply for a salvage
18 title. Once again, that didn't happen in
19 this case and it slid on through. I
20 shouldn't have paid for the vehicle. My
21 receptionist, long story short, wasn't
22 there. We paid for it. Somebody else paid
23 for it. We know better, but a lot of
24 dealers don't. With all of that being said,
25 everything in -- that I read here, there's

1 nothing to be added. There's nothing to be
2 taken away. I believe that they've got the
3 proper definition and what should happen.
4 The only problem I have is if the insurance
5 company or the -- or their representative
6 doesn't apply for it correctly, which --
7 once again, I still think becomes a civil
8 matter and I don't think it's a matter
9 that's addressed here.

10 So if anybody has got any
11 questions -- I know I've been beating around
12 the bush, but I called George this morning.
13 I called Steve Chaisson this morning, which
14 run two auctions up in the northern part of
15 the country there, and they said they're not
16 seeing insurance titles come through anymore
17 that aren't insurance -- that are salvage
18 titles.

19 John, what are you seeing, do
20 you see that very much anymore?

21 MR. POTEET:

22 We don't sell very many of
23 them to begin with, but they're come through
24 as salvage titles, the ones that we see.

25 MR. TAYLOR:

1 I think the situation that
2 happened to me was a mistake by -- a
3 clerical mistake is what I have to assume.
4 There was a clerical mistake, somebody at
5 Copart, and it just got passed through me.
6 I don't think it's enough of it going on or
7 any of it going on to -- I don't think it
8 merits anything from us, I really don't, my
9 opinion.

10 MR. POTEET:

11 Good. Well, that's good to
12 know. At our auction, we don't really see
13 too many of these coming through. I haven't
14 had any issue with a salvage title in
15 probably -- there was one a couple of years
16 ago and it was kind of a similar situation.
17 It was involving Copart and they had failed
18 to get the proper paperwork and the seller
19 had bought the car there and brought it to
20 us and sold it and, you know, we had to
21 wrangle around and get him to understand
22 that he couldn't sell the car the way that
23 he had sold it. But, you know, I don't see
24 this happening very often. Of course, we --
25 you know, my auction is not involved in

1 salvage only. Maybe -- we probably sell 10
2 salvage cars a year, if that many.

3 MR. TAYLOR:

4 I think it's very, very clear
5 what an insurance company should do when a
6 vehicle is deemed a total loss. It's very
7 clear. It's black and white. So -- and
8 then, like I say, after calling other
9 auctions and hearing you say it, y'all
10 monitor it more than anybody, because you
11 see more volume than anybody, I don't think
12 we have an issue here. I think our salvage
13 title laws read very clean, very clear, and
14 I think Montie did a good job in trying to
15 help me on something that really -- he was
16 trying to get in touch with Copart for me and
17 for the other dealer and, really, he didn't
18 even have to go that extra step, I don't
19 believe. So I think everything was handled
20 well and I think it reads well.

21 MR. POTEET:

22 All right. Good. That's
23 good to know.

24 Derek, I don't know if this
25 fits into this discussion or not, but the

1 issue about the bonded titles, did you ever
2 look into anything about that?

3 MR. PARNELL:

4 No, no.

5 MR. DUPLESSIS:

6 I did some research, and I'll
7 tell you what happened. It came up in an
8 instance that we were involved in with a
9 Texas title shortly after I think you had a
10 problem with it. So I called the Caseys and
11 I called Lessie House and I called someone
12 else and, basically, the bonded title is a
13 very obscure element that seems to be abused
14 in Texas. And I think basically when
15 grandpa dies and he has no heirs and, you
16 know, they are trying to find the title,
17 they can't find the title, and they give him
18 an -- well, they him a bonded title to
19 succession, so they can move the car and
20 that sort of thing.

21 Texas has a very loose
22 approach. It seems to not be a problem in
23 Mississippi or Arkansas and Casey told me he
24 has -- those are our surrounding states,
25 that's why I mentioned those -- but every

1 state and every bonded title is handled on
2 an individual basis.

3 And I looked to do some
4 legislation. I looked to do something, but
5 when I came to the conclusion it's such a
6 small fraction, we couldn't begin to take in
7 all of the exceptions to write it. It was
8 way over my head. So I just kind of wrote
9 it off as being the exception to the state.

10 What they did tell me is that
11 you take a bonded title and you go make a
12 case at the Department of Motor Vehicles and
13 backtrack it. It's a real thorn in your
14 side, but nevertheless they will look at it
15 objectively and see if they can register the
16 car.

17 MR. POTEET:

18 Well, we have -- you know,
19 our policy at our auction, just because the
20 way that the Louisiana law reads, we don't
21 accept bonded titles. I mean, that's just
22 part of -- that's one of the rules.

23 Now, the problem we have --
24 any of you who are in the car business know
25 that the title is not always with the car.

1 The title is rarely with the car. So at an
2 auction, the vehicle can be sold and two or
3 three weeks later or even longer sometimes,
4 the title comes in and it's a bonded title.
5 At that point, we have to unwind the sale.
6 We haven't had too many of these. We've
7 only had probably Steve with the auction up
8 in --

9 MR. TAYLOR:

10 Chaisson.

11 MR. POTEET:

12 He had called me about it a
13 few months ago. We've only had one bonded
14 title that we had to unwind in the last six
15 months and I don't know, you know, what the
16 -- before that, how many we had, because it
17 hasn't been an issue. I guess we were
18 unable to unwind them.

19 But it doesn't seem to be too
20 big of a problem, but you can imagine the
21 problems that it can cause to go from, you
22 know, a dealership to a wholesaler to an
23 auction to another guy before the title ever
24 gets to that first deal. Then, that's when
25 we're going to run into problems.

1 But I think you're right,
2 Ron. I think it's a small thing. It's got
3 to be governed somewhat by the auctions, but
4 it's also amongst people who are trading
5 them with each other. They've got to
6 understand that law. And I'll bet if you go
7 to a typical dealer and ask him, did you
8 know you can't get a bonded title out of
9 Texas -- well, really any bonded title
10 technically, you're not going to be able to
11 get a title. I think most people don't know
12 about that.

13 MR. TURNER:

14 They don't even know what a
15 bonded title is.

16 MR. DUPLESSIS:

17 That's correct.

18 MR. TURNER:

19 They don't know.

20 MR. DUPLESSIS:

21 That's correct.

22 MR. POTEET:

23 It says bonded on it. But
24 other than that, you're right, if they get
25 the title and they bring it to somebody and

1 they say, we can't accept that, most of the
2 time, they don't understand it, because
3 you're right, they don't know what it is and
4 they don't know how it gets there. I don't
5 think that -- and my opinion is, we -- it
6 doesn't require us to try to change the law
7 in Louisiana. I know it might be a little
8 difficult for some people, but --

9 MR. CORMIER:

10 It's not happening very
11 often, because I have yet to get one in 14
12 years.

13 MR. TURNER:

14 I was just lucky. I got two
15 in the last year.

16 MR. POTEET:

17 You're luckier than most of
18 us, I guess. You said in 14 years, but I
19 believe the law that's in place now is not
20 that old. It may be two or three years old,
21 because we used to accept bonded title.

22 MR. REMBERT:

23 Yes, it changed two years
24 ago.

25 MR. POTEET:

1 It can't be more than two or
2 three years old.

3 MR. TURNER:

4 Why did it change, did you
5 have problems?

6 MR. REMBERT:

7 The State of Louisiana
8 changed it. I'm not sure it's something
9 that came -- it changed very quietly,
10 because at auctions we took them for years,
11 and then all of a sudden, the title wasn't
12 accepted in Louisiana. Louisiana didn't
13 accept them, but we accepted them for many
14 years before that and all of a sudden, the
15 changes for some reason.

16 MR. DUPLESSIS:

17 I think it changed because of
18 the flood cars and the hurricanes and things
19 like that was the reason. But what did you
20 end up doing to yours, how did you resolve
21 it? You don't still have it there.

22 MR. TURNER:

23 The first one, we bought out
24 of Manheim in Dallas. We sent the paperwork
25 back to them and in about 30 days, we got

1 clean paperwork. That's all I can tell you.

2 MR. DUPLESSIS:

3 That's what I want to know.

4 Congratulations.

5 MR. TURNER:

6 The second one was bought in
7 Slidell. Kevin was there. And we tried
8 everything in the world to get it resolved
9 and could not and it was unfortunate,
10 because a lot of time had gone by, because
11 we purchased the car, floored it on our
12 floor plan. So we never saw the title until
13 45 days or so later when we sold the car and
14 paid it of. We went to register it and it
15 had a bonded title. So we wound up having
16 to unwind the deal. The auction helped with
17 some of the expenses, but I still ended up
18 losing about \$3,500.

19 MR. REMBERT:

20 Manheim actually took that
21 vehicle back, and 60 days later it had a
22 clean title. It was accepted in Louisiana.
23 But at that point, Doug couldn't -- had lost
24 his retail customer.

25 MR. TURNER:

1 We didn't want to deal with
2 it, again.

3 MR. REMBERT:

4 The process tags were clean.
5 I mean, there are ways to clean them. It
6 just takes a while. It's kind of bypassing
7 the law.

8 MR. POTEET:

9 With our auction in Texas, my
10 partners and I have an auction in Houston,
11 the -- I was talking to the title clerks
12 about this a month or so ago, and they said
13 -- there's a process to get a clean title.
14 Now, the process that you're supposed to
15 use, you're supposed to wait three years.

16 MR. TURNER:

17 Right.

18 MR. POTEET:

19 But there are other processes
20 that can be used to get it. But even there,
21 they said they don't get that many of them.
22 But when you're trading within the state,
23 it's like anything. If we've got a
24 Louisiana dealer and a Louisiana dealer, it
25 is easier when there are things, you know,

1 within our state. It's always an issue when
2 you have dealers on -- you know, a
3 Mississippi dealer or a Louisiana dealer on
4 certain things. That's typical of the
5 auction business.

6 MR. TURNER:

7 A bonded defective title is
8 no problem for a Texas dealer.

9 MR. POTEET:

10 Right, exactly.

11 MR. DUPLESSIS:

12 There is a way to do it. And
13 the other person I called was the justice of
14 the peace. That's who it was. I'm getting
15 old.

16 You can take your paperwork
17 and you can present it to the justice of the
18 peace and you can lay out in a short period
19 of time the actual fact pattern or bonded
20 title. And if he sees it's clear, he can
21 then in turn issue what is called a judicial
22 title, which a judicial title can be taken
23 to the Department of Motor Vehicle and it
24 can be a cleansed title very quickly. But
25 that's a very quick process.

1 But, you know, if you have a
2 justice of the peace that really likes you,
3 it might be even quicker, but normally you
4 have to take the title and present the facts
5 and sell him on giving you a clean title.
6 So that's actually -- that's the shortcut to
7 the procedure.

8 MR. TURNER:

9 Well, the hardest part will
10 probably be getting the facts. How did it
11 become a bonded title.

12 MR. POTEET:

13 All right. Any more
14 discussion on titles? It looks like the
15 issue with the salvage titles were a bad
16 experience for Mr. Taylor and he discovered
17 other laws are pretty good.

18 MR. TAYLOR:

19 I believe they are.

20 MR. POTEET:

21 All right. The next thing on
22 our agenda is the regular legislative -- the
23 2012 regular legislative session. The first
24 thing we have is House Resolution 115.

25 MR. PARNELL:

1 In your packets -- I'll let
2 Commissioner Duplessis kind of go over it a
3 little bit more in detail. But in your
4 packets, you will find the response that I
5 received from SEADRA's attorney in relation
6 to the questions that Commissioner Duplessis
7 posed during our legislative session -- I
8 mean, I'm sorry, our Legislative Committee
9 meeting that we had at the Department of
10 Insurance.

11 So, if you will, Commissioner
12 Duplessis, do you want to kind of talk about
13 where we are?

14 MR. DUPLESSIS:

15 Yes. We had a really, really
16 good meeting at the Department of Insurance
17 meeting room. And we invited all of the
18 dealers and invited SEADRA and whoever else
19 -- whatever other insurance companies were
20 writing it and come to find out, it seemed
21 to be Great American and SEADRA and a
22 company called Rent-T-Own, which essentially
23 was the same company as Great American. And
24 what we found out was through the dealers
25 that basically we thought this law was

1 antiquated and obsolete, the law to require
2 this type of insurance. And this type of
3 insurance could be covered in the garage
4 liability policy and through other avenues.

5 And, basically, with a
6 notification from the insurance companies
7 that when the customer fails to or lapses in
8 his insurance payment, they would
9 immediately be notified by either text or a
10 ping of the phone or they would notify by
11 e-mail, which could be converted to a phone
12 thing, and most of the dealers utilize GPS
13 systems by which they can either locate the
14 car or shut the car down, but then you had a
15 10 day grace period in order to reinstate
16 the insurance.

17 So the whole law was to
18 protect the dealer and the unwitting
19 consumer who is a victim of a non-insured
20 motorist. Basically, that's always going to
21 exist and it was to protect the dealers
22 through what was called the Graves
23 Amendment, a federal amendment. It's done
24 away pretty much with the concept and the
25 theory of vicarious liability and contingent

1 liability.

2 Vicarious means pretty much
3 to the leasing side of things where you a
4 motorist who either has a poor record --
5 let's say he has some DUIs or reckless
6 driving and that sort of thing and they
7 deemed the company in error for actually
8 leasing the car and they penetrate and they
9 go to the deep pockets, which is the leasing
10 company.

11 And, then, on contingent
12 liability, that tends to be more the lapsed
13 insurance concept. But Graves Amendment
14 seems to have done a very good job of
15 eliminating both of those issues in leaving
16 the responsibility on the driver.

17 Nevertheless, through
18 technology, both GPS and notification, it
19 seems like this insurance is fairly
20 unnecessary. It also seems that it's not
21 readily available in the fact that they
22 require a whole number of different issues
23 in order to be insured through Great
24 American and SEADRA. Number one is
25 membership fee and, number two, it's kind of

1 a reporting and learning process that you go
2 through, which, you know, seemingly is good,
3 but these guys are professionals. You know,
4 it's like giving a hitting lesson to Barry
5 Bonds. It just doesn't really -- you know,
6 it just doesn't seem to kind of flow.

7 These guys know their
8 business. They obviously know the exposure
9 to their customers and we found that, you
10 know, this is our public transportation
11 system. This gets transportation to the
12 low-end consumer that's had a few problems
13 in the past, but needs to work, he needs to
14 get the kids to school and he can go acquire
15 a car for a small amount of money where he's
16 not credit worthy otherwise.

17 So these requirements of \$20
18 a month per vehicle, plus the insurance,
19 seems to be not necessary, cumbersome. It
20 would be a large amount of money to pay,
21 \$250 a year. It doesn't sound like a lot to
22 people in this room, but, you know, you're
23 talking to a consumer that every dollar
24 counts and, you know, times are tough. So I
25 think our conclusion was, number one, the

1 law is antiquated and obsolete due to
2 technology in many ways and the excessive
3 fees for the insurance -- to get the
4 insurance was just overbearing. The actual
5 insurance seems to be about \$1,500 to
6 \$3,000, \$5,000 a year per dealer. For the
7 lowest dealer \$1,500, the biggest dealer
8 maybe \$5,000 or \$6,000. And, actually, what
9 the insurance covers -- I'm not sure we've
10 ever seen a claim paid.

11 Robert, have you?

12 MR. HALLACK:

13 No.

14 MR. DUPLESSIS:

15 Robert has done a lot more
16 coverage on that. So that kind of completes
17 my recital of what we've found and we have
18 to submit a report on 115.

19 Robert, and, Sheri, y'all
20 drafted some very nice pieces of work. I'll
21 let y'all kind of continue from there.

22 MR. HALLACK:

23 Well, we have to file a
24 report in response to House Resolution 115.
25 I don't know what's in the packet. So I

1 think some of you were e-mailed a draft.

2 MR. PARNELL:

3 Kind of a second draft at
4 this point.

5 MR. POTEET:

6 Does anybody have a copy of
7 the second draft?

8 MS. MORRIS:

9 Robert put together a lot of
10 information since he has worked on this
11 issue for a much longer period of time than
12 I have, but I took it and made the draft
13 that I think was e-mailed this weekend.
14 Basically, the draft kind of attempts to
15 give information that the Legislature
16 requested. We were requested to provide the
17 information before the beginning of session.
18 I left an area of the report for insertion
19 of information on whether an adequate market
20 for such insurance exists, you know, to be
21 completed by the Department of Insurance or
22 us together with the Department of
23 Insurance.

24 But, basically, I started
25 giving the history of how we got to the

1 point of even having the resolution and that
2 was that Representative Cortez filed a bill
3 to allow dealers to post a bond with the
4 State Treasurer's Office in lieu of the
5 carrying a contingent liability policy,
6 because we had a complaint from a consumer
7 as to the cost of carrying that contingency
8 liability insurance. And then, I looked at
9 amendments and it -- through the process,
10 that bill was amended every step along the
11 process and when it was on the Senate floor,
12 the final chamber for passage, it was a bill
13 that would have really not changed the
14 requirements very much. It would have
15 allowed a dealer to use a non-admitted
16 carrier to procure the policy if certain
17 conditions were met and hearings were held
18 and it was a very cumbersome process. It
19 didn't look to me like anybody would ever be
20 able to get a surplus lines policy with that
21 process.

22 So it didn't provide the
23 alternative that Representative Cortez had
24 proposed and it looked on its face like
25 provided an alternative, but I don't think

1 in effect it would have provided an
2 alternative. And so Representative Cortez,
3 toward the end of session, filed a study
4 resolution and let his bill die on the floor
5 of the Senate.

6 And that's kind of how we got
7 to this point and, as Ron has said, it
8 doesn't -- you know, what the contingent
9 liability insurance, I think, was intended
10 for was to have insurance available for a
11 pedestrian, property damage or the driver of
12 another vehicle involved in an accident with
13 the driver of a rent-to-own vehicle who let
14 his coverage lapse.

15 But I think since the time
16 that this was put in the law, there are
17 technology advances that allow for faster
18 reporting, faster location of those vehicles
19 and the ability to get them off the road
20 much faster than when the law was enacted.
21 I also included some history that Robert was
22 able to put together about how the
23 regulation of the rent-to-own industry came
24 to be under this Commission, so that the
25 legislators would have some background, but

1 it appears that the contingency liability
2 provision in the law requiring it to be only
3 with an admitted carrier has encouraged some
4 dealers to leave the rent-to-own business
5 and has discouraged some others from
6 participating and it also seems like our
7 economy, it's more difficult for some people
8 to get credit, that that would have been an
9 expanding part of our licenses, and we've
10 really seen a large decrease. So I think
11 that if the Legislature were to re-visit it
12 and give some other options to the dealers
13 to cover that risk, we would probably see an
14 expansion of the number of dealers who are
15 willing to participate in the program, and
16 maybe some of our others that have left come
17 back.

18 MR. DUPLESSIS:

19 Sheri, touch on the
20 lease-to-own, how some dealers have sought
21 shelter in the lease-to-own concept.

22 MS. MORRIS:

23 Well, the lease -- as I
24 understand it, the lease vehicle contracts
25 are you lease it for a term and if you want

1 to get out of that lease before the end --
2 say it's a three year term and in two years,
3 you decide you don't want the car, you
4 really still owe the lease payment. So it's
5 not as flexible as the rent-to-own where
6 they would allow someone to exit the program
7 at the end of a monthly term. If you do
8 rent the vehicle for a specified number of
9 months, then you have the ability to become
10 the owner of the vehicle.

11 Lease-to-own or lease with
12 option to purchase is different and it's a
13 greater financial liability for the
14 consumer. It also requires that you have a
15 credit standing similar to what would be
16 required to purchase a vehicle. So it
17 doesn't assist those individuals who have a
18 low credit rating.

19 MR. DUPLESSIS:

20 Some of our dealers actually
21 sought refuge in the lease-to-own business
22 to try to modify their business to go in
23 that direction in order to get away from the
24 exorbitant fees of rent-to-own insurance.
25 One instance was just -- I'm not going to

1 give a specific name, but I believe the
2 gentleman had 3,000 or 4,000 rent-to-owns
3 out and his policy was, you know, \$20 times
4 3,000 or \$4,000, pretty hefty. So he went
5 and got a lease-to-own license from the New
6 Car Commission. So we're seeing some of
7 that migration.

8 MS. MORRIS:

9 And the lease-to-own dealer
10 is not required to have contingent liability
11 from an admitted carrier.

12 MR. DUPLESSIS:

13 That's correct.

14 MS. MORRIS:

15 And that's why we see the
16 dealers moving.

17 MR. DUPLESSIS:

18 Well, I guess at this point,
19 Charles, do you have a report, would you --
20 I've seen some drafts of y'all's report.
21 Would you like to discuss from the Insurance
22 Commission side your view of that?

23 MR. HANSBERRY:

24 Sure. Charles Hansberry, I'm
25 with the Louisiana Department of Insurance,

1 Division of Property and Casualty. And as
2 result of this resolution, we have done some
3 research to see who is actually out there
4 offering -- well, not really offering, but
5 what companies have actually filed rates and
6 rules with us for these types of programs.
7 We looked at the two that were mentioned,
8 which were National Interstate and Great
9 American. Those two companies do, in fact,
10 have rates and rules on file with the
11 Department of Insurance. We have seen other
12 companies that have contingent liability
13 programs out there, but the dilemma is that
14 we're never aware of who's actually writing
15 the business. So that's where we're kind of
16 at a standstill in terms of determining
17 whether the market is truly adequate or not.

18 Noting that Great American
19 and National Interstate are basically one in
20 the same, it appears to us just off the cuff
21 that it's really not an adequate market.
22 The dealers are having to go through various
23 third parties in order to obtain coverage.
24 So that's kind of a position that we're
25 taking right now is that it doesn't appear

1 to us that the market may be adequate. As
2 far as extending the ability of surplus
3 lines companies to offer this type of
4 coverage, we're kind of also along the same
5 thought process in that if you allow the
6 company -- if you allow surplus companies to
7 write this type of coverage, in fact, you
8 may have more companies to jump into the
9 market, but that doesn't necessarily
10 guarantee that they're going to write that
11 particular type of coverage. And I think
12 last count was -- I think there are 90
13 rent-to-own dealers here in the State of
14 Louisiana, and our concern is that that
15 small number may not be enough to generate a
16 large interest in companies coming in to
17 writing. Like I said, it's ultimately up to
18 the company that is going to write it. So
19 that's kind of the foundation of our report
20 or proposed report.

21 MR. TURNER:

22 It is one company, basically.

23 MR. HANSBERRY:

24 Right. We found that there
25 is only one company that is actively

1 writing.

2 MR. POTEET:

3 Okay. That might be the key
4 word, actively. I'm reading through this
5 response from SEADRA. I guess it's from
6 Chris Ralston; is that right, Derek?

7 MR. PARNELL:

8 That's right.

9 MR. POTEET:

10 And he says -- he's got a
11 long paragraph here that talks about whether
12 or not it's -- there's sufficient capacity
13 within the authorized admitted carriers
14 market to handle those members of the LRUMVC
15 that needs that type of coverage. So this
16 was back in 2006 this letter was written.
17 I'm not sure that has any bearing, anymore.

18 MR. TURNER:

19 It probably doesn't.

20 MR. POTEET:

21 I mean, that's six years ago
22 almost. He names all of the other companies
23 that are admitted, Great American Insurance
24 Company, National Interstate, who we just
25 discussed, Philadelphia Insurance Company,

1 Progressive Insurance Company and John Deere
2 Insurance Company, now a part of the Sentry
3 Insurance Companies. So he says there are
4 at least five admitted carriers.

5 MR. HANSBERRY:

6 Now, it's important to note
7 that in our research, Philadelphia is a
8 surplus lines company. They're not an
9 admitted company, based upon our database.
10 They're not licensed as an admitted company
11 in the State of Louisiana. So I don't know
12 what company he might be referring to.

13 MR. POTEET:

14 Well, that's what I'm saying.

15 MR. HANSBERRY:

16 Yes. So, I mean, that may
17 not be accurate.

18 MR. POTEET:

19 Yes. I don't think it is.
20 When I read through this very lengthy answer
21 that we got from Mr. Ralston, I found a lot
22 of the information that he was using as his
23 response seemed to be based on things that
24 were going on several years ago.

25 Derek; is that right?

1 MR. PARNELL:

2 That's correct.

3 MR. POTEET:

4 I just feel like he hasn't
5 really -- as a representative of SEADRA
6 hasn't really addressed the questions that
7 we're grappling with, right now. You know,
8 we say there are only two companies, which
9 is really one company. He says there are
10 five. That's plainly not true. And, also,
11 we -- at the time, you know, we didn't
12 discuss the lease-to-own requirements. So,
13 you know, his final paragraph is this: In
14 some public policy and protection grounds
15 draws the requirements that automobile
16 rental dealers maintain contingent
17 automobile liability coverage and that the
18 rental dealers obtain that coverage from an
19 admitted carrier. So they're standing by --
20 and I'll read that last paragraph. You
21 know, he has all these reasons that they
22 need to be doing this, but, really, I think
23 the facts, as he's presenting them, are not
24 really the facts of where we are today.

25 MR. TURNER:

1 Didn't we ask him to give us
2 some loss runs or some information on any
3 losses that the insurance companies have?

4 MR. HALLACK:

5 During the committee meeting.

6 MR. POTEET:

7 I believe Mr. Duplessis did.

8 MR. DUPLESSIS:

9 We did.

10 MR. POTEET:

11 That's correct.

12 MR. DUPLESSIS:

13 The other thing I have a
14 conflict with, Robert did some research and
15 -- Robert, tell us about the research and
16 actual coverage in the cases that you found
17 that --

18 MR. HALLACK:

19 Well, he cites four -- you're
20 talking about the four cases that he cites
21 in his report?

22 MR. DUPLESSIS:

23 Yes. There were a number of
24 cases that we looked at and some documents,
25 but just -- if you feel comfortable talking

1 about some of the research, I think --

2 MR. HALLACK:

3 I mean, he cites four cases
4 in his report for the fact that SEADRA did
5 the right thing, that they provided the
6 coverage or paid a claim. SEADRA -- when I
7 say SEADRA, I mean Great American. Great
8 American is -- the insurance is offered by
9 SEADRA. Great American either paid claims
10 or done the right thing or whatever. One of
11 the cases that -- I knew where the case was
12 and was able to find it and pull the suit
13 record. Great American fought it the entire
14 way. They tried to say that there was no
15 coverage, and their brief is part of the
16 report that was written up. You can tell in
17 their brief that they didn't want to provide
18 coverage, but they bought coverage, and they
19 bought coverage on several lines. We can go
20 into that, but the fact remains that they
21 bought coverage and -- but the judge ordered
22 for there to be coverage. So the judge
23 ruled against Great American and found
24 coverage.

25 Now, the case was never

1 reported. It was never -- it never went up
2 to the Court of Appeals where it would be a
3 published decision. So we can only assume
4 that they -- after the summary judgment,
5 that they just paid the claim or settled the
6 case, something like that. I don't know
7 outside of the suit record what would have
8 happened. And the other three cases, we
9 don't know where they are, but we know that
10 they didn't tell the truth on one. So I
11 can't imagine about the other three. I'm
12 aware of other cases, specifically one out
13 of either Red River -- I think it's Red
14 River Parish, where they denied coverage.
15 Not only did they deny coverage, they denied
16 the dealer a defense. And I don't know if I
17 cited that in my work or not, but -- so that
18 case is out there, too.

19 Mr. Duplessis is right.
20 There's no loss run information whatsoever,
21 none whatsoever to see what they've ever
22 done, what they've ever paid if they've ever
23 paid.

24 MR. POTEET:

25 Also, just to -- you know,

1 the other -- if you read through this, this
2 other reason for wanting to do things the
3 way we're doing it and not change it is the
4 fact that we've had five dealers that have
5 complained and how come the others are not
6 complaining. I don't think that that's a
7 legitimate reason not to review this.

8 Does anybody else have any
9 comments on our report on H.R. 115? Because
10 we have to submit this when?

11 MR. PARNELL:

12 Prior to the session -- the
13 session starts March 12th. So we -- really,
14 within the next two weeks, we need to get
15 that out. The first document that you got
16 was the second draft. The first -- the
17 second document that we handed out was the
18 first draft that we're trying to work on
19 trying and pinpoint exactly how we want to
20 word our response and -- with the input from
21 the Department of Insurance, how we want to
22 actually get that out there.

23 MR. DUPLESSIS:

24 Charles, I have one question
25 for you. I want to make -- I want to kind

1 of make this point clear. There's a
2 difference between SEADRA and Great
3 American. SEADRA is the Southeast
4 Automotive Rental Dealers' Association.
5 That's the acronym. They are the broker.
6 They are the insurance agent. So it has to
7 go through an association agent, and then
8 down to Great American.

9 What I'm finding is there's
10 actually confliction in posted rates with
11 the Insurance Commission for a rate being
12 one thing of Great American, and then the
13 market rate through SEADRA, the broker,
14 seems to be a layered rate with different
15 requirements. If you could, would you shoot
16 us just a quick memo on what their posted
17 rates are.

18 MR. HANSBERRY:

19 Now, I'll tell you that
20 SEADRA isn't required to file rates with the
21 Department of Insurance. So that may be the
22 only dilemma. I don't -- we don't have
23 access to whatever rates that they're
24 charging.

25 MR. DUPLESSIS:

1 For Great American?

2 MR. HANSBERRY:

3 Great American's rates we
4 have access to that, actually.

5 MR. DUPLESSIS:

6 I think there seems to be a
7 difference, because the actual insurance by
8 Great American is not a very large component
9 of the actual bill and package that the
10 dealers get per car, or SEADRA. So, you
11 know, I'm pretty good with our seeing the
12 report.

13 But, Mr. Kiraly, you came
14 here today and you listened to all of this.
15 Do you have any comments?

16 MR. KEITH KIRALY:

17 Yes, sir.

18 MR. DUPLESSIS:

19 Would you make them kind of
20 brief?

21 MR. KEITH KIRALY:

22 My name is Keith Kiraly, used
23 car business, Rock and Roll Auto Sales. I
24 have been a rent-to-own dealer since 1999.
25 I was basically the grandfather of this

1 thing. I was on a lawsuit in 1998. I was
2 one the car dealers that SEADRA used to get
3 this thing passed, okay.

4 I was with SEADRA at one time
5 until I found out that they were lying to
6 the dealers and myself that the insurance
7 did not cost an exorbitant fee. When we
8 left them a long with some other dealers, we
9 were paying \$6,000, \$7,000, \$8,000 a month
10 for the contingent insurance, and I was able
11 to retain the same insurance through the
12 same company they had and the total cost was
13 \$750 for the year for everything. Since
14 then -- that was with a company called John
15 Deere, who quit writing. They no longer
16 write.

17 MR. POTEET:

18 That's one of the companies
19 that --

20 MR. KIRALY:

21 They no longer write. We had
22 John Deere. We switched and there was a
23 window that opened up and it was about 10
24 dealers independent that were able to get on
25 with an independent insurance through the

1 same carrier Rent-T-own writes. We have --
2 for \$300,000, we pay \$500 a year and we have
3 -- for another thousand, we have a one
4 million dollar rider. So I pay \$1,500 a
5 year for the same insurance that -- Mr.
6 Duplessis didn't name the dealer who left to
7 go to leasing that -- I just got off the
8 phone with him, that's Colin Castille from
9 Everybody Rides. It was over 2,000 accounts
10 that he had to switch to leasing, okay,
11 because if you do the math, again, he would
12 be paying unbelievable -- for the same
13 policy I'm paying, he would be paying well
14 over \$100,000, way up there, which isn't
15 fair, okay. It doesn't cost that much.

16 The contingent insurance, to
17 me, it doesn't anything. It hasn't done
18 anything. We've had cases where they tried
19 to sue us and every time the judge throws it
20 out, because the dealer is not vicariously
21 wrong. He's not liable in any way, shape or
22 form.

23 Some of the things that Mr.
24 Hallack drafted, to me, is a win, win. I've
25 been doing this, again, since 1999. I

1 designed my own program. It takes care of
2 it. I track my insurance. I do everything
3 I'm supposed to, okay. These are my cars.
4 I don't want anything to happen. These are
5 my people.

6 When I put this thing
7 together and SEADRA approached me, it was to
8 help people. That's what it's supposed to
9 do, let this person get in for little or no
10 money and -- or nowhere near the money that
11 they would have to for a rental or leasing
12 or whatever, and also give them an out if
13 they get -- if they're down on their luck.

14 My contract, and most of
15 them, say that if you bring the car back and
16 you're down on your luck, we'll hold it for
17 you, 30 days, 60 days, whatever, and then
18 let you start making your payments to get it
19 back just to help you. It's not to hurt the
20 person. The people we deal with are down on
21 their luck. They need people.

22 Leasing, you have to come up
23 with more money, higher insurance. It keeps
24 the dealer from paying an exorbitant amount,
25 but it doesn't help the customer, the

1 consumer, who I thought this is what we were
2 doing here, okay. There are no viable other
3 insurance alternatives.

4 Right now if my carrier
5 stops, I'm in trouble. I've got to do the
6 same thing that Collin did, which is either
7 go to leasing or just quit doing
8 rent-to-own, because the goal for SEADRA is
9 to put us all out. They have a monopoly.
10 And this is what this is, a monopoly, clear
11 and plain.

12 Collin's insurance company
13 was Lloyds of London. He had a good
14 contingent policy, but they're not an
15 admitted carrier. And I'm sure each and
16 every one of you have heard of Lloyds of
17 London, and Lloyds of London's stance is,
18 we're not going out of business, why do we
19 want to pay into a pool? That doesn't make
20 them a bad company. They just don't want to
21 pay into the pool. So either we have to
22 allow other companies to come in that are
23 admitted or non-admitted. It's only -- the
24 ratings are A or B. I don't see what the
25 difference would be. Or we have to go

1 something that Mr. Hallack proposed, which
2 is nice. Again, the dealers -- and with the
3 advent of the computer and the software, we
4 use GPS tracking devices. I mean, they're
5 as big as a matchbox. They are easy to
6 install. You can keep track of everything.
7 You know everything. You can get things
8 done.

9 My son is sitting here with
10 me and he has been with me all along. He's
11 basically learned the whole operation now
12 and he knows what it is. I mean, the advent
13 of the Internet is unbelievable. We need
14 ways to help people. Our dealers are
15 dwindling left and right, because we can't
16 get the contingent insurance that's
17 affordable. SEADRA taught us at the
18 beginning that we pass the fees on to the
19 consumer, \$20 a month, you pass it on to the
20 consumer. You tack that on to the contract.
21 If your contract is \$7,000, you add on the
22 amount of how many months there are. So the
23 consumer is paying for it. How is that fair
24 to the consumer? That's how we come up with
25 the fees and it's like -- then, they said

1 that it was part of the insurance. It's not
2 part of the insurance. It's a fee there.

3 They don't allow us -- they
4 said at the last meeting last month that
5 they would look at different cases to see if
6 they'll let dealers buy the insurance
7 without signing up and that's not true.
8 They're in it to make money and they're
9 going to make it. They're going to be just
10 what they are, a monopoly, and it's not
11 helping us as dealers.

12 MR. DUPLESSIS:

13 Thank you, Mr. Kiraly. I
14 appreciate it. I think that sums it up and
15 that's a very accurate recital of what we've
16 found, I believe in most of our -- in all of
17 our meetings. That concludes my report on
18 115, sir.

19 MR. POTEET:

20 All right. So what do we
21 have left to do? We've got these drafted.
22 We need to -- do we need to have any kind of
23 a vote here on this?

24 MR. PARNELL:

25 I don't think we need a vote

1 on it. We really need to come to a
2 conclusion on which direction of the draft
3 we really want to submit, and if there are
4 some things that are missing within either
5 draft, we need to figure out and deal with
6 that before -- prior to submitting, because
7 that time is running very short. I don't
8 think you want to do that during our
9 committee meeting at eleven o'clock.

10 MR. DUPLESSIS:

11 Mr. Chairman, what I would
12 recommend, Mr. Parnell, is we still have to
13 have a joint report with the Department of
14 Insurance. I would recommend that if the
15 Commission agrees with what we have in this
16 draft, that they will allow the committee
17 and empower us to work together with the
18 Department of Insurance to get a
19 consolidated report since we have to have
20 this.

21 Sheri, I don't think we're
22 due before the next --

23 MS. MORRIS:

24 Commission meeting.

25 MR. DUPLESSIS:

1 The next meeting will be
2 after our filing date, which is covered by
3 statute, which I think is March 3rd or 5th,
4 you tell me.

5 MS. MORRIS:

6 March 12. And March 12 is a
7 Monday, because before the start of the
8 session, you to file it on Friday.

9 MR. DUPLESSIS:

10 Right. So we have a limited
11 time. We can't get back to a final draft
12 proposal unless you guys want to call a
13 special meeting, but my recommendation would
14 empower this committee to work with the
15 insurance companies to put together a final
16 draft of this thing, this legislation, for
17 115.

18 MR. POTEET:

19 Sheri.

20 MS. MORRIS:

21 I don't know whether we'll
22 have time to have another committee meeting,
23 but if the Commission were to authorize the
24 report to be submitted to the Legislature,
25 provided that Mr. Parnell and Mr. Duplessis,

1 the Chairman of the Legislative Committee,
2 and our Chairman of the Commission, and Mr.
3 Poteet all agree that it's in order, and
4 anybody has anything that they want to add
5 or think needs to be taken out, we can
6 always supplement the report if we need to,
7 if there's some information that we're not
8 sure about.

9 But the draft that was sent
10 out this weekend, I think there are some
11 pieces of information that need to be added,
12 mainly where we got the information, who
13 participated in the study, what the actual
14 file dates are, and then there are some
15 exhibits that need to be put in there.
16 Robert acquired some copies of policies and
17 we have copies of letters that were referred
18 to in the report and by SEADRA and those all
19 need to be put, I think, together with the
20 report.

21 MR. POTEET:

22 So we just need to authorize
23 it and send it to the Legislative Committee
24 to --

25 MS. MORRIS:

1 I don't know if the committee
2 will meet again, because the committee is --
3 the committee can't act without a meeting --
4 a public meeting.

5 MR. POTEET:

6 Then we need to --

7 MS. MORRIS:

8 Some individuals --

9 MR. POTEET:

10 I think the Executive
11 Director should be authorized to work with
12 the Insurance Commission.

13 Does anybody have any
14 objection to that?

15 MR. DUPLESSIS:

16 None whatsoever.

17 MR. TURNER:

18 I would include Ron in that.

19 MR. POTEET:

20 So the Commission needs to
21 agree that Mr. Parnell, as Executive
22 Director, and Mr. Duplessis, as head of
23 Legislative Committee, can act on our
24 behalf.

25 Do we need a motion in that

1 regard?

2 MS. MORRIS:

3 Yes.

4 MR. POTEET:

5 Someone make a motion.

6 MR. TURNER:

7 I make a motion.

8 MR. POTEET:

9 We have a motion here.

10 MR. SMITH:

11 Second.

12 MR. POTEET:

13 All in favor, say "Aye."

14 (All "Aye" responses.)

15 MR. POTEET:

16 So you guys need to get
17 together with Charles and the Insurance
18 Commission and see if we can't come to a
19 conclusion on this. I think the second
20 draft was very good. Well, both of the
21 drafts were good. I think we're narrowing
22 down to where we need to be, but I
23 understand what you're saying. We need to
24 sort of footnote it and make sure that
25 everybody understands where we came up with

1 this. But our direction makes lot of sense
2 and I don't know what kind of road block
3 we're going to run into with this, but I
4 think we're going down the right path, and
5 if anybody has anything else to add to that
6 or suggest -- Mr. Hallack.

7 MR. HALLACK:

8 Well, this is in our
9 statutes. This is our law. It's our
10 responsibility to clean it up. If we
11 understand and there's something that we can
12 do to make this better, that we can have
13 other dealers interested in doing, if we can
14 reduce the cost for the consumers, if we can
15 get more consumers in vehicles, I think
16 that's our biggest priority. And not only
17 just submitting the report to the
18 Legislature, but I think we should take the
19 stance that we're going to introduce some
20 legislation to clean it up. And I think
21 that's one of the things that we need to do.
22 We need to clean up this piece -- this
23 statute, so that it is a more attractive
24 deal for everybody.

25 MR. POTEET:

1 I think that's well said, and
2 I think that -- you know, if you look
3 through it, if you read look through the
4 response of Mr. Ralston, he's really
5 throwing up the strong end that this is to
6 protect people. That's his strong end, is
7 that. We've got these exhibits, the worst
8 drivers in America are in Louisiana. We're
9 the worst at paying our insurance rates, all
10 of these things. We've discussed all of
11 reasons, but that's not really the issue
12 here. The guy that's running the
13 rent-to-own company, he wants to make sure,
14 you know, he's getting the information,
15 whether somebody has paid their insurance or
16 not. You know, he's got a way to stop the
17 car from being on the road. We've got all
18 of this technology and, you know, I just --
19 I think that their arguments -- plus, I'm a
20 little disappointed that they refer to
21 things from 2006 that they should know are
22 not even valid, anymore.

23 MR. DUPLESSIS:

24 Robert, why don't you cover
25 the rest of the legislation we have out

1 there, because we need to complete the
2 legislative report. We have a couple other
3 items and that's conclusive of the other
4 item.

5 MR. HALLACK:

6 Right. I think that you have
7 the first draft. There's a piece of
8 legislation that I recommended for 793D,
9 really that will open up the door for -- I
10 don't know if you -- you might want to look
11 at it.

12 MR. PARNELL:

13 It's on the last page.

14 MR. HALLACK:

15 Last page of the first draft.

16 MR. POTEET:

17 The last page of the first
18 draft.

19 MR. HALLACK:

20 That's actually their
21 proposal.

22 MR. PARNELL:

23 This is the first document.
24 The second document, we handed out not long
25 ago.

1 MR. POTEET:

2 It's the one that's stapled.

3 MR. HALLACK:

4 Well, it actually starts on
5 Page 9 and it goes into Page 10. The
6 statute now requires a number of things.
7 One, it requires a contingent liability
8 policy. Number two, it requires limits of
9 100/300. Number three, it requires that it
10 be issued by an admitted carrier. Number
11 four, it states that it cannot be a shared
12 policy if that shared policy reduces its
13 limits. What I propose is getting rid of
14 all four of those requirements. Let a
15 dealer get whatever insurance. We've
16 identified the need. The need is to make
17 sure that car has insurance on it. Unlike
18 the lease-to-own or lease it, the dealer is
19 required to maintain insurance on that car
20 if the operator does not. So what I'm
21 proposing is, let the dealer find whatever
22 way he can to put insurance on it.

23 Like Representative Cortez,
24 Senator Cortez now, he originally proposed
25 that it be in the form of a bond. But for

1 big dealers such as Collin Castille, a bond
2 probably will work well for that. But for a
3 smaller rent-to-own dealer, I don't think
4 that's going to work. A smaller rent-to-own
5 dealer, he may find that he can insure the
6 vehicle himself and just pass the premium
7 down to the customer. I mean, we've been
8 exploring all kinds of other insuring
9 avenues.

10 There are a couple of
11 companies now that are doing point of sale
12 insuring, flat rate insuring, where they
13 take the risk out of the equation and offer
14 the insurance to the dealer at a flat rate
15 per vehicle. There's all kinds of other
16 options that a dealer can insure the car
17 with. It doesn't have to be contingent. It
18 doesn't have to be 100/300. It doesn't have
19 to be from an admitted carrier.

20 I think if we open up this
21 market, if we give the dealer a viable
22 option as to how he is going to insure that
23 car, I don't think a buy here, pay here
24 dealer is doing anything but rent-to-own.
25 He's going to transfer all of his stuff to

1 rent-to-own. There are so many advantages
2 to doing rent-to-own over lease-to-own over
3 leases over any other kind of financing. So
4 if you just give them an option on how to
5 insure the vehicle, let them insure it the
6 way they want to insure it, and I think
7 that's what we should do.

8 Basically, that's what this
9 -- the change in the statute does. The
10 statute now says the purpose for which
11 you're getting this insurance is to make
12 sure that the operator always has insurance
13 on it. That's why you're insuring the
14 vehicle. It's not contingent. It's not
15 lessor liability, because those things don't
16 exist, anymore. So that's what we wanted to
17 do is try to make sure that the dealer had
18 options on how he wanted to insure these
19 cars out on rent-to-own.

20 MR. DUPLESSIS:

21 Well put. Thank you.

22 I guess, also, willful
23 failure to comply is another statute that
24 we're going to offer legislation on.

25 MR. HALLACK:

1 Right. I think we talked
2 about that before. The statute we had
3 before, it's still in the dismantler law.
4 Somehow, it got pulled out in the shuffle
5 that occurred in, I guess, 2008 when we
6 removed a lot of our stuff. It just got
7 removed. So it's willful failure to comply.
8 I don't think anybody has a problem with
9 that.

10 MR. POTEET:

11 We discussed that a couple of
12 times before at the Commission meeting.

13 MR. DUPLESSIS:

14 Sheri, do you have any other
15 items that you think need to come to a
16 conclusion for the session? I think we're
17 good.

18 MR. POTEET:

19 That's about it.

20 All right. The Executive
21 Director's report.

22 MR. PARNELL:

23 If you would turn with me to
24 the complaint totals, which is at the back
25 of the report, we'll go through those

1 documents. The first item is the alleged
2 initial counts. There were 32 alleged
3 issues for January 2012, 10 of which
4 refunds. Typically, as always, a lot of
5 people request refunds because of other
6 issues, either mechanical problems or title
7 issues, but once they get the initial
8 concern of theirs handled and dealt with,
9 that the refund typically goes away. The
10 second document is just a case report. It
11 shows how many cases were assigned in the
12 month of January. Five of those cases were
13 completed leaving 20 of those cases open.
14 The third document, the department summary
15 report, basically shows that in the month of
16 January, a total of 46 cases were closed.
17 Some of those were from prior months that
18 were actually completely closed at that
19 point.

20 Do we have any comments or
21 concerns about the complaints or totals?

22 (No response.)

23 MR. PARNELL:

24 The next item in my report is
25 the renewal of professional contracts. If

1 you will, I put a document in, a
2 spreadsheet, at the very back of your
3 packet. It kind of shows all of the
4 contracts that we have professional services
5 for that are coming up for renewal. This is
6 our court reporter, our attorneys, CPAs, IT
7 person, and Legislative Auditor. Last year,
8 our contract limits were put in place and my
9 concern -- on this report, the right column
10 shows your contract limits, year-to-date
11 expenditures. It shows about what we've
12 spent of that contract for the year. My
13 question is, do we want to continue with the
14 contract limits where they are. It's
15 actually -- we can use up to that amount,
16 but as you see, we're way under that.
17 But I recommend that we leave the contract
18 limits where they are just in case if there
19 is a need, we would have it already
20 contracted for that amount. I would like to
21 know would you agree with that -- with my
22 proposal?

23 MR. POTEET:

24 I don't see any reason to
25 change the contract limits. I mean, it's

1 not really an issue and I think we should
2 stick with this.

3 MR. PARNELL:

4 So at this time, the first
5 one that comes up for renewal is our CPA,
6 and some of them may take a little bit
7 longer to actually renew. For example, the
8 attorneys, their process is a little bit
9 longer than everyone else's as far as
10 renewal, but we're going to go ahead and try
11 to move forward with making sure we update
12 and renew our contracts.

13 The last item in my report is
14 the license renewal update. Commissioners,
15 we're kind of coming to the conclusion of
16 our renewal season. We had a total of 7,807
17 licensees eligible for renewal this year,
18 which is down from where we were last year.
19 We had about 8,004 total licensees that were
20 up for renewal, but this year, it's much
21 lower. And as of February 20, this morning,
22 I ran the numbers and we have issued 6,348
23 of those licenses. So we're pretty much 81
24 percent complete of where we want to be,
25 which I think is very outstanding that we

1 had the issues that we've had with our
2 computer system, our upgrade, but the two
3 young ladies up front, I would really like
4 to congratulate them. They've been doing an
5 awesome job, very hard working. They come
6 in on Saturdays quite a bit. Mainly, they
7 really got them out, you know, 81 percent.

8 We still have about 19
9 percent to go, about 1,500 licenses total to
10 do, but I think they've done an awesome job
11 at really getting that out. I just kind of
12 wanted to give you an update of where we
13 were. They're work right now in mid-January
14 on renewing. So most of the ones that are
15 still out there are ones that were
16 incredibly late and/or they have some issues
17 where they need to send in more supporting
18 documents. They've done a good job.
19 Definitely, if you pass by them,
20 congratulate them on them working so hard to
21 get that stuff out. That pretty much
22 concludes my report.

23 MR. POTEET:

24 Yes. I think the license
25 renewal update, even though we had some --

1 obviously, had some glitches and some things
2 that went wrong and, of course, I had a lot
3 of people that came in and complained to me
4 a little bit, but, you know, I think we did
5 a good job and I think that the more we get
6 this thing automated -- and then, next year
7 -- this year, we'll have another group that
8 will go on a two year license and I think
9 once we get that process, it's going to get
10 a lot easier and a lot quicker.

11 I know we had some complaints
12 and we had things that kept that falling
13 through the cracks, but if you think about
14 it, you've got all of that information
15 coming in, 7,000 -- approximately, 7,000
16 different licenses, it's -- a lot of things
17 can happen. You know, again, I want to
18 reiterate what I said in the last meeting,
19 which is we need probably a little more
20 formal program for informing people that
21 they did right or they've done something
22 wrong. And then, you know, maybe some of
23 those other ideas we mentioned before about
24 helping them fill them out at the auctions
25 and stuff like that.

1 MR. PARNELL:

2 We're starting right now
3 preparing for the 2013 session -- I mean,
4 not session, but licensing period. I want
5 to kind of start early just to make sure
6 that we have everything in place, so we can
7 be much more effective and efficient moving
8 forward. I definitely want us just to not
9 take so long to get the licenses out and
10 renewed, and it takes us working right now
11 to where they get that done.

12 MR. TURNER:

13 Did I hear you correct when
14 you said we lost about 1,000 licensees?

15 MR. HALLACK:

16 No, it's not a thousand.

17 MR. POTEET:

18 A couple hundred, probably
19 about 400.

20 MR. PARNELL:

21 Well, really 200 or
22 something.

23 MR. POTEET:

24 All right.

25 MR. CORMIER:

1 Do you see more dealers using
2 the website?

3 MR. HALLACK:

4 Yes.

5 MR. PARNELL:

6 Yes. It's actually much more
7 than we kind of thought.

8 MR. CORMIER:

9 What kind of percentage do
10 you think used the website this past year?

11 MR. PARNELL:

12 I was hoping for about 30
13 percent. I think we got a little bit more
14 than that, around 35 percent actually did it
15 online. We still have a lot of guys that
16 they kind of don't want to go to it. It's
17 -- especially with the difficulty we've had,
18 I kind of understand some of their
19 frustration with the online process this
20 year, but we are working to try to better
21 all of our processes, kind of what Chairman
22 Poteet was just saying, kind of looking into
23 everything that we're doing in relation to
24 our licensing problems.

25 MR. POTEET:

1 All right. I think that
2 concludes the meeting. Is there something
3 else? I need a motion to adjourn.

4 MR. TURNER:

5 Motion to adjourn.

6 MR. CORMIER:

7 Second.

8 MR. POTEET:

9 All right.

10

11

12 (Meeting adjourned at 11:56 a.m.)

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1 REPORTER'S CERTIFICATE

2
3 I, BETTY D. GLISSMAN, Certified
4 Court Reporter, Certificate No. 86150, in
5 and for the State of Louisiana, do hereby
6 certify that the Louisiana Used Motor
7 Vehicle Commission February 20, 2012 meeting
8 was reported by me in the stenotype
9 reporting method, was prepared and
10 transcribed by me or under my personal
11 direction and supervision, and is a true and
12 correct transcript to the best of my ability
13 and understanding. This February 24, 2012,
14 Baton Rouge, Louisiana.

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