

LOUISIANA USED MOTOR VEHICLE COMMISSION  
STATE OF LOUISIANA

REGULAR MEETING  
MAY 16, 2011  
BEGINNING AT 9:35 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. GEORGE BREWER

8 MR. RHETT BOURGEOIS

9 MR. TONY CORMIER

10 MR. GEORGE FLOYD

11 MR. DOUGLAS TURNER

12  
13  
14 REPRESENTING THE LOUISIANA USED MOTOR  
15 VEHICLE COMMISSION:

16 ROBERT W. HALLACK, ESQUIRE  
17 HALLACK LAW OFFICE  
18 13007 JUSTICE AVENUE  
19 BATON ROUGE, LOUISIANA 70816

20 SHERI MORRIS, ESQUIRE  
21 ROEDEL, PARSONS, KOCH, BLACHE,  
22 BALHOFF & McCOLLISTER  
23 8440 JEFFERSON HIGHWAY, SUITE 301  
24 BATON ROUGE, LOUISIANA 70809  
25

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1 ALSO PRESENT:

2  
3 MS. KIM BARON

4 MR. DEREK PARNELL

5 MS. MONA ANDERSON

6 MS. SHEILA JONES

7 MR. DONALD MENDOZA

8 MR. RICHIE KIRALY

9 MR. CHRIS ARCERI

10 MR. BRAD SAIA

11 MR. COLLIN CASTILLE

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1 (PLEDGE OF ALLEGIANCE)

2 MR. POTEET:

3 Kim, do you want to do the  
4 roll call?

5 MS. BARON:

6 John Poteet?

7 MR. POTEET:

8 Here.

9 MS. BARON:

10 George Brewer?

11 MR. BREWER:

12 Here.

13 MS. BARON:

14 Louis Bourgeois?

15 MR. BOURGEOIS:

16 Here.

17 MS. BARON:

18 Tony Cormier?

19 MR. CORMIER:

20 Here.

21 MS. BARON:

22 Ron Duplessis?

23 MR. DUPLESSIS:

24 (No response.)

25 MS. BARON:

1 George Floyd?

2 MR. FLOYD:

3 Here.

4 MS. BARON:

5 Kirby Roy?

6 MR. ROY:

7 (No response.)

8 MS. BARON:

9 Darty Smith?

10 MR. SMITH:

11 (No response.)

12 MS. BARON:

13 Douglas Turner?

14 MR. TURNER:

15 Here.

16 MS. BARON:

17 Mr. Chairman, we have a

18 quorum.

19 MR. POTEET:

20 Excellent.

21 All right. Do we have

22 anything for public comments?

23 MS. BARON:

24 We have several rent-to-own

25 dealers, and Mr. Arceri from -- Mr. Arceri

1 is still here?

2 MR. ARCERI:

3 Yes.

4 MS. BARON:

5 From the insurance company  
6 and they want to discuss -- they have public  
7 comments concerning House Bill 400. So I  
8 guess the decision needs to be made if we  
9 want to hear them now or wait until we get  
10 to House Bill 400, which is lower on the  
11 agenda.

12 MR. POTEET:

13 Is there any reason to do  
14 that now or would it be better just to do it  
15 when we discuss the house bill? Is  
16 everybody okay with that? Okay.

17 All right. The items for  
18 discussion, we need approval of the minutes  
19 from the previous meeting.

20 MR. CORMIER:

21 I make a motion to approve  
22 the minutes.

23 MR. BOURGEOIS:

24 I second.

25 MR. POTEET:

1                   Everybody in favor, say  
2 "Aye."

3                   (All "Aye" responses.)

4                   MR. POTEET:

5                   That passes.

6                   Financial matters, we have  
7 got a review of the financial report, and I  
8 think Mona is here to discuss that with us.

9                   MS. ANDERSON:

10                   If you will turn in your  
11 packet to Page 1 of the financial statement  
12 for April, on the balance sheet, the balance  
13 in the bank account for the end of April was  
14 \$764,089. A little further down, the  
15 accounts receivable online, we collected an  
16 additional \$500 on that this month leaving a  
17 balance of \$4,691. And at the end of this  
18 fiscal year, in a couple of months, we'll  
19 present a list of the remaining unpaid  
20 accounts to the Commission for write off.  
21 The liabilities are pretty much the same as  
22 normal.

23                   Turn to Page 3 on your  
24 financial statement. This is your new  
25 revenue and expenditures statement. We have

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1 combined -- if you weren't here last month,  
2 we have combined the statement. We had  
3 multiple statements that had duplicate  
4 information. So we combined it into one  
5 easier to read statement.

6 On Page 4 in the middle of  
7 the page, your revenue, the year-to-date  
8 revenues were \$986,668, and that's slightly  
9 higher than year to date the year before.  
10 We have about \$134,000 remaining to meet the  
11 budgeted income over the next two months.  
12 Revenues for the remaining months last year  
13 totaled about \$80,000. So the budgeted  
14 revenue is probably going to come in a  
15 little high. The expenditures down in the  
16 next section of the report, the salaries  
17 were a little higher in April due to last  
18 year, we had an adjustment to realign the  
19 pay date, but the year-to-date total is  
20 lower than in 2010.

21 Professional services are up  
22 for the month compared to last year, but,  
23 again, still significantly lower than -- I'm  
24 sorry, on -- let me back up a little bit.  
25 On Page 5, the operating services

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1 year-to-date total is down about \$18,000,  
2 but that's -- and that's significantly down  
3 from last year. Now, the professional  
4 services, the monthly total is up, but you  
5 can see the year to date is far lower than  
6 it was the prior year.

7 And on Page 6, your revenue  
8 over expenditures for the month was a  
9 \$54,900 loss, but the year to date net is  
10 \$221,239 compared to the \$87,000 for last  
11 year. If you will turn on to the revenue  
12 and expenditure comparison, you will see  
13 that same total there, that same net down at  
14 the bottom, \$221,239.

15 On Page 8 is your certificate  
16 of deposit report. The Landmark Bank CD  
17 matured at the end of April and they were  
18 allowed to rollover at the same rate. No  
19 other institution on the State approved list  
20 even approached that rate. However,  
21 Landmark has advised us that the rate is  
22 going to be going down to 1.15. So you can  
23 look for it to be that or less at the next  
24 renewal. We will be looking at other rates  
25 for other banks for the renewal of the CDs,

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1 that Concordia will come up in July and as  
2 the footnote says, we are going to try to  
3 renew one of those on an annual basis, and  
4 then one of them to expire in October. So  
5 we will try to kind of get a spread of our  
6 CD renewals.

7 And on the last page of the  
8 financial report, the accounts receivable  
9 hearing balances are the same as they were  
10 last month, no change in those.

11 Unless there are any  
12 questions, that concludes my report.

13 MR. POTEET:

14 Does anyone have any  
15 questions on the financial reports? Doug  
16 usually has questions.

17 MR. TURNER:

18 I don't have any questions.

19 MS. ANDERSON:

20 Thank you.

21 MR. POTEET:

22 Thank you, Mona.

23 Do we need to get an approval  
24 of the financial statements? Generally, you  
25 do.

1 MR. BOURGEOIS:

2 I make a motion to approve  
3 the financials.

4 MR. BREWER:

5 I second the motion.

6 MR. POTEET:

7 All in favor?

8 (All "Aye" responses.)

9 MR. POTEET:

10 The next thing we have is  
11 legal matters and pending litigation. The  
12 first one is the Commission versus Sundance  
13 Boats.

14 I guess, Mr. Hallack, is that  
15 your --

16 MR. HALLACK:

17 Yes, sir. As you remember,  
18 we discussed this last week. We wanted some  
19 certified financial statements from Sundance  
20 Boats before we pass judgment on what type  
21 of offer we are going to make to them.

22 Anyway, we didn't get any certified  
23 financial statements, but what he did send  
24 was income tax returns for 2008, 2009 and  
25 2010. We sent those to Mona for her to

1 analyze them and tell us what she thought  
2 about what he has. Thursday, he made an  
3 offer to pay the judgment for \$20,000, which  
4 we would have to split with the dealer out  
5 of Slidell.

6 So, Mona, have you had an  
7 opportunity to look at those?

8 MS. ANDERSON:

9 Well, I did look at them. I  
10 was explaining to Derek, you know, looking  
11 at tax returns is not my field. I'm more of  
12 a management accountant, but, you know, if  
13 we could look at some certified financial  
14 statements and I could get you a better idea  
15 of what his ratios are and that type of  
16 thing. But what I see is that, you know, he  
17 is not too -- not fairing off too bad. It's  
18 hard to tell, because I can't see multiple  
19 years of accounts receivables. That's  
20 important in his business, but he definitely  
21 has a lot of debt and that's -- you know,  
22 I'm sure that mortgage is what -- you know,  
23 there is a problem there that is affecting  
24 his finances. I feel if we could see  
25 multiple years of certified financial

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1 statements from a CPA, then we could get a  
2 better picture of what kind of shape his  
3 business is in. Perhaps, Roy Hebert could  
4 give you a little bit more insight on the  
5 tax returns. That's more his field, you  
6 know, he's a public accountant. So he could  
7 help you with that part, but overall it  
8 looks like a lot of debt to me.

9 MR. HALLACK:

10 My overview of it was that he  
11 did have a pretty good year in 2008, but  
12 2009 and 2010 were pretty bad. He's got a  
13 lot of debt problem, but \$20,000 is not  
14 imaginable. It is not acceptable at all, I  
15 don't think. I think he can certainly come  
16 up with more. I think he paid his attorney  
17 more than that. So I would -- my  
18 recommendation would be that -- authorize us  
19 to begin some type of collection effort  
20 showing that -- again, that they are  
21 serious, and then he needs to treat this  
22 seriously. Otherwise, he is just going to  
23 play nickel and dime games with us.

24 MR. POTEET:

25 Why did he -- I didn't get

1 the part about splitting it with the boat  
2 dealer.

3 MR. HALLACK:

4 Yes. He said, "I've got  
5 \$20,000 I can put toward resolving this  
6 matter, but you are going to have to split  
7 that with the boat dealer." You remember,  
8 the boat dealer came in and said that he  
9 thought he had losses of about \$13,000.

10 MR. PARNELL:

11 \$13,000.

12 MR. POTEET:

13 So is the boat dealer suing  
14 him for the \$13,000?

15 MR. HALLACK:

16 No. He has not sued him, but  
17 part of what the boat dealer's relief is in  
18 the judgment that we got.

19 MR. POTEET:

20 Okay.

21 MR. HALLACK:

22 Remember, according to our  
23 law at the time, he was supposed to  
24 re-purchase the inventory. He did not and  
25 when he did not, he subjected himself to a

1 penalty, but then there was one boat, I  
2 think he said, that was not paid off until  
3 November of 2009. So he does owe the boat  
4 dealer based on the judgment that we  
5 obtained against him.

6 MR. POTEET:

7 Okay. So your recommendation  
8 is that we authorize a debt collection  
9 effort?

10 MR. HALLACK:

11 Yes.

12 MR. TURNER:

13 What type of collection?

14 MR. HALLACK:

15 Well, we are going to have to  
16 retain a lawyer either in Florida or  
17 Georgia. I understand he's got operations  
18 in both states. But we can usually find  
19 somebody that will do it on a contingency  
20 basis, a percentage of the recovery. I  
21 think authorizing it would be -- from this  
22 Board would be a step toward showing him  
23 that we are not playing games with him.

24 MR. POTEET:

25 Should we counteroffer?

1 MR. HALLACK:

2 Well, Derek and I have talked  
3 about that, but we haven't really -- I mean,  
4 we didn't get that offer.

5 MR. PARNELL:

6 That was, like, Thursday.

7 MR. HALLACK:

8 Late Thursday, yes.

9 MR. POTEET:

10 I mean, what --

11 MR. HALLACK:

12 Well, we are going to make a  
13 counteroffer, yes. I think he owes us  
14 basically around \$700,000.

15 MR. PARNELL:

16 I think it was more like  
17 around \$350,000.

18 MR. POTEET:

19 Well, that's a big number.

20 MR. PARNELL:

21 It is about \$350,000 that the  
22 judgment would call for. If you remember,  
23 initially the only thing he offered was just  
24 to pay the attorneys fees, which was about  
25 \$5,000, and then he came back this past

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1 Thursday and wanted to offer 20 grand to  
2 split with the boat dealer. So Mr. Hallack  
3 and I were kind of discussing what we need  
4 to do initially. You know, one thing that  
5 he did say when he came in here last is that  
6 basically -- I guess in a way he threatened  
7 to just go under, but, again, if he declared  
8 bankruptcy, there would be nothing that we  
9 could do at that point, as I understand it  
10 to be. But, you know, we may need to  
11 counter. I don't know what number or what  
12 steps we need to go next.

13 MR. POTEET:

14 Do we need to -- I mean, you  
15 are authorized to make a counteroffer,  
16 right?

17 MR. PARNELL:

18 I don't know. Probably not.

19 MR. HALLACK:

20 I think that needs to be part  
21 of a motion, somebody make a motion that we  
22 authorize them to make a reasonable  
23 counteroffer based on their --

24 MR. POTEET:

25 And a collection effort?

1 MR. HALLACK:

2 And collection efforts, yes.

3 MR. POTEET:

4 Okay.

5 MR. BOURGEOIS:

6 I make that motion if we need  
7 it.

8 MS. MORRIS:

9 The Attorney General's Office  
10 was working on it and I don't know if they  
11 have it up and running, but they were  
12 working on a multi state collection  
13 agreement among other attorneys and I think  
14 the State of Georgia was one of the Attorney  
15 Generals that they were working for. So you  
16 might be able to work -- you would initially  
17 try to want to contact the Attorney  
18 General's Office and see if they have an  
19 agreement with that state and see if they  
20 would take the collection effort.

21 MR. HALLACK:

22 Mona, have you been in touch  
23 with somebody?

24 MS. ANDERSON:

25 Well, I just kind of asked

1 around about how the collection of that  
2 should be done. I did check a couple of --  
3 one local and one not local asset research  
4 company and it's expensive. But I did talk  
5 to the Office of the State Purchasing and  
6 they advised we should go through the  
7 Attorney General's Office.

8 MR. POTEET:

9 Our Attorney General's  
10 Office?

11 MS. MORRIS:

12 Our State Attorney General  
13 would help us if it were a local account,  
14 but since we have to go across state lines  
15 -- but I know that they were working with  
16 other Attorney Generals to get -- you know,  
17 if they would help here, the State of  
18 Georgia, that Georgia would help, that they  
19 were trying to set up agreements with other  
20 states.

21 MR. POTEET:

22 Kind of reciprocal.

23 MS. MORRIS:

24 I think that Georgia was one  
25 of the neutral states that they were looking

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1 at, but I don't know if that's in place yet  
2 or what the terms of it are, but I think I  
3 would start there as far as research.

4 MR. POTEET:

5 Okay. Well, I guess we need  
6 a motion anyway to -- make a motion --  
7 somebody needs to make a motion that we make  
8 a counteroffer and to begin a collection  
9 effort, I guess with --

10 MR. BOURGEOIS:

11 I make that motion.

12 MR. CORMIER:

13 Second.

14 MR. TURNER:

15 What is the counteroffer  
16 going to be, do we need to discuss that?

17 MR. POTEET:

18 Do we need to have that in --

19 MS. MORRIS:

20 You might want to have some  
21 parameters.

22 MR. BREWER:

23 The dealer, as I understood,  
24 he will be satisfied if he gets \$10,000,  
25 right?

1 MR. POTEET:

2 I guess he would be satisfied  
3 with \$13,000.

4 MR. BOURGEOIS:

5 That leaves us --

6 MR. BREWER:

7 But that wasn't all total  
8 losses, the way I understood it, he was  
9 looking for a little something extra there.

10 MR. PARNELL:

11 Yes. He did mention --  
12 something actually came up, I think, like  
13 \$21,000 or something, if I'm not mistaken,  
14 but he said -- I think -- what I gathered  
15 from his conversation was that he ultimately  
16 will be satisfied with \$13,000, but that --  
17 I mean, that's really nowhere near where --

18 MR. POTEET:

19 Well, before we make the  
20 motion, I think Doug made a suggestion we  
21 have some parameters, or somebody said  
22 something about parameters, on the offer.

23 Does anybody have any ideas  
24 on that?

25 MR. TURNER:

1 I was thinking, like,  
2 \$100,000 to \$150,000.

3 MR. HALLACK:

4 Well, I had recommended to  
5 Derek that we make a counteroffer of 200.

6 MR. TURNER:

7 What is the total he owes?

8 MR. POTEET:

9 350.

10 MR. TURNER:

11 So 350.

12 MR. CORMIER:

13 So half of the 350 is  
14 \$175,000.

15 MR. TURNER:

16 That sounds reasonable.

17 MR. POTEET:

18 All right.

19 MR. TURNER:

20 I make a motion that --

21 MR. POTEET:

22 You make the motion, Doug.  
23 You've got that all in your head, now.

24 MR. BOURGEOIS:

25 I second it.

1 MR. TURNER:

2 I make motion we counteroffer  
3 at approximately \$175,000.

4 MR. POTEET:

5 And begin a collection.

6 MR. TURNER:

7 And begin collection efforts  
8 through the Attorney General's Office first,  
9 and then if need be, find an attorney on a  
10 contingency basis.

11 MR. HALLACK:

12 Okay.

13 MR. POTEET:

14 We need a second for that.

15 MR. BOURGEOIS:

16 Second.

17 MR. POTEET:

18 All in favor, say "Aye."

19 (All "Aye" responses.)

20 MR. POTEET:

21 Okay. That's what we'll do,  
22 then.

23 All right. The next thing on  
24 our agenda is the James March, that's the  
25 Midcity Auto Sales situation.

1           Derek, if you want to talk  
2 about that a little bit.

3           MR. PARNELL:

4           Yes. Just kind of briefly, I  
5 just kind of want to update you-all on what  
6 is going on with that. Recently -- well,  
7 around March 22, I had Attorney Hallack  
8 submit to him a certified letter just  
9 basically letting him know that we hadn't  
10 heard anything from him in the past 30 days,  
11 that we did go after the bond to recover  
12 some of the fines that were out there,  
13 \$20,000 of that, also that we gave him five  
14 days to respond before collection efforts  
15 took place for the remainder of that  
16 balance, which was \$2,750.

17           Since then, we did hear from  
18 the bond company and they actually denied  
19 the bond from us basically stating that they  
20 didn't feel that the bond could be used for  
21 any fines. We did respond back to them with  
22 a letter stating our statute -- the whole  
23 statute. They actually kind of took half of  
24 it and stated that they couldn't do it and  
25 once we submitted that back to them, we

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1 haven't heard anything yet from them. I  
2 just kind of wanted to give an update on  
3 exactly what was going on with that, because  
4 there were some funds that were out there  
5 that you could see on our A/R report that we  
6 haven't recovered as of yet. As an update,  
7 I just wanted to make sure you knew what was  
8 going on.

9 MR. TURNER:

10 Are we legally entitled to  
11 the \$20,000 bond?

12 MR. PARNELL:

13 We are, yes.

14 MR. BOURGEOIS:

15 That's what bonds are about.

16 MR. PARNELL:

17 Well, it does state in there  
18 about -- I think you have a copy -- I think  
19 I submitted in your packet in this section a  
20 copy of the letter that we sent back to  
21 them. It's in Revised Statute 32:791(G)(C),  
22 which underlines related to penalties and  
23 hearing costs. All bonds shall be with the  
24 commercial surety authorized to do business  
25 in the state, which bond shall be approved

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1 by the Commission and payable to the State  
2 of Louisiana through the Commission and  
3 shall be conditioned upon faithful  
4 observance of all laws regulated by the  
5 Commission, included but not limited to laws  
6 relating to penalties and hearing costs.  
7 Initially, when they submitted it to us and  
8 denied it, they didn't list that part of the  
9 statute at all. They just -- the latter  
10 part of the statute is the only thing that  
11 they put with it. So we just wanted to  
12 correct them on that and -- whereas, it's  
13 actually -- we can receive the penalties and  
14 hearing costs.

15 MR. BREWER:

16 They are not doing business  
17 anymore, are they?

18 MR. PARNELL:

19 No, they are the not. They  
20 have been out of business probably about two  
21 months now. Shortly after the hearing that  
22 we had, they have been out of business, but  
23 we were still getting complaints from a lot  
24 of people that they had some issues with on  
25 and on and they listed -- we listed that --

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1 some of that information is in the document,  
2 you know. The bond company did speak with  
3 him. What he told them, I don't know, and  
4 that was initially why they denied it. So  
5 as a note, I just wanted you-all to know  
6 what was going on with that process.

7 MR. POTEET:

8 So at this point in time, we  
9 are just waiting to hear back from the bond  
10 company?

11 MR. PARNELL:

12 From the bond company, yes,  
13 because we still need to maybe go forward  
14 with some kind of collection of that -- the  
15 \$2,000 -- the \$2,750 that they owe us that  
16 the bond will not cover. So we may have to  
17 do some collection efforts to obtain that  
18 amount.

19 MR. POTEET:

20 Did everybody get a chance to  
21 read his letter?

22 MR. CORMIER:

23 How do you feel about the  
24 \$2,750?

25 MR. PARNELL:

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1                   Whether he should pay it --

2                   MR. CORMIER:

3                   Has he paid it?

4                   MR. PARNELL:

5                   He has made no attempt to --

6                   MR. BOURGEOIS:

7                   What are the chances of  
8 collecting it?

9                   MR. PARNELL:

10                   He is completely opposed to  
11 it, you know. So, I don't know, I don't  
12 know.

13                   MR. HALLACK:

14                   Supposedly, he is very sick.

15                   MR. BOURGEOIS:

16                   I say we get our \$20,000 and  
17 be happy. Plus, we can file, what do you  
18 call it, keep it on credit for a year.

19                   MR. HALLACK:

20                   I mean, we can file a  
21 judgment.

22                   MR. BOURGEOIS:

23                   Is that worth it?

24                   MR. HALLACK:

25                   Probably not.

1 MR. POTEET:

2 Do you have any  
3 recommendations, Mr. Hallack?

4 MR. HALLACK:

5 Well, I don't think we waive  
6 it right now. Like I said --

7 MR. POTEET:

8 Wait and see what happens.

9 MR. HALLACK:

10 In the past, what we have  
11 done is we relied upon the investigator to  
12 try to find out what's going on. For  
13 instance, if we had a dealer who went to  
14 work making good money, and then we tried to  
15 execute and enforce the judgment, but if  
16 they are sick like this man supposedly is --  
17 and if y'all remember from the hearing, he  
18 didn't look too good. So, I mean, it's just  
19 -- I don't think we should take any action  
20 on it now. We can put it on accounts  
21 receivable for a little while.

22 And just to let you know, the  
23 bond statute was changed or amended in 2007  
24 to include the hearing costs and penalty  
25 language. So it's something a lot of bond

1 companies -- unless we filed a claim against  
2 them before for that, they are probably not  
3 used to yet, even though it was done in  
4 2007. So if we have never gone to this bond  
5 company for hearing costs and penalties  
6 before, they are probably not used to it.

7 MR. PARNELL:

8 And this is a bond company  
9 that we don't necessarily use a lot.

10 MS. BARON:

11 I don't think we have used  
12 them for hearing costs since that.

13 MR. POTEET:

14 Go ahead, I'm sorry.

15 MR. HALLACK:

16 So they weren't really  
17 disobeying the law, they just probably  
18 weren't familiar with it.

19 MR. POTEET:

20 I notice that their letter  
21 was dated May 5. Your letter back to them  
22 is dated May 10. So it's only the 16th.  
23 We'll probably be hearing from them.

24 MR. PARNELL:

25 Yes, this was fairly

1 recently.

2 MR. POTEET:

3 Any other questions or  
4 discussions about that situation?

5 (No response.)

6 MR. POTEET:

7 I do have one question. You  
8 said that there were some things that have  
9 come up. They are out of business now,  
10 right?

11 MR. PARNELL:

12 Yes.

13 MR. POTEET:

14 So if he is out of business,  
15 we still have people making complaints.

16 MR. PARNELL:

17 Yes.

18 MR. POTEET:

19 How do we handle that?

20 MS. BARON:

21 Well, these people that were  
22 mentioned in this letter were complainants  
23 before he went out of business. The ones  
24 that are calling in now, we are referring  
25 them to Civil Court, because there's nothing

1 that we can do at this point. So those that  
2 are calling in after the fact and after the  
3 fact that they have been revoked and they  
4 are no longer in business, I refer them to  
5 Civil Court. But the ones that are on this  
6 letter that Mr. Hallack sent to Midcity are  
7 the ones that were on the books already that  
8 he owed them back part of their deposit and  
9 he is refusing, he gave them half or a  
10 portion of it instead of the whole deposit  
11 that he had collected.

12 MR. POTEET:

13 Okay.

14 MR. HALLACK:

15 It's my understanding that  
16 his license was revoked for abandonment,  
17 right?

18 MS. BARON:

19 Yes.

20 MR. HALLACK:

21 He abandoned his dealership.

22 MS. BARON:

23 If I'm not mistaken, that was  
24 done in March.

25 MR. POTEET:



1                   Okay.

2                   MR. PARNELL:

3                   Yes, shortly after his  
4 hearing.

5                   MR. POTEET:

6                   All right. Anything else on  
7 that, on Midcity?

8                   MR. HALLACK:

9                   Well, the one thing that we  
10 probably need to make sure is that if the  
11 bond company doesn't pay us the \$20,000,  
12 that we make some kind of effort to collect  
13 it legally. I mean, we sued the bond  
14 company before.

15                   MR. POTEET:

16                   I mean, I don't see any  
17 reason that the bond company would want to  
18 get this letter. Once you send that letter  
19 back to them, they are going to probably  
20 review that and go over it with their  
21 attorneys.

22                   MR. HALLACK:

23                   They should.

24                   MR. BOURGEOIS:

25                   Do we have provisions for

1 legal fees?

2 MR. HALLACK:

3 Yes.

4 MR. BOURGEOIS:

5 We do. Okay.

6 MR. BREWER:

7 Did we make sure that James  
8 March doesn't apply for a salesman's license  
9 under someone else?

10 MS. BARON:

11 His name has been flagged in  
12 the system.

13 MR. BREWER:

14 You have flagged it?

15 MS. BARON:

16 Yes, sir.

17 MR. POTEET:

18 I would recommend you flag  
19 it.

20 MS. BARON:

21 Both of them?

22 MR. POTEET:

23 Yes.

24 The next thing on the agenda  
25 is Item D. This is discussion of the two

1 year licensing.

2 MR. PARNELL:

3 Commissioners, we have been  
4 looking at different methods to improve our  
5 efficiency and productivity during the  
6 renewal period. After further research, it  
7 is my belief that a two year licensing  
8 method is the best means to achieve our  
9 goals, one of which is if we can have all of  
10 our dealers on a two year renewal cycle. A  
11 couple of months back, I kind of gave you a  
12 handout.

13 If you will turn in your  
14 policy and procedure section, I have a  
15 little chart, a territory district map. It  
16 kind of shows you exactly -- these are  
17 numbers that are actual as of -- effective  
18 May 1, 2011. The first chart is your  
19 territory district map with the licensed  
20 dealers per parish. If you look at the top  
21 section, the first list of numbers by your  
22 districts is the total number of licensed  
23 dealers per district. The number in  
24 parentheses is the number of parishes per  
25 district. We do have five districts and

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1 what I want to do and what I broke out at  
2 the bottom, if you notice at the bottom, I  
3 wanted the numbers to kind of equal out in  
4 relation to the two groups that we want to  
5 do the renewals for. So versus -- well,  
6 this time I did Districts 1, 2 and 3, which  
7 is 1,449 actual dealers versus our Districts  
8 4 and 5, which is 1,259 dealers.

9 This year during the renewal  
10 period, it's going to be still pretty hectic  
11 for us. To digress a little bit, we did  
12 move forward with the server. So we should  
13 have our upgrades up in place with CAVU.  
14 How much will that help remains to be seen.  
15 We know it's supposed to help us on the  
16 renewals even as it relates to online  
17 renewing, but there are still some questions  
18 that we have that are out there in relation  
19 to how would it really affect it  
20 significantly when we get to our renewals.  
21 If you look at the bottom of the page, this  
22 year -- in 2012, both groups, Districts 1  
23 through 5, will renew this year. In 2013 --  
24 this year, what I would need to do is get  
25 communication out, within the next 30 days

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1 or so, I need to really finalize all of the  
2 administrative side, exactly how we are  
3 going to facilitate the two year licenses.

4 I have to get communication  
5 out to the dealers in a timely fashion to  
6 let them know what the plan is. Districts 4  
7 and 5 of this renewal period, we would like  
8 to have them go to a two year renewal. This  
9 year -- the next time for renewal would be  
10 2014. Whereas, Districts 1, 2, and 3, they  
11 would renew this year for a one year license  
12 and in 2013, renew for a two year license.  
13 So by the time we get to the year 2015,  
14 every year we will have half of our dealers  
15 or almost half of our dealers renewing  
16 annually for two year licenses.

17 This method, it gets -- after  
18 the research that I did, talking to  
19 different agencies, they tried to do a  
20 staggered method where they had quarterly  
21 renewals, but that doesn't work well if you  
22 have overlap. It works really well if you  
23 can get it all done in a timely fashion, but  
24 being that our staff is very limited, I  
25 think that the two year would be -- it would

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1 behoove us to move in that direction and  
2 that's the direction that I'm trying to gear  
3 up for and to go to. The initial first  
4 chart that you see, the licensed dealers per  
5 parish, it just shows us that each parish --  
6 it shows the actual number of licensed  
7 dealers that's out there. The second chart  
8 shows the numeric district breakdown, if you  
9 see 1, 2, 3, 4 and 5, that's basically what  
10 that is.

11           So I will still need to get  
12 out some form of communication. I don't  
13 know if I need to do mass mailing, which I  
14 will probably have to do. One thing I  
15 wanted to get away from was doing a mass  
16 mailing, but we still don't have enough  
17 e-mails. I can send out e-mails, but we  
18 still get a lot in return coming back. One  
19 of the main things that I think we are  
20 trying to work on is our renewal process. I  
21 know that was a major goal for Chairman  
22 Poteet, and he and I talked about this, and  
23 I think collectively as a whole, this is a  
24 huge concern, a huge problem, that we've  
25 really got to streamline and make more

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1 efficient. So this is what I want to look  
2 at. This is what I'm going to do. Like I  
3 said, in the next 30 days, I'm going to  
4 finalize some of the administrative side,  
5 exactly how we are going to do it, and go  
6 ahead and try to get communication out to  
7 the dealers so we can move forward.

8 MR. POTEET:

9 Actually, in 2014 --

10 MR. PARNELL:

11 2014, I'm sorry. You're  
12 right.

13 MR. POTEET:

14 -- is when it really helps  
15 out.

16 Does anybody -- all of you  
17 current dealers in here, do you like this  
18 idea?

19 MR. BREWER:

20 Absolutely.

21 MR. TURNER:

22 Yes, absolutely.

23 MR. POTEET:

24 Any discussion with any of  
25 your other constituents, does anybody have

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1 anything negative to say about that?

2 MR. TURNER:

3 I think that anything that  
4 streamlines the process and makes it such a  
5 -- not worrying at the end of the year and  
6 everybody worrying about it, I think that  
7 would take a lot of pressure off of things.

8 MR. PARNELL:

9 I know the initial concern  
10 was with dealer plates, how would they  
11 coordinate with us. I think they are moving  
12 to a new system versus the Mapper system  
13 that we have now and they can actually put  
14 dates in now versus where they couldn't  
15 before, but I think this year -- I think  
16 they still want to stay annual with their  
17 dealer plates. They say that's a mess for  
18 them to actually track what plates are out  
19 there.

20 She mentioned to me that we  
21 have some that have, like, maybe four or  
22 five salesmen, but they have 25 plates out  
23 there and they say it kind of gets out of  
24 hand for them and for them to do it  
25 annually, it would remain the same as our

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1 last discussion probably about a month or so  
2 ago. When was that? That's what they were  
3 told. That's what they told us, that that  
4 would change. So we would just have to let  
5 them know, okay, this group is going for two  
6 years on this date and the next renewal date  
7 is here, and the dealers themselves would  
8 still have to get -- annually, get their  
9 dealer plates from Motor Vehicles.

10 MR. POTEET:

11 I think the issue -- we  
12 talked about this before, if we went to a  
13 staggered period, it wouldn't match up with  
14 the dealer plates, but doing this shouldn't  
15 be a problem.

16 MR. TURNER:

17 Maybe if we are going to do a  
18 mass mailing, we ought to put some kind of  
19 request in their mailing for a real e-mail  
20 for every dealer.

21 MR. PARNELL:

22 Yes, yes.

23 MR. POTEET:

24 A requirement.

25 MR. PARNELL:

1 I know last year -- we  
2 started that last year, trying to get --  
3 with the packet that we sent out for  
4 renewal, we requested from everyone, make  
5 sure we have a valid e-mail address but,  
6 again, we do need to step up our efforts. I  
7 have told them every time they talk to  
8 somebody on the phone, go ahead and get an  
9 e-mail address, whatever they are calling  
10 about, just get it in so in a year we won't  
11 have a lot of issues. We did send out a  
12 mass e-mail last year, but half of those  
13 came back non-deliverable.

14 But the great thing is that  
15 we talked with our IT person, we kind -- he  
16 kind of discussed what he did with another  
17 agency. I don't know if we can jump to that  
18 here, I would like to but, what he did was,  
19 he was able -- they've got their own server.  
20 They have some more flexibility versus going  
21 with the Cloud method, where you are kind of  
22 locked in to how they want to word it.

23 We kind of talked about  
24 creating e-mail addresses for our dealers,  
25 basically create an e-mail address. We send

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1       them a communication letter saying  
2       everything that we are going to do, we are  
3       going to communicate with you through this  
4       e-mail address and on our website. That  
5       would give them the opportunity to not say,  
6       okay, I don't have an e-mail address. This  
7       is an actual e-mail address. It's not going  
8       to come back undeliverable. We will have a  
9       set up on the website where they can go log  
10      in to the website and actually pull up  
11      their, I guess, account, their dealer  
12      number, and kind of look at their status,  
13      see what is going on with it and possibly  
14      print out their license and that stuff.

15                 Like I said, there are some  
16      administrative things we've kind of got to  
17      really fine tune. The idea is what really  
18      drew me to going with that method, because I  
19      think that it will really helped us out long  
20      term if we are really going with the e-mails  
21      as far as the mail outs, because that's too  
22      costly to keep -- it just doesn't work as  
23      well. I'm trying to make sure that our  
24      website is updated regularly. We've still  
25      got to work on that end, too, to make sure

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1 it's updated and the information that we get  
2 out, we get it out in a timely fashion so  
3 that everyone can get it. But that's the  
4 plan. That's the direction we are going in.  
5 So the next 30 days, I'm going to have  
6 finalized the administrative side, how --  
7 what we are going to do and try to start  
8 getting communication out.

9 MR. POTEET:

10 All right. The next thing is  
11 the Executive Director's report. So I guess  
12 you're still on.

13 MR. PARNELL:

14 It's kind of short this time.  
15 This time, I really got the complaint side,  
16 review of the complaint totals. If you turn  
17 with me to your complaint totals in your  
18 handouts. If you notice, the first item is  
19 the alleged issue count. Currently, for the  
20 month of April, there were a total of  
21 alleged issues, 117. The largest number was  
22 refunds. The second number of 39,  
23 non-delivery of title, was 22. The refunds  
24 were pretty large this month in that area,  
25 because I think 22 of them were with the --

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1 I think it was AAA. Was it a salvage yard?  
2 No. They were a used parts dealer. They  
3 did a lot of stuff.

4 MS. BARON:

5 AAA and Best Buy.

6 MR. PARNELL:

7 What they did was, they had a  
8 lot of issues with their consumers, and so  
9 they had to refund a lot of money back. So  
10 we had sent the investigator out there and  
11 it was like 22 separate days so that's why  
12 that 39 is pretty high on the refund side  
13 and they pretty much honor all of that and  
14 refund those funds back. We are talking  
15 about maybe \$200, \$300 per complaint. So  
16 they actually jumped in and took care of the  
17 issues without really having any issues from  
18 us, because they, of course -- well, they  
19 claim they didn't know that what they were  
20 doing was incorrect. Once they investigated  
21 and got out there, they were fine.

22 The second item is just our  
23 case reports for the month of April. If you  
24 notice, in assigned cases, 101 assigned in  
25 April. Twenty-five cases were closed in

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1 April, which leaves about 76 cases remaining  
2 open. It kind of ties into the next page of  
3 the department summary for the month of  
4 April. As of 5/16/2011, there were a total  
5 of 49 cases that were closed in the month of  
6 April.

7                   And the last item is April  
8 12, 2010 in comparison between April 2010  
9 and April 2011. For the cases that we have  
10 worked and the investigator that is actually  
11 working that case, this month -- well, April  
12 is 89, but if -- that number kind of  
13 coordinates with the second report minus the  
14 claims against surety and the hearing  
15 violations. If you take those out, it will  
16 equal that 89 where you see 101 on that  
17 part. That concludes the complaints portion  
18 of my presentation.

19                   Do you have any concerns or  
20 questions?

21                   MR. POTEET:

22                   Does anyone have any  
23 questions?

24                   Where was AAA, where are they  
25 located?

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1 MR. PARNELL:

2 I think they were in north  
3 Louisiana, the Monroe area.

4 MS. BARON:

5 Monroe or Shreveport. It  
6 might have been Shreveport, either West  
7 Monroe or Shreveport.

8 MR. POTEET:

9 Well, let's see. The next  
10 thing in here is the Legislative Committee.  
11 Ron is not here.

12 Derek?

13 MR. PARNELL:

14 I will kind of go into it. I  
15 think we have a lot of guests here today.  
16 This is something that I think is kind of  
17 reflective of what's going on with the  
18 session, right now. House Bill 400, it was  
19 authored -- well, not authored by -- but  
20 Representative Cortez is the one that did  
21 the presentation on it. This provides with  
22 respect to the automobile liability  
23 insurance for rental dealers. We all know  
24 that the contingent liability insurance has  
25 been a concern for the past couple of years.

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1 Last year, if you recall, we kind of fought  
2 one insurance agency from trying to narrow  
3 the statute to really create a monopoly.  
4 This is something that we definitely were  
5 opposed to last year, and so this year, we  
6 -- what we did last year, we fought with  
7 them to keep the statute the way it's  
8 written.

9                   Currently, we do have 87  
10 licensed dealers with rent-to-own. Four of  
11 those dealers, according to statute,  
12 currently don't have what -- have insurance  
13 from an admitted carrier. The main concern  
14 was that the last statement, the last line,  
15 if you will turn with me to the House Bill  
16 400, not the first item, that is House Bill  
17 400, but the last document that -- Revised  
18 Statute 32:793 is the current law. I think  
19 the last -- the last line is really where  
20 much of the concern came from, which is such  
21 policy shall be placed, if available, with  
22 an insurance company licensed by and  
23 admitted in the State of Louisiana.

24 .....What happened this year in.....  
25 the Session with House Bill -- I think Mr.

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1 Castille, he is a dealer that really -- he's  
2 probably one of the larger dealers that deal  
3 with rent-to-own options. So I believe he  
4 reached out to his state reps in the area  
5 and they crafted some language with House  
6 Bill 400 that would actually -- in lieu of  
7 having to have the bond -- I'm sorry, in  
8 lieu of having to have the admitted coverage  
9 from the insurance company for a contingent  
10 liability, they put a clause in there about  
11 having a bond \$150,000. This gave an  
12 option, but once we went to the Commerce  
13 Committee for a hearing, there was some  
14 opposition from the other side, and then,  
15 you know, the representatives on that  
16 committee, they -- I don't think they really  
17 kind of understood the insurance language.  
18 So they resubmitted it to the Insurance  
19 Committee. It went to the Insurance  
20 Committee a couple of weeks ago.

21 Robert Hallack and I went  
22 down there, and they made an amendment to  
23 the bill -- Representative Cortez made an  
24 amendment to the bill, which kind of changed  
25 it, again. Whereas, it wouldn't have --

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1 they took the bond out of it completely  
2 because of the opposition that they were  
3 getting. I say because of the opposition.  
4 I don't know what the actual reason was.  
5 They took the bond completely out of the  
6 statute -- the proposed statute and they had  
7 it where you can go with a non-admitted  
8 company as long they were, I think, a B-plus  
9 rating or greater. At that time, through  
10 the Insurance Committee there was no  
11 opposition. It was a surprise to some of  
12 us, to say the least, that they didn't have  
13 any opposition at that time, but we kind of  
14 felt that once it did get to the House floor  
15 for debate, there would be.

16 So I went last week and was  
17 sitting in the back and I was just sitting  
18 there and one of the lobbyists, he came and  
19 sat next to me. I immediately asked him,  
20 okay, what is the amendment that you guys  
21 are going to put on this bill and he kind of  
22 started laughing about it and he said, well,  
23 we do have one. So they did change the  
24 bill, again.

25 They say that they went in

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1 and made it reflect the same as it did, the  
2 current statute, but it really doesn't do  
3 that. And what I want to do -- I have Mr.  
4 Castille, he was asked and I have some  
5 various other people that are here from the  
6 industry themselves that kind of want to  
7 kind of voice some concerns about the bill  
8 and what's been going on in the Legislature.  
9 I would like to ask Mr. Castille, because he  
10 was the -- one of the driving forces behind  
11 House Bill 400 with Representative Cortez,  
12 to kind of speak on what their initial goals  
13 were and what's going on, now.

14 MR. POTEET:

15 We have a few people here.

16 MR. PARNELL:

17 I know Mr. Castille is here  
18 and Chris Arceri is here.

19 MS. BARON:

20 Donald Mendoza is here.

21 MR. PARNELL:

22 Donald Mendoza.

23 MR. POTEET:

24 So all of these people want  
25 to speak?

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1 MR. PARNELL:

2 I don't know who --

3 MR. CASTILLE:

4 I don't believe so.

5 MR. PARNELL:

6 Mr. Arceri would like to, if  
7 necessary. Initially, I know Mr. Castille  
8 wants to speak and I know Mr. Arceri wants  
9 to speak.

10 MR. POTEET:

11 State your names for the  
12 record.

13 MR. CASTILLE:

14 My name is Collin Castille.

15 MR. ARCERI:

16 Chris Arceri, Arceri &  
17 Associates.

18 MR. POTEET:

19 If there's anybody else that  
20 wants to speak we can get that later.

21 Okay. Mr. Castille.

22 MR. PARNELL:

23 Mr. Hallack, he has been with  
24 me down there quite a bit. I don't know if  
25 you want to comment on -- now or if he wants

1 to wait and see what they have to say first.

2 MR. CASTILLE:

3 My name is Collin Castille.

4 I'm a rental dealer and I know that there  
5 are not very many -- I don't believe there  
6 are any rental dealers on the Commission, or  
7 if there are, there are few. So you don't  
8 have to deal with these contingent liability  
9 issues, but I know that if you are a  
10 licensed dealer, you have to deal with  
11 garage liability issues. So let me --  
12 imagine if you know that you need to have  
13 garage liability -- a garage liability  
14 policy and you go out to Lloyds of London,  
15 the single largest highest rated insurance  
16 carrier in the world, and you get a policy  
17 from them, this garage liability policy, and  
18 it is -- and your premium is \$35,000 with  
19 them, \$35,000, but later you find out  
20 because of one word in the law that you  
21 can't use Lloyds of London, that there are  
22 only two insurance companies that you can go  
23 to, and the only way to get to those  
24 insurance companies, to have access to them,  
25 is to join an organization.

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1 All right. There are two  
2 organizations. So one of them wants to  
3 charge you \$480,000 to have access to the  
4 insurance. That's not buying the insurance  
5 policy. That's to have access to the  
6 insurance. At that point, then you can buy  
7 the insurance. Okay. The other one wants  
8 to charge you \$240,000. These two companies  
9 know that they are the only two companies  
10 that you can go to. Okay. That's the  
11 situation I'm in right now, but it gets  
12 worse, because then the organizations  
13 require you to sign a contract. The  
14 contract requires that if you ever leave  
15 them and try to get insurance somewhere  
16 else, let's say that one does become  
17 available that you don't have to join an  
18 organization, the contract says that you  
19 have to leave the business for two years.  
20 You have to sign a non-compete clause simply  
21 to gain access to the insurance that's  
22 required of us by the Commission.

23 It gets worse, because what  
24 happens then is, you find out that you are  
25 required to have this contingent liability

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1 policy, but many, many of your competitors  
2 that are licensed in other ways are not  
3 required at all to have this contingent  
4 liability. Well, I'm saying -- in this  
5 situation, I'm using garage liability, but  
6 what we are really talking about is  
7 contingent liability. You find out that all  
8 of your competitors are not required to have  
9 that and that you are not playing on a level  
10 playing field because of that. That one  
11 word in the statute, that "admitted", that's  
12 what has created this problem and that's why  
13 I'm in the situation that I'm in now.

14 Now, I know that a lot of you  
15 don't know what contingent liability is and  
16 I kind of want to go over it a second. It's  
17 not something that a normal sane person  
18 would talk about at the dinner table, you  
19 know. So it's a little bit -- something  
20 that you might not know about. There is a  
21 misconception that this type insurance  
22 covers the negligence of a driver. It  
23 doesn't cover the negligence of a driver.  
24 GMAC has hundreds of thousands of leases and  
25 if one of those lessees were to get in a

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1 wreck, be drunk, run a red light, GMAC is  
2 not responsible.

3 So there's even a federal law  
4 called the Graves Amendment and if you look  
5 at the second page there, it specifically  
6 states that this bill was passed -- this law  
7 was passed in 2005, and it states that a  
8 business renting or leasing vehicles shall  
9 not be liable for damages that result from  
10 the negligence of a driver during the lease  
11 or rental period.

12 Now, originally, I think the  
13 Used Motor Vehicle Commissioners, their idea  
14 in having contingent liability was they  
15 wanted to have a policy that if the driver's  
16 policy lapsed or cancelled, that they would  
17 still have some insurance to fall back on.  
18 They said contingent liability. Well,  
19 contingent liability policies, all of them  
20 that I've ever seen, simply don't cover the  
21 negligence of a driver. So these policies  
22 don't cover what the Commission originally  
23 intended them to. They wanted us to have a  
24 certain insurance. The contingent liability  
25 that we are required to have doesn't even

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1 cover those scenarios. Okay.

2 Now, why are we as rental  
3 dealers required to have the contingent  
4 liability? GMAC is not compelled to get  
5 contingent liability. Ford Motor Credit  
6 isn't. Toyota isn't. All of the big auto  
7 manufacturers, their financing arms are not  
8 required to have contingent liability. A  
9 motor vehicle lessor, which is licensed  
10 under a different body, it's not the -- I  
11 don't know which one it is, but --

12 MS. BARON:

13 New Car Commission.

14 MR. CASTILLE:

15 They are not required to have  
16 contingent liability. It's only us 87  
17 dealers that are required to have contingent  
18 liability and out of the thousands and  
19 thousands and thousands of cars on the road  
20 right now in Louisiana, very few of those  
21 leases originated from companies that are  
22 required to have contingent liability. The  
23 vast majority of them aren't covered by  
24 contingent liability.

25 A big problem with the way

1 the law is written right now is like I told  
2 you, that you must use a state admitted  
3 insurance company and as of now, like I told  
4 you, there's only two and you have to go  
5 through either SEADRA or Rent-T-Own to have  
6 access to those. SEADRA's cost -- if I were  
7 to join SEADRA, if I were to join their  
8 organization, it would cost me over 14 times  
9 more to gain the policy than if I simply  
10 went to Lloyds of London, the single largest  
11 highest rated insurance company in the world  
12 -- and I have a quote and Chris here is the  
13 agent that is helping me. If I went to  
14 Rent-T-Own, it would be over seven times  
15 what it would cost me to get it from Lloyds  
16 of London. Okay.

17 Now, what they claim is that  
18 with this fee that they charge you, they  
19 don't say that that's what the insurance  
20 costs, because they can't. They can't  
21 charge you \$480,000 for a policy that costs  
22 \$35,000. It would be illegal. So what they  
23 do is, they say that it's a fee, the  
24 \$480,000 is a fee, and what you get from the  
25 fee is some things that they may do for you,

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1 okay, some light paperwork that can be  
2 handled by someone in your office in half a  
3 day, but that's how they justify charging me  
4 \$480,000.

5 What they do is insurance  
6 tracking and I've seen -- they track to make  
7 sure that your customers have insurance.  
8 And I have seen their tracking procedure. I  
9 mean, it's got more holes in it than a big  
10 box of donuts. It's pathetic. My tracking  
11 procedure is much more thorough, much more  
12 robust, and it's much more effective.

13 I want to go back to the  
14 contract clause where -- let's see. There  
15 is a non-compete clause in there. Now, why  
16 to gain access to insurance am I required to  
17 sign a non-compete clause? Okay. Now, you  
18 may think that -- you know, they say that  
19 non-compete clauses aren't that effective  
20 possibly and that there's ways to get around  
21 them. Well, somebody did try to get around  
22 them. One of SEADRA's members was sued for  
23 leaving -- trying to leave SEADRA. In  
24 Southeast Auto Dealers Rentals Association,  
25 that's SEADRA, versus Easy Rent-to-Own, the

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1 judge ruled that Easy Rent-to-Own shall not  
2 solicit any customers of any SEADRA licensee  
3 or any of Easy's former customers. So this  
4 man that owned Easy Rent-to-Own, he tried to  
5 leave. He was not able to solicit his own  
6 customers. SEADRA thinks that their -- your  
7 customers -- once you join their  
8 organization, they think that your customers  
9 are their customers, and if you ever leave  
10 them, you can't solicit them. It makes --  
11 it's ridiculous and it's not something that  
12 you should have to deal with when going to  
13 get insurance. SEADRA won that case and do  
14 you know why they won, because Easy  
15 Rent-to-Own, they signed the contract.

16 I don't want to be forced to  
17 have to sign a contract like that. These  
18 are not normal insurance practices that  
19 SEADRA and Rent-T-Own are doing. SEADRA is  
20 not acting like a regular admitted carrier  
21 that we are required to have. Non-competes  
22 just simply aren't part of the insurance  
23 industry. The clause, it binds you to them  
24 for as long as you want to be a rental  
25 dealer, because if you ever leave them, you

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1 will be sued and have to leave the business,  
2 give your license back to you guys, and not  
3 be a dealer for two years.

4 Another clause that SEADRA  
5 has, and this is the one that I believe is  
6 the most bizarre, is once you do decide to  
7 leave them -- the fee that you pay per car  
8 is \$20 per car per month. Okay. If you  
9 leave them, they are no longer insuring your  
10 cars under the contingent liability, but all  
11 of a sudden, all of leases that you had --  
12 that you originated while you were with  
13 them, that \$20 fee per month becomes  
14 immediately due. So if I have 1,000 cars  
15 that I originated leases under SEADRA and  
16 there was an average of let's say a year  
17 left in those contracts, the moment I leave  
18 SEADRA, I owe them \$240,000, because those  
19 payments become accelerated.

20 I should have the option to  
21 do business with an insurance provider that  
22 acts like an insurance provider, that simply  
23 provides insurance for a premium, and  
24 there's a lot of strong non-admitted  
25 companies that we -- if the law was

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1 different, we would have access to that we  
2 don't have, right now.

3           The bill, House Bill 400,  
4 addresses these issues and tries to give us  
5 a more level playing field and a chance to  
6 do -- to get the insurance that is required  
7 of us. I believe that if the Commission  
8 that originally was sitting when this bill  
9 was passed, I believe that if they had known  
10 that there would be companies that put up  
11 scam monetary road blocks to the only  
12 carriers allowed charging you seven or  
13 thirteen times the amount of the insurance  
14 premium itself simply to have access to the  
15 insurance, they would have never agreed to  
16 allowing only admitted carriers. If they  
17 had known that rental dealers were forced to  
18 sign non-compete simply to have access to  
19 that insurance, they wouldn't have made it  
20 to where it was only admitted carriers.

21           If they would have known that  
22 one of these organizations that we are  
23 forced to join would be active legislatively  
24 and making it even more difficult to get the  
25 insurance that we need and make -- and try

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1 to create a monopoly, I don't believe that  
2 they would have only allowed admitted  
3 carriers.

4 I also believe that if the  
5 Graves Amendment that states that we are not  
6 responsible for the negligence of our  
7 drivers, I believe if that was in place at  
8 the time that the Commission -- when this  
9 law was passed, I don't think they would  
10 have required us to have this insurance, and  
11 if they would have known today what you guys  
12 know today, that every other automotive  
13 lease originator in the state, all of them  
14 except us 87 dealers, are not required to  
15 have contingent liability, they wouldn't  
16 have made it to where it was only admitted  
17 carriers. They may have made it that we  
18 don't have to have it at all. They would  
19 have created a lot more level playing field  
20 and this bill gives us a level playing  
21 field.

22 The opponents of this bill,  
23 and I only saw one and that's SEADRA,  
24 SEADRA's lobbyist, he will say that it's for  
25 the protection of the public that we have

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1 this insurance. That's what they keep  
2 saying, protection of the public. It has to  
3 be an admitted carrier. That's the only way  
4 the public can be protected. What they  
5 won't tell you is that 90 percent of all the  
6 risks in Louisiana, 90 percent of all of the  
7 risks in Louisiana, is insured by a  
8 non-admitted company, 90 percent. Now, if  
9 the Louisiana -- if Louisiana -- if the  
10 Governor thought that only admitted carriers  
11 could protect the public, why is he allowing  
12 90 percent of all of risks in Louisiana  
13 being covered by non-admitted companies? It  
14 makes no sense that only an admitted company  
15 can protect the public. I think I'm  
16 finished there. That's about it.

17 MR. POTEET:

18 That's a lot of information.

19 MR. CASTILLE:

20 I know it is and I apologize.

21 I tried to whittle it down the best I could,  
22 but it's a complicated issue and I wanted to  
23 be as clear and concise about it as I could  
24 to let you understand how -- I know --  
25 Director Parnell said that there's only four



1 of us that don't have an admitted carrier.  
2 Okay. So it doesn't look like a big deal,  
3 but I'll tell you right now there are people  
4 in here -- those 84 that do have the  
5 admitted carrier, they should be allowed to  
6 have access to a larger pool of companies  
7 that offer this insurance. They don't want  
8 to be there, and given the chance to get the  
9 insurance at a much cheaper rate without  
10 having to join an organization that forces  
11 you to sign a non-compete clause, they would  
12 jump at it. So it may be right now that  
13 only four of us have it, but I guaranty you  
14 that the vast majority of the 84 that do  
15 have it don't want to be with these  
16 organizations.

17 MR. POTEET:

18 Thank you, Mr. Castille.

19 MR. CASTILLE:

20 Thank you.

21 MR. POTEET:

22 Okay. Who else wanted to  
23 speak? What is your name, again?

24 MR. ARCERI:

25 Chris Arceri with Arceri &

1 Associates. I will just hand some of these  
2 out. I think Collin did a fantastic job  
3 explaining the situation going on in  
4 Louisiana. I'm actually the agent that  
5 probably insures those four people with  
6 Lloyds of London that's not being affected  
7 right now in the state, and these are  
8 dealers that are probably, because of the  
9 way the law is written, are going to have a  
10 rent-to-own license revoked or be forced to  
11 make some type of change. I have two or  
12 three car dealers licensed with the Used Car  
13 Commission that did not want to purchase  
14 insurance with these admitted carriers to  
15 pay those exorbitant fees. So what they  
16 ended up doing is they got licensed through  
17 the New Car Commission to do leases. To get  
18 a leasing license, you do not have to have  
19 contingent liability coverage. And those  
20 are dealers that normally would pay you guys  
21 \$200 for the -- I think it's \$200 for the  
22 rent-to-own license that decided to move all  
23 of their business to the New Car Commission.  
24 ..... So, you know, this issue has  
25 been around since 1998. I was actually part

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1 of SEADRA in 1998 when we brought this  
2 program to the state. So I know kind of the  
3 inner workings as to what took place back  
4 then. I can send you copies of letters that  
5 we got from the Department of Insurance  
6 discussing contingent insurance, but I just  
7 want to cover a couple of things that Collin  
8 kind of brought up here regarding vicarious  
9 liability, because back then it was kind of  
10 an issue. If you owned a car and you rented  
11 it or leased it in a place like Florida or  
12 New York and had an accident, they  
13 immediately went to the owner of the vehicle  
14 and held them responsible. And there were  
15 about 11 states that had vicarious liability  
16 issues going on.

17 What was happening is rental  
18 and leasing dealers were paying big money to  
19 run these operations with insurance. So the  
20 greatest amendment that Collin spoke about  
21 was passed in 2005 and it was designed  
22 because of interstate commerce to kind of  
23 level the playing field with the dealer to  
24 allow them -- you know, if vehicles crossed  
25 into state lines -- like, if you rent a car

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1 and it traveled down into Florida, well, you  
2 are subject to the Florida laws down there,  
3 the vicarious liability laws, and dealers  
4 were getting pounded down there. So it was  
5 making it hard for dealers to obtain this  
6 insurance back then.

7 So one of the quotes here I  
8 thought was kind of interesting with  
9 Representative Graves, and I have it written  
10 in green here, it says since companies  
11 cannot prevent a vehicle from being driven,  
12 the vicarious liability states they can --  
13 I'm sorry, they cannot prevent their  
14 exposure to these laws. You must raise the  
15 rates accordingly. These higher costs have  
16 driven small companies out of business  
17 reducing the consumer choice and competition  
18 that keeps costs down. That's kind of what  
19 the Graves Amendment was all about, about  
20 keeping costs down for these dealers.

21 And what has happened here  
22 with these admitted carriers is there has  
23 been a monopoly that has been created.  
24 There's not fair competition with insurance  
25 companies and it has driven the cost up to

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1 the point where these dealers are being  
2 forced to pay these \$20 -- \$10, \$20 per  
3 month per car fees. These costs are being  
4 passed along. They are being passed along  
5 to the consumer. So, these are consumers  
6 that have credit issues or challenges, they  
7 are trying to go get a car that's financed.  
8 They can barely make that \$75 a week  
9 payment. We are requiring them to carry  
10 insurance on these vehicles and list these  
11 dealers as an additional insured, and then  
12 we are going to tack on another \$240 a year  
13 cost on, quote, contingent insurance, which  
14 was really just a fee.

15 I listed on the back of here  
16 some of the companies that I know that offer  
17 contingent insurance across the country.  
18 This is nationwide. It's pretty hard  
19 coverage to find. Great American and  
20 National Interstate are the two companies  
21 that we accept here in Louisiana, because  
22 they are termed admitted. Zurich is another  
23 carrier, but they don't want to insure  
24 rent-to-own dealers in Louisiana. They are  
25 more set up to do like new car leasing,

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1 leasing operations for them to do business  
2 in Louisiana. The other issue that they  
3 have is they require the renter to carry  
4 100/350 limits, which gets to be too  
5 expensive for the customer.

6 Philadelphia Insurance  
7 Company absolutely will not do business in  
8 Louisiana. For some reason, they have a  
9 beef with whatever is going on. They will  
10 hang up the phone on you if you call and ask  
11 them for contingent coverage.

12 I went out and found Prime  
13 Insurance a couple of years ago, which is a  
14 B-plus-plus rated company. That's when I  
15 found out Representative Cortez was bringing  
16 forth this bill. I said, hey, see if they  
17 will accept a B-plus rating or better, which  
18 if you look at A.M. Best Company, that  
19 stands for very good, a stable company that  
20 they expect to be around for a long time.  
21 And then, of course, Lloyds of London is  
22 another surplus line company.

23 The bill was amended by  
24 Representative Arnold last week. It's kind  
25 of funny, the amendment that was put in

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1 there was stating that the company that was  
2 non-admitted would have to put money through  
3 the guaranty fund, which I don't know how  
4 you actually accomplish that. The reason  
5 why you become admitted to be part of the  
6 guaranty fund is because if you go out of  
7 business, the guarantee fund will pick up  
8 and reimburse you for claims, I think up to  
9 \$150,000 in claims, and hopefully return  
10 premiums to the people who purchase  
11 policies. Well, if you elect not to put  
12 money into that guaranty fund, which the  
13 state charges five percent surplus lines  
14 tax, which is built into the policy and  
15 passed on to the consumer. So I don't know  
16 -- I think maybe the reason why we put that  
17 amendment in there was to cause confusion,  
18 because it just doesn't make sense that you  
19 would require a non-admitted surplus lines  
20 company to put money into the guaranty fund.  
21 It actually won't work.

22 But, anyway, I'm hoping that  
23 the Commission will kind of take a stand on  
24 this issue. It has come up probably every  
25 year, several times a year, because, you

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1 know, there are dealers that are affected by  
2 this. Collin is greatly affected by this  
3 and there are other dealers here that are  
4 with an admitted company. There was -- a  
5 couple of years ago, you could access a  
6 company called National Interstate for about  
7 a six month window there. It opened up  
8 where you could go directly to the broker at  
9 Philadelphia and buy this coverage for about  
10 \$1,500 to \$2,500 a year for a million  
11 limits. Then, one of the dealers who was  
12 with Northland was paying \$10 or \$20 a  
13 month, said, okay, great, I won't have to  
14 pay the \$20 a month, I'm going to access it  
15 direct. Well, the people in Philadelphia  
16 also are the same brokers for Northland. So  
17 Northland got upset about that, that there  
18 was a conflict of interest, and they said,  
19 look, why would we want to lose a customer  
20 that's paying \$20 a month just so they can  
21 direct and chop it off, the dealer got real  
22 upset, screamed at the underwriter and the  
23 underwriter said, you know, forget it, we  
24 are not writing any more policies down there  
25 with National Interstate for the \$2,500 a

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1 year.

2           So there's probably -- out of  
3 the 87, I would imagine there are a good  
4 amount that manage to get that coverage on  
5 an annual basis. They will renew those  
6 policies. I have two or three dealers that  
7 when they have a policy renewed, I tell them  
8 pay it as quick as you can, because you  
9 don't know when they are going to change  
10 their mind. But what if that program and  
11 that market disappeared? How many of these  
12 dealers would be up here screaming and upset  
13 like Collin is? I mean, you guys would be  
14 hearing from all angles of dealers that are  
15 upset about contingent coverage and the  
16 problem is -- like Collin explained, the  
17 actual exposure there is little to none. I  
18 mean, since the Graves Amendment, we are  
19 looking at exposure of negligent  
20 entrustment, which means if you lease or  
21 rent a car to somebody that is incompetent,  
22 that you know is intoxicated or a situation  
23 like that, you could be held responsible,  
24 maybe mechanical negligence where you leased  
25 a car or rented a car, somebody knowing that

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1 the brakes were faulty, but other than that,  
2 I believe the vicarious liability issue is a  
3 thing of the past, and I would really just  
4 encourage the Commission to get behind this  
5 bill. I know it's a pretty big lobbyist  
6 group that is working behind the scenes that  
7 got this amendment put in.

8 I would like to see the  
9 phrase, "if available," taken out if  
10 possible. That would solve the problem  
11 right there, because you know what -- or  
12 maybe the Commission could look at it this  
13 way, do y'all really feel like Collin has  
14 legitimate insurance available to him? I  
15 mean, he is being told by his attorney, and  
16 I'm telling him as an insurance  
17 professional, do not sign that 10 page  
18 license agreement with a non-compete in  
19 there. I would never sign something like  
20 that.

21 Then, the other program out  
22 of Minnesota requires a contract also, but  
23 they will tell you if you don't properly  
24 track a car and the insurance lapses with  
25 that customer, they are not going to carry

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1 you after 30 days anyway if you don't repo  
2 the car, because it's on a master policy.

3 I know the Commission gets a  
4 certificate of insurance from National  
5 Interstate with the program out of  
6 Northland, but that dealer will never, ever,  
7 get an actual policy, a physical hard copy  
8 of a policy, because you are not getting  
9 your own policy. You endorsed a master  
10 policy. You are shared with thousands of  
11 other dealers across the country. And I was  
12 with SEADRA when they bought contingent  
13 insurance, the issue to the Commission. We  
14 looked at other markets, because we weren't  
15 happy with the master policy situation.

16 But, anyway, I would just  
17 encourage the dealer -- I mean, the Board to  
18 get behind the House Bill, see if we can get  
19 some wording amended there. Maybe we can  
20 drop "if available" or at least look at the  
21 situation with some of these dealers and  
22 say, is it really available, if they are  
23 being forced to sign these contracts that an  
24 attorney would never advise them to sign.  
25 So, anyway, I'm open to answer any kind of

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1 questions that you guys might have. I have  
2 tons more I could share with y'all, but  
3 that's pretty much it.

4 MR. POTEET:

5 Okay. Does anybody have any  
6 questions?

7 MR. BOURGEOIS:

8 I was wondering, Mr. Hallack,  
9 is there any way we can check with the  
10 Attorney General or the Insurance Commission  
11 on the way this monopoly is formed?

12 MR. HALLACK:

13 Well, I think the reason why  
14 we brought it up to the Commission today is,  
15 any time there is a bill that's proposed  
16 that negatively impacts, first the  
17 Commission, second the dealers, and third  
18 the consumers, that we need to take a  
19 position on it, period. As a public  
20 employee, Derek and any employee of the  
21 Commission, cannot support or object to  
22 legislation, but any time that we have  
23 something -- now, as a Commissioner, you  
24 can. You can actually go up there and  
25 testify in support or against a particular

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1 bill. I can do it, because I'm not a state  
2 employee. I'm not a public employee.

3 So any time we have a statute  
4 that affects this Commission, particularly  
5 in a negative way that we need to take a  
6 position on it, we haven't really done that  
7 yet, even though we've had two committee  
8 hearings on it. The first time it came up  
9 in the Commerce Commission -- Commerce  
10 Committee, we got up there and spoke just  
11 objectively, just provided the facts. This  
12 thing has taken a turn from the debate on  
13 the House floor where it's become even more  
14 difficult to enforce. It's created an even  
15 harder monopoly for these two companies that  
16 provide an admitted carrier.

17 If you don't do rent-to-own,  
18 it's kind of hard to understand what the  
19 concept is, but if we ever got it to a point  
20 where it was a decent piece of law, I think  
21 you would see a lot more dealers doing it.  
22 If you got away from this admitted carrier  
23 requirement, I think you would see a lot  
24 more people doing it.

25 In 2008, for example, we had

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1 120 dealers that did rent-to-own. In 2009,  
2 that figure went down to like 68. Now, it's  
3 about up to 87, but -- and I think that  
4 figure is for 2010. So it's something that  
5 a lot of dealers would do if it was a well  
6 written piece of law.

7           What the law requires is two  
8 things. It requires one thing, but the  
9 intent is a completely different thing.  
10 What it requires is that you get a  
11 contingent policy, a policy of insurance  
12 that would protect the dealer from his  
13 contingent liability. What the intent of  
14 the law is, is that there is a secondary  
15 source of insurance in case that operator,  
16 the rentee, fails to carry insurance on his  
17 own car. As you know, the compulsory  
18 insurance requirements are, anybody that  
19 operates a vehicle is required to the  
20 minimum liability on his car. This requires  
21 the dealer to have like a secondary policy  
22 in case that operator doesn't do that. So  
23 we have what the law requires, which is  
24 contingency liability, and then we have what  
25 the law intends is to cover that car in case

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1 the operator doesn't.

2           What they are selling does  
3 not do the latter. It does not cover that  
4 car as excess policy. It does provide  
5 contingent liability insurance coverage, but  
6 guess what, there's absolutely no situation  
7 where a dealer is liable for the fault of a  
8 third party, period. So the part that the  
9 statute requires means absolutely nothing,  
10 nothing whatsoever. You have heard these  
11 two men talk about the Graves Amendment.  
12 That's a federal law and the federal law  
13 says a used motor vehicle dealer can never  
14 be held liable for the fault of a third  
15 party. So this contingent liability policy  
16 means absolutely nothing. That's why it's  
17 \$1,200 a year.

18           I insure four cars. It costs  
19 me \$1,200 a month. If Mr. Castille has  
20 2,000 cars out on rent-to-own, that policy  
21 would cost him \$1,200 a year. It would be  
22 good if he could touch it. That's what it  
23 would cost him. So you can imagine if what  
24 we did was what the law intended -- because  
25 the law does say that the purpose of this

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1 policy is provide coverage where the  
2 operator doesn't.

3 Now, imagine this, you are  
4 selling a car to a person -- in rent-to-own,  
5 you are selling a car to a person who does  
6 not qualify for traditional financing and is  
7 not somebody the dealer would do a buy here,  
8 pay here deal. He can't get a loan to buy  
9 that car. And what's very good for the  
10 dealer is he sells this car, he still owns  
11 it. He is still the owner of record of that  
12 car. So the repossession is a little bit  
13 easier for the dealer in that situation. So  
14 it's very alluring for the dealer, because  
15 he gets to keep the car in his name. It's  
16 also good for the consumer, because these  
17 are people who can't get a car otherwise.

18 So the second part of this  
19 policy -- and if you will go and read these  
20 policies, the one that -- and we only have  
21 two, one is offered by SEADRA. It's called  
22 Great American, and the other one is called  
23 National Interstate. And, again, you have  
24 to be a member of these programs to get  
25 these policies, and to be a member of the

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1 program, SEADRA, you are required to pay \$20  
2 per car per month. Mr. Castille has 2,000  
3 cars out on rent-to-own, 2,000 cars at \$20 a  
4 month is \$40,000 a month, \$480,000 a year  
5 that he has to pay to access a policy that  
6 does absolutely nothing, nothing.

7 Now, let's talk about what  
8 the statute intends. The statute intends  
9 that you provide coverage on a vehicle where  
10 the operator fails to keep it. So this  
11 policy does not apply if the operator has  
12 insurance on this car. Okay. So it's not  
13 an excess policy. It's not an umbrella  
14 policy. It does not apply where he has  
15 insurance on the car. It also does not  
16 apply where he does not have insurance. So  
17 by analogy, it does not apply during the  
18 day. My analogy did not apply during the  
19 night. It just doesn't apply.

20 Now, the policy that's  
21 offered by National Interstate has a 30 day  
22 grace period if the consumer fails to keep  
23 the insurance and you know about it. You've  
24 got the notice of cancellation. You've got  
25 30 days either to make sure the consumer

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1 gets the policy. You put a policy on it or  
2 you get the car back. One of those three  
3 things have to happen in 30 days.

4 Otherwise, there's no insurance. The SEADRA  
5 policy doesn't even say that. So it really  
6 doesn't make a whole lot of sense.

7 Now, what it means for the  
8 Commission, Mr. Castille used to have a  
9 competitor in his area in Lafayette who had  
10 to get a contingent liability insurance  
11 policy, but he got smart. He said, well, if  
12 I change rent-to-own to lease-to-own, maybe  
13 I can go under the New Car Commission laws  
14 where the New Car Commission does not have  
15 that requirement. So his competitor in  
16 Lafayette got smart and started calling his  
17 program lease-to-own and he went under the  
18 New Car Commission. The New Car Commission  
19 does not have a contingency liability  
20 insurance requirement. So, now, his  
21 operation is with the New Car Commission.  
22 So we are losing dealers to the New Car  
23 Commission who are figuring out a way to  
24 call it lease-to-own as opposed to  
25 rent-to-own.

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1                   So I don't know how many  
2 dealers we have lost to that and it's  
3 something that Mr. Castille is looking into  
4 himself, how can I convert my operation to  
5 lease-to-own? So, yes, this language --  
6 this law affects this Commission negatively.  
7 We are losing dealers because of it. If we  
8 had a law that was fairer, then we would  
9 probably get more dealers as a result of it.  
10 So that's why I think we need to take a  
11 position on the bill.

12                   MR. POTEET:

13                   Okay. Thank you.

14                   I've got a few questions and  
15 maybe you can answer these, but anybody can  
16 answer these questions. Number one, in  
17 light of what you presented here regarding  
18 the Graves Amendment and regarding the New  
19 Car Commission does not require contingent  
20 liability insurance, one, how many other  
21 states require it, does anybody know?

22                   MR. HALLACK:

23                   Oklahoma I know does require  
24 it.

25                   MR. POTEET:

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1                   Okay. And, number two, do we  
2 know how many claims have ever been made on  
3 these policies?

4                   MR. HALLACK:

5                   I'm only aware of, like, two.

6                   MR. ARCERI:

7                   I've seen loss notices,  
8 because I quote it all the time. We usually  
9 have to get loss runs and, typically, the  
10 claims that are paid on these policies are  
11 basically defense costs for attorneys,  
12 because you can still be sued as a dealer,  
13 as the owner of the car. Since the Graves  
14 Amendment, I don't really recall seeing many  
15 judgments in favor of the plaintiffs. So  
16 it's basically defense costs that are being  
17 paid right now, because they are suing the  
18 owner of the car in connection with the  
19 person who is leasing the car. But, you  
20 know, five to 10, possibly, not many.

21                  MR. KIRALY:

22                  My name is Richie Kiraly with  
23 Rock and Roll Auto Sales. Basically, just  
24 to kind of put it in a nutshell, it's a  
25 wording to enable some business to make

1 money and that's it. There's no reason for  
2 it, like he said. You are making me  
3 responsible for someone else's actions.  
4 Anyone who has a used car lot or a new car  
5 lot, if you sell a vehicle to someone you  
6 know is drunk, you are liable. It doesn't  
7 have to be a rent-to-own dealer. It can be  
8 a brand new Accord. If you knowingly sell  
9 something to someone who is mentally  
10 incapable, who can't knowingly sign a  
11 binding contract, you are still liable. So  
12 all of that smoke screen is nothing.  
13 Basically, it's a wording that this one  
14 company, SEADRA, has been doing -- '98 --  
15 how long have they been -- again, they tried  
16 to -- it's just like they are saying, you  
17 have to join their club, period. That's it.  
18 That's what they want. And by wording it  
19 appropriately, it's the law that you have to  
20 join their club.

21 But I don't want to have to  
22 be subjected to join someone's club to run a  
23 business, not when they are making an  
24 exorbitant amount of money for absolutely  
25 nothing. I don't know if -- just like he

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1 said -- like Chris said, everyone is going  
2 to tell you, how are you going to make me  
3 responsible for someone else's actions? For  
4 me to say I'm going to leave here and rob a  
5 bank and you are going to go to jail because  
6 I said so, it's ludicrous. And it says  
7 every vehicle that you sell, we have a new  
8 fee. You've got to pay me not once, not  
9 twice, every single month, and as you grow,  
10 so do I. For what?

11 Just like he was explaining,  
12 to get insurance coverage you fax them a  
13 piece of paper. They fax you a piece of  
14 paper. You fax them back. Okay. They fax  
15 you a bill. As your company grows, over  
16 time their bill grows for nothing. And  
17 again, that's what it's trying to do.

18 The wording, just like they  
19 are saying, it really makes no sense, but if  
20 you have to play by the rules to play the  
21 game, that's one thing, but to be forced to  
22 have to go around them to pay these people  
23 for nothing, it isn't fair. And just like  
24 they were saying, I don't see anyone being  
25 able to win a suit against the contingency

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1 policy, because it's contingent on what?  
2 That's the whole thing, on what? You know,  
3 if I knowingly sell someone -- like I said,  
4 someone intoxicated a vehicle, that  
5 contingency policy is not going to cover me  
6 anyway. My actions are my actions and  
7 that's the whole point. And they did this  
8 and they have been lobbying for those -- for  
9 that reason, just like they said. There's  
10 only one voice of opposition, the one voice  
11 that stands to make the most money, period.

12 MR. POTEET:

13 Thank you.

14 Does this bill address the  
15 issues? Because, as I understood it, the  
16 amendment somewhat changed the intent, the  
17 original intent. So, I mean, are we going  
18 to support -- I mean, do you want to support  
19 this as amended?

20 MR. HALLACK:

21 Well, like Mr. Parnell said,  
22 it's been amended several times. It's most  
23 current writing is more stringent than what  
24 it was before. It's current writing  
25 requires the Commission to put the dealer

1 out of business immediately, revoke his  
2 license immediately. If we find some dealer  
3 who does not have an admitted carrier as his  
4 contingent liability insurance, then we are  
5 required under the amendment to revoke his  
6 is license immediately. So like in Mr.  
7 Castille's situation, we would have to take  
8 his license immediately.

9 Now, what does that mean  
10 about the 2,000 cars that he has out on  
11 contract? They've got to bring the cars in,  
12 because he can't do business anymore. So we  
13 aren't just putting Mr. Castille out of  
14 business. We are putting 2,000 people out  
15 of their cars. So that's part of the  
16 amendment. It is a lot more stringent than  
17 what the law is right now.

18 MR. CASTILLE:

19 Can I speak, again?

20 MR. POTEET:

21 Yes.

22 MR. CASTILLE:

23 Can I say one more thing?

24 If you look at the current  
25 law -- and I would like to ask the



1 Commission if this is possible. If you look  
2 at the current law, it says, again, such  
3 policy shall be placed, and then there are  
4 two those words, "if available." Such  
5 policy shall be placed, "if available,"  
6 through an insurance company licensed  
7 by and admitted in the State of Louisiana.  
8 My argument is that since I'm not a member  
9 of SEADRA and I'm not a member of  
10 Rent-T-Own, that there are no admitted  
11 carriers available to me. That's my  
12 argument, and I'm wondering if the  
13 Commission could say that if you are forced  
14 to sign non-competes in excess -- and pay  
15 excessive membership fees to an insurance  
16 company, that that insurance company is not  
17 available. If you were to say that since  
18 I'm not a member of SEADRA or Rent-T-Own  
19 that there is no available admitted carrier,  
20 if you were to say that, then I would be  
21 able to use a non-admitted carrier. I would  
22 be able to use the strongest highest rated  
23 insurance company in the world, Lloyds of  
24 London. I would be able to use them.  
25 All these people here would be able to

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1 use them. It makes it possible what we are  
2 trying to do legislatively and we could  
3 probably do it here. I'm not sure -- Mr.  
4 Hallack would know better. We could  
5 probably do it here right now in this room  
6 if you stated what I just stated, that these  
7 -- if you have to sign a non-compete, sign a  
8 contract, pay extremely excessive fees to  
9 get access to an admitted carrier, that  
10 carrier is not available.

11 Am I making sense?

12 MR. TURNER:

13 Robert, let me ask you --

14 MR. HALLACK:

15 Yes, sir.

16 MR. TURNER:

17 -- the New Car Commission,  
18 what is the criteria, you don't have to have  
19 admitted insurance coverage?

20 MR. HALLACK:

21 You don't have to have  
22 contingent liability.

23 MR. TURNER:

24 Well, why wouldn't we just  
25 mirror that?

1 MR. HALLACK:

2 That would be the acceptable  
3 thing to do. Like I said before, the  
4 operator of the vehicle is primarily  
5 responsible for insuring that vehicle, but  
6 because the dealer is still the owner of  
7 title, they want the dealer to insure the  
8 car, too. There's one dealer that I was  
9 made aware of that -- he has a policy that  
10 actually insures that car, period. He  
11 considers himself to be the primary insurer  
12 of that car and he rents it out. You know,  
13 that's how he does his job.

14 MR. BOURGEOIS:

15 Makes money on the insurance,  
16 probably.

17 MR. HALLACK:

18 I'm sorry?

19 MR. BOURGEOIS:

20 He probably makes money on  
21 the insurance.

22 MR. HALLACK:

23 Well, sure, yes, because the  
24 contingent --

25 MR. BOURGEOIS:

1                   Like a bank that sells  
2 insurance.

3                   MR. POTEET:

4                   So this Commission requires  
5 these guys to have contingent liability.

6                   MR. BOURGEOIS:

7                   Can we change that here now?

8                   MR. POTEET:

9                   That would have to be changed  
10 legislatively.

11                  MR. HALLACK:

12                  We would probably have to go  
13 to Representative Cortez and say, this is  
14 the language that the Commission would like  
15 to put in the bill and support it.

16                  MR. POTEET:

17                  Why wouldn't we do that?

18                  MR. CORMIER:

19                  It seems that would be the  
20 easiest thing to do.

21                  MR. HALLACK:

22                  It is just a blood bath  
23 fighting these guys.

24                  MR. BOURGEOIS:

25                  It sounds like it.

1 MR. KIRALY:

2 Aren't you a lobbyist for  
3 them?

4 MR. BOURGEOIS:

5 No.

6 MS. MORRIS:

7 The Commission can't employ a  
8 lobbyist, but as representatives of this  
9 Commission, we can only give information to  
10 the legislators. I think -- I mean, there's  
11 a lot of information that would lead you to  
12 the conclusion that maybe it's not a good  
13 idea to have the policy, but I thought that  
14 we were allowing -- we were interpreting if  
15 available to not require them be --

16 MR. HALLACK:

17 If there's only one. We  
18 changed that -- we changed Policy #78 to say  
19 that if there's only one admitted carrier,  
20 then they can go to the approved list to get  
21 insurance. But, now, there are two.

22 MR. POTEET:

23 Brad, did you want to say  
24 something?

25 MR. SAIA:

1                   Brad Saia, Vice-President of  
2 LIADA. We met with them Saturday, and Terry  
3 Gee is our lobbyist that we pay, and we  
4 offer -- you know, we support helping these  
5 guys, because it helps us as well as y'all,  
6 and we offered, you know. If Terry Gee, our  
7 lobbyist, is available, they can use him as  
8 well to go help, whatever we need to do to  
9 help support these guys because, I mean, I  
10 have looked at being a rent-to-own dealer  
11 and this is a major -- I mean, it's a lot of  
12 money. It makes a big difference in your  
13 bottom line.

14                   MR. POTEET:

15                   Sure.

16                   MR. SAIA:

17                   So whatever we need to do in  
18 LIADA to support this we will.

19                   MR. POTEET:

20                   I have a question for the  
21 attorneys in this room. Isn't this  
22 bordering on anti-trust?

23                   MR. HALLACK:

24                   Well, sure --

25                   MR. BREWER:

1 I can't believe it. It's  
2 terrible.

3 MR. POTEET:

4 How do we get there? How  
5 does the State of Louisiana allow that? I  
6 mean, don't they know where -- how deep this  
7 sword goes, but, you know, it seems that  
8 we've got a lot of things wrong here. We've  
9 got two organizations openly practicing  
10 anti-trust type tactics.

11 MR. SAIA:

12 It's like the mafia.

13 MR. HALLACK:

14 Assumption by the State of  
15 Louisiana.

16 MR. POTEET:

17 Especially, when we've got  
18 two commissions that basically one has one  
19 way of forcing their dealers to follow  
20 certain guidelines, the other doesn't, and  
21 we can't find any reason to support the  
22 reason that we have the insurance to begin  
23 with. I don't know where to begin.

24 MS. MORRIS:

25 The bill is so different from

1 what was introduced.

2 MR. POTEET:

3 I don't even see how this  
4 bill helps you.

5 MR. ARCERI:

6 The one coming out of the  
7 House was amended perfect. It actually  
8 mirrored what the New Car Commission -- they  
9 actually took the words right out of the New  
10 Car Commission regarding financial  
11 responsibility, and then I think it even  
12 gave the option of admitted companies if  
13 contingent coverage was going to be  
14 required. But it wasn't until it got to the  
15 House floor that it got messed up again, but  
16 I know when it gets to the Senate Insurance  
17 Committee meeting on Wednesday this week,  
18 it's going to be addressed again. The  
19 amendment changed back to where it was.

20 MR. CASTILLE:

21 Right, in the Insurance  
22 Committee of the Senate, we're going to try  
23 to get it put exactly like it was coming out  
24 of the Insurance Committee in the House.

25 MS. BARON:



1                   You're going to try to get it  
2 back the way it was originally.

3                   MR. PARNELL:

4                   But not the --

5                   MR. MENDOZA:

6                   We are fighting very powerful  
7 people. They are very powerful, the  
8 lobbyists.

9                   MR. POTEET:

10                  They must be.

11                  MR. MENDOZA:

12                  Every time I talk to any of  
13 my friends that are up there, they say, ooh,  
14 when I mention Randy Haynes name. They are  
15 powerful and if we don't get the support in  
16 everybody making the phone calls to make  
17 this happen, we are going to fail.

18                  MR. POTEET:

19                  Why don't you get an  
20 anti-trust attorney and sue them? I mean,  
21 has anybody -- did you know that?

22                  MR. CASTILLE:

23                  If this law fails, there's a  
24 lot of other options that we have. One of  
25 them -- the next step that we're going to

1 try to do, what I would really like is if  
2 you guys would -- if the Commission would  
3 state that those two companies are not  
4 available to me, because I'm not in that  
5 organization. I can't be compelled to join  
6 those organizations. There's nothing in the  
7 law that says I have to join SEADRA or  
8 Rent-T-Own. I can't be compelled to  
9 sign a non-compete contract. So those, I  
10 wish not to. I wish not to become a member.  
11 Those are not available to me and I think  
12 that you can do that. Am I right?

13 Can they say -- like, make  
14 some kind of declaratory judgment that those  
15 insurance companies are only available to  
16 members of SEADRA and Rent-T-Own and nobody  
17 else and, therefore, they can use  
18 non-admitted companies.

19 MR. HALLACK:

20 Well, we've told the dealers  
21 that they need to probably go to court and  
22 ask the judge to declare what is available.  
23 Our law right now states that if it's not  
24 available, then they can get insurance from  
25 another source. We've had attorneys from

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1 the Department of Insurance who have come in  
2 and looked at it and said, if you have to be  
3 a member of this organization, then that  
4 insurance is not available to you and,  
5 therefore, you can go somewhere else to get  
6 the insurance.

7 MR. BOURGEOIS:

8 Which means you can go  
9 through non-admitted.

10 MR. HALLACK:

11 That's right.

12 MR. POTEET:

13 So what would be wrong with  
14 us saying that?

15 MR. MORRIS:

16 I think the bill as  
17 introduced, and then amended in the  
18 committee, was something that was going to  
19 help the dealers. Now, it's something that  
20 is not going to help. It is more difficult  
21 to comply with in our current law.

22 MR. BOURGEOIS:

23 The change is even worse.

24 MS. MORRIS:

25 So it seems like you could

1 try to get it back in the Senate Committee,  
2 but if you can't get it back in the Senate  
3 Committee and you are finding some people  
4 that are more organized and have been doing  
5 this for years and have more resources, then  
6 maybe you want to pull the bill and try to  
7 get a declaratory judgment as to what is "if  
8 available," but I know that there are some  
9 risks presented with that, but while that's  
10 pending the Commission, I don't think  
11 you-all could not revoke licenses on that  
12 ground.

13 MR. HALLACK:

14 On the ground of failed to  
15 carry contingent liability insurance?

16 MS. MORRIS:

17 With an admitted carrier.

18 MR. POTEET:

19 You are saying that we --

20 MS. MORRIS:

21 What is our interpretation of  
22 admitted?

23 MR. BOURGEOIS:

24 A non-admitted carrier --

25 MR. POTEET:

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1 Well, I think based on what  
2 Mr. Hallack said with the attorneys from the  
3 Insurance Commission, we've got enough to  
4 say that there are none available.

5 MR. HALLACK:

6 Right. But every year, the  
7 Director gets a letter from the attorneys  
8 for SEADRA saying you are not enforcing this  
9 laws as it is written, if you don't, we will  
10 do something to you. And just to let you  
11 know that if we go down to a committee and  
12 we sit there and present facts that are not  
13 favorable to SEADRA, chances are they are  
14 going to come to you and say, your people  
15 are voicing opposition to what we want to  
16 do. And, I mean, they are tough people,  
17 they are tough cookies. I mean, they sat  
18 there and told the attorneys for the  
19 Department of Insurance, you are a state  
20 employee, you better watch what you say. I  
21 mean, that's tough.

22 MS. MORRIS:

23 Well, it seems like the other  
24 insurers are the ones that need to be the  
25 opposition, the ones that could be writing

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1 the policies.

2 MR. HALLACK:

3 Yes, but they don't want to  
4 sell it, because it's a worthless policy.

5 MR. CASTILLE:

6 It's a small, small line. I  
7 mean, Lloyds of London, the premiums that  
8 they gain from selling contingent liability  
9 are, you know, hundredths of a percent of  
10 their total revenue.

11 MR. HALLACK:

12 There's no money for them.

13 MR. POTEET:

14 I'm not sure what we can do.  
15 I mean, I see a lot of things that we could  
16 do in the long term, but between now and  
17 Wednesday, I mean, do we want to -- I don't  
18 want to support this.

19 MR. BOURGEOIS:

20 Can we pull the bill?

21 MR. CASTILLE:

22 I think what's -- we'll have  
23 to wait and see what happens in the  
24 Insurance Committee Wednesday. If we get it  
25 back to the way we would like it, we are

1 going to continue with it and I would ask  
2 you support it at that point. But if we  
3 can't, there's a chance that we will just  
4 pull it. And then what I would do is  
5 exactly what Mr. Hallack said, which is to  
6 try a get a --

7 MS. MORRIS:

8 Declaratory judgment.

9 MR. CASTILLE:

10 -- declaratory judgment  
11 saying that those two insurance companies  
12 are not available to me. And this would  
13 benefit everybody in here.

14 MR. BOURGEOIS.

15 We can't do that now?

16 MR. CASTILLE:

17 That's why I'm asking --

18 MS. MORRIS:

19 The judgment will have to be  
20 from a court. You can file it here. You  
21 can file it for --

22 MR. POTEET:

23 We request that, right,  
24 we would request something like  
25 that?

1 MR. HALLACK:

2 I don't think the Commission  
3 should do it.

4 MR. POTEET:

5 Someone else would do it.

6 MR. HALLACK:

7 A dealer has to do it, a  
8 rent-to-own dealer.

9 MS. MORRIS:

10 I think the APA -- the  
11 Louisiana version of APA has a procedure in  
12 there to allow a licensee to ask you to  
13 interpret your laws and rules. Then, if  
14 there's an appeal of that, you have to  
15 notify the interested parties that we would  
16 have to notify SEADRA and Rent-T-Own of the  
17 hearing, and once that -- then, it could be  
18 appealed to the 19th Judicial District  
19 Court, but the request would have to come to  
20 you from some interested party.

21 MR. POTEET:

22 That sounds pretty simple.

23 MS. MORRIS:

24 I don't know if you-all have  
25 a rule that addresses that.



1 MR. HALLACK:

2 We do have a rule that  
3 addresses that, yes.

4 MR. POTEET:

5 So what do we have to do if  
6 we want to tell these guys we'll support  
7 whatever comes out of the Senate?

8 MR. HALLACK:

9 I don't think we need a  
10 motion. I think it's just mainly for your  
11 information.

12 MR. POTEET:

13 I think everybody in this  
14 room, all of the Commissioners, do you have  
15 any -- I mean, I think that what they are  
16 trying to do makes sense. I'm a little bit  
17 offended by the whole process, that you have  
18 to join a club to do business.

19 MR. BREWER:

20 I have one question, that's  
21 rent-to-own. Would that -- let's say a  
22 person had a rental company --

23 MR. CASTILLE:

24 If they were renting  
25 short term, like a week or a couple of days?

1 MR. BREWER:

2 Right. Right. Does that  
3 follow the same --

4 MR. POTEET:

5 They are covered by the  
6 Graves Amendment.

7 MR. CASTILLE:

8 They are, too. They are  
9 covered by the Graves Amendment, but they  
10 are licensed under something else. What we  
11 are licensed is, our contracts have to be a  
12 year or longer.

13 MR. BREWER:

14 I see.

15 MR. CASTILLE:

16 These companies are doing  
17 daily or weekly rates.

18 MS. BARON:

19 It's really a rental dealer.

20 MR. BREWER:

21 I don't see how you could  
22 continue to stay in business.

23 MR. CASTILLE:

24 I don't believe we would able  
25 to, you know.

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1 MR. POTEET:

2 Okay. Is there any more  
3 discussion on any of that? I think that you  
4 guys have our support to try to get  
5 something done --

6 MR. CASTILLE:

7 Thank you.

8 MR. POTEET:

9 -- whatever that might be.

10 MR. CORMIER:

11 I think they should be  
12 allowed to continue to do business the way  
13 they are until this is resolved.

14 MR. POTEET:

15 I think we are sort of in  
16 that --

17 MR. TURNER:

18 There's no doubt about that.

19 MR. POTEET:

20 Yes. We are in that mode,  
21 now.

22 MR. HALLACK:

23 Well, kind of -- I mean,  
24 eventually we probably might get a letter  
25 from them saying, we are aware that a dealer

1 in Lafayette is not complying with  
2 contingency liability, what are you going to  
3 do about it.

4 MR. POTEET:

5 We'll investigate it.

6 MS. BARON:

7 We will have to have a  
8 hearing is what we'll do about it.

9 MR. POTEET:

10 At that point, we could  
11 say we will investigate it and during  
12 the investigation, we will have the --

13 MS. BARON:

14 The hearing.

15 MR. HALLACK:

16 Well, just so everybody  
17 knows, we are not going to set him up for a  
18 violation.

19 MR. CORMIER:

20 That's where I was going with  
21 that.

22 MR. POTEET:

23 Yes.

24 MR. ARCERI:

25 How about my other four

1 dealers?

2 MR. PARNELL:

3 It is four total. Three of  
4 them, they do that with Lloyds of London.

5 MR. POTEET:

6 It seems to me like this is  
7 restraint of trade, anti-trust, all of those  
8 other nasty things.

9 MR. PARNELL:

10 All of the dealers -- are all  
11 of four dealers are Lloyds of London, now.

12 MS. BARON:

13 Don't mess with them.

14 MR. POTEET:

15 Right. Okay. As you know,  
16 we've got just a couple of hearings coming  
17 up. We will take a little quick break.  
18 Everybody take a break, five minutes -- 10  
19 minutes.

20  
21 (After hearings were held, the meeting  
22 adjourned at 12:35 p.m.)  
23  
24  
25

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 May 16, 2011 meeting was  
8 reported by me in the stenotype reporting  
9 method, was prepared and transcribed by me  
10 or under my personal direction and  
11 supervision, and is a true and correct  
12 transcript to the best of my ability and  
13 understanding.

14 This May 29, 2011, Baton Rouge,  
15 Louisiana.

16  
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23 BETTY D. GLISSMAN, CCR  
24 CERTIFIED COURT REPORTER  
25

Betty D. Glissman, CCR  
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