

LAIP
GOVERNING COMMITTEE
MEETING
SEPTEMBER 24, 2015

CORRECTED TRANSCRIPT

Held at The Department of Insurance
1702 North 3rd Street
4th Floor Conference Room
Beginning at 9:23 a.m.

REPORTED BY:
BETTY D. GLISSMAN, CCR

1 APPEARANCES:
2
3 CHAIRPERSON:
4 Ms. S. Denise Brignac
5
6 BOARD MEMBERS:
7 Mr. Christopher Howell (Department of
8 Insurance Appointee)
9 PRESENT BY TELEPHONE:
10 Mr. Bobby Dupre (LAFAC)
11 Mr. Noel Bunol, IV (President of the
12 Senate Designee)
13 Mr. Aaron Angel (State Farm)
14
15 ALSO PRESENT:
16 Ms. Suzy Sheriff (AIPSO)
17 Ms. Susan Petrillo (Progressive)
18 Ms. Tim Messier (AIPSO)
19 Mr. Robert Myers, General Counsel
20
21 ALSO PRESENT BY TELEPHONE:
22 Mr. Robert Powers (AIPSO)
23 Ms. Jennifer Johnson (AIPSO)
24 Mr. John Rossi (AIPSO)
25 Mr. Tyler Falcone (AIPSO)

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1 MS. BRIGNAC:
2 All right. I'd like to call to
3 order the Governing Committee's meeting of
4 the Louisiana Automobile Insurance Plan. It
5 is Thursday, September 24, 2015, at 9:23
6 a.m. I am Denise Brignac, Chairperson
7 presiding over the meeting. At this time, I
8 will conduct roll call.
9 Denise Brignac, I'm here.
10 Christopher Howell?
11 MR. HOWELL:
12 Here.
13 MS. BRIGNAC:
14 Bobby Dupre?
15 MR. DUPRE:
16 Here.
17 MS. BRIGNAC:
18 Noel Bunol?
19 MR. BUNOL:
20 Here.
21 MS. BRIGNAC:
22 Aaron Angel?
23 MR. ANGEL:
24 Here.
25 MS. BRIGNAC:

1 That's five members and a quorum.
 2 Please let the record reflect that
 3 Representative Major Thibaut, Blaine Briggs,
 4 and Chris Fox are not present. At this
 5 time, we'll go to the agenda.

6 First agenda item is the
 7 antitrust preamble. I will enter an
 8 official copy into the record unless there
 9 is a member of the Governing Committee that
 10 prefers I read it.

11 (No response.)

12 Antitrust Preamble

13 We are here to discuss and act on
 14 matters relating to the business of the
 15 Louisiana Automobile Insurance Plan and not
 16 to discuss or pursue the business interests
 17 of our individual companies. We should
 18 proceed with caution and alertness towards
 19 the requirements and prohibitions of federal
 20 and state antitrust laws. We should not
 21 engage in discussion - either at this
 22 meeting or in private conversations - of our
 23 individual company's plans or contemplated
 24 activities. We should concern ourselves
 25 only with the business of the Louisiana

1 changes to those minutes.

2 MS. SHERIFF:

3 Yes, thank you. On Exhibit #2,
 4 Page 1, court reporter Page 1, Line 14, that
 5 should be 2015. On Page 3, we have several
 6 corrections. On court reporter Page 11, on
 7 Line 13, contractually should be
 8 contractual. Reparation, it should be
 9 reformation. Line 18, we would delete the
 10 word mandatory. And on Page 12 -- court
 11 reporter Page 12, Line 5, a portion should
 12 be apportioned. And the last correction is
 13 on Page 5 of your exhibit, which is Page 18,
 14 Line 9, approve part of it should be accrue
 15 part of it. And that is all of the
 16 corrections that I have.

17 MS. BRIGNAC:

18 All right. Does any member of
 19 the Governing Committee have any recommended
 20 corrections?

21 (No response.)

22 MS. BRIGNAC:

23 If not, I will entertain a motion
 24 to approve the minutes with the corrections
 25 noted by Ms. Sheriff.

1 Automobile Insurance Plan as set forth in
 2 the agenda for this meeting. Only residual
 3 market matters may be discussed at residual
 4 market meetings and each company's voluntary
 5 market plans cannot be discussed.

6 We may not discuss the
 7 circumstances, conditions or actions under
 8 which our individual companies will withdraw
 9 from particular lines of coverage in this
 10 state, or will withdraw as servicing
 11 carriers for the Plan. We may not discuss
 12 or agree to refuse to supply servicing
 13 carrier services to the Plan or agree to
 14 withdraw other services, products, or lines
 15 of business. We also may not discuss or
 16 agree to refuse to do business with
 17 individual or classes of insurers,
 18 producers, brokers or insureds, unless
 19 clearly authorized and actively supervised
 20 by the state.

21 MS. BRIGNAC:

22 Hearing none, I'll move onto
 23 agenda item #2, which is the minutes of the
 24 April 9, 2015 Governing Committee meeting.
 25 I believe Ms. Sheriff has some recommended

1 MR. DUPRE:

2 I'll make that motion.

3 MS. BRIGNAC:

4 I have a motion by Mr. Dupre.

5 MR. BUNOL:

6 I'll second it.

7 MS. BRIGNAC:

8 I have a second by Noel.

9 Any discussion on the motion?

10 (No response.)

11 MS. BRIGNAC:

12 All those in favor, say, "Aye."

13 (All "Aye" responses.)

14 MS. BRIGNAC:

15 Any opposed?

16 (No response.)

17 MS. BRIGNAC:

18 All right. Moving onto agenda
 19 item #3, which is the report from the
 20 Chairperson. The only thing I would like to
 21 bring to the Governing Committee's attention
 22 is, several times in the past, Ms. Sheriff
 23 has provided to me what appears to be some
 24 fraudulent insurance cards issued with the
 25 plan's name on it. I cannot go into or

1 divulge our investigation relative to that,
 2 but I will tell you there is some movement
 3 in that area.
 4 MS. SHERIFF:
 5 Great.
 6 MS. BRIGNAC:
 7 So hopefully we can finally get
 8 to the bottom of it.
 9 With that, I'll move to agenda
 10 item #4, report from general counsel,
 11 Mr. Myers.
 12 MR. MYERS:
 13 There have been no major issues
 14 that we've had to deal with in the last
 15 three or four months.
 16 MS. BRIGNAC:
 17 I love to hear that. All right.
 18 Any questions for Mr. Myers
 19 before I move on?
 20 (No response.)
 21 MS. BRIGNAC:
 22 If not, agenda item #5, which is
 23 AIPSO's operations report, Ms. Sheriff.
 24 MS. SHERIFF:
 25 Thank you. The first item,

1 As Bob mentioned, not a lot going on with
 2 the plan, which we do like.
 3 We'll move on to the next
 4 portion, which is Exhibit #4, Page 3. For
 5 the CAIP, this is a different picture. We
 6 are -- for the year to date through July,
 7 our budget is \$9,888. Our actual is
 8 \$144,681. We're over in a couple of areas.
 9 One is \$88,426. That is because we carry
 10 policy years, 11 policy years. When that
 11 last policy year falls off the reporting, if
 12 there are balances owed to the plan, or to
 13 the CAIP in this case, we write off those
 14 balances. So this is due to, I believe, a
 15 company that was insolvent that we've been
 16 carrying, but has now been written off. So
 17 that's why it's showing up.
 18 And then the other item that
 19 we're over is indemnification, \$46,226.
 20 That is for the issue -- and Robert Powers
 21 will be discussing this later, but once he
 22 has kind of brought us up to speed on where
 23 we are with this indemnification, I will
 24 discuss with financial services if we need
 25 to make any changes to the budget variance

1 Exhibit #3, the Plan Population Reports
 2 through August, we have had one private
 3 passenger application, 19 commercial apps,
 4 for a total of 20 this year. That compares
 5 to 19 at the same time last year. We are
 6 seeing a slight upswing in applications in
 7 many plans, not -- not a lot, but just
 8 enough to indicate the market is tightening
 9 somewhat.
 10 If there are no questions about
 11 that, I'll move on to Exhibit #4, the
 12 Executive Summaries and the Budget Variance
 13 Reports Year to Date through July.
 14 We are for the AIP under budget
 15 by \$2,129. There are only two items that
 16 are somewhat significant. The first,
 17 committee travel is under budget by \$1,250.
 18 We have had no travel expenses submitted by
 19 the committee members this year. This
 20 budget is included just in case any of the
 21 out of town do want to -- to submit those
 22 expenses, but thus far they've not done
 23 that.
 24 And the other item is legal
 25 consultation. We're under budget by \$1,035.

1 report, because this will be showing up in a
 2 different place, in the members
 3 participation reports rather than as an
 4 expense on the budget variance report.
 5 Are there any questions about
 6 either of those reports?
 7 (No response.)
 8 MS. SHERIFF:
 9 And if not, I had one other item.
 10 I wanted to just ask the Committee, the last
 11 few meetings, I've given a quick update on
 12 AIPSO insurance operations. Is that an item
 13 that would be of interest that you would
 14 like me to add to future agendas just for an
 15 update of where we are on that?
 16 MS. BRIGNAC:
 17 I don't think it will hurt.
 18 MS. SHERIFF:
 19 Okay. We'll add that. Just to
 20 let you know, we are still -- we are still
 21 doing this in AIPSO. We are up to, as of
 22 May, 3.7 million being written out of AIPSO
 23 of commercial premiums. We have changed
 24 fronting companies and we are gearing up to
 25 do some additional states. So we're still

1 at that goal of writing 5 million out of
2 AIPSO.

3 And if there are no questions,
4 that will conclude my report.

5 MS. BRIGNAC:

6 Any questions for Suzy?
7 (No response.)

8 MS. BRIGNAC:

9 If not, go to agenda item #6,
10 which is under Exhibit #5 for same-sex
11 marriage.

12 MS. SHERIFF:

13 This proposal is just a change
14 that -- that we are proposing in response to
15 recent court rulings and it would just
16 change the language to replace any reference
17 to husband and wife to a married couple, to
18 comply with those -- those new laws.

19 MS. BRIGNAC:

20 Okay. If no questions for Suzy,
21 I'll entertain a motion to approve the
22 recommended change to our plan, which would
23 change husband and wife to married couple.

24 MR. HOWELL:

25 I make a motion.

1 plan and was able to approve things that
2 exceeded that. Now, if it doesn't, we
3 either have to go to the full Committee or
4 we go to Denise. And what I'm asking is if
5 we increase that limit, because we know that
6 just the D&O policy every year exceeds the
7 \$5,000 and yet I can't approve that. So
8 what I'm asking is if we could increase that
9 to \$7,500 and it is within budget, so that I
10 don't have to take these things to the
11 Committee or Denise, take your time and
12 Denise's time when it is a budgeted item and
13 we're within that budget.

14 MR. BUNOL:

15 I'll make a motion to approve
16 increasing that to \$7,500.

17 MS. BRIGNAC:

18 I have a motion by --

19 MR. DUPRE:

20 I second that.

21 MS. BRIGNAC:

22 -- I have a motion by Mr. Bunol
23 to increase the operation manager's approval
24 authorization to \$7,500 within budget.

25 Who seconded?

1 MS. BRIGNAC:

2 I have a motion by Mr. Howell.
3 Do I have a second?

4 MR. ANGEL:

5 I second.

6 MS. BRIGNAC:

7 I have a second by Aaron.
8 Any discussion on the motion?
9 (No response.)

10 MS. BRIGNAC:

11 All those in favor, say, "Aye."
12 (All "Aye" responses.)

13 MS. BRIGNAC:

14 Any opposed?
15 (No response.)

16 MS. BRIGNAC:

17 All right. Agenda item #7, which
18 is the Operation Manager's Expense Approval
19 Authorization.

20 MS. SHERIFF:

21 I asked Denise if I could include
22 this item. Currently, the expense authority
23 I have approval is \$5,000. That was
24 approved by the Committee in 2010. At that
25 time, Ben Moss was very involved with the

1 MR. DUPRE:

2 I'll second.

3 MS. BRIGNAC:

4 Is that Bobby?

5 MR. DUPRE:

6 Bobby.

7 MS. BRIGNAC:

8 All right. Thank you, Mr. Dupre.
9 I have a second by Mr. Dupre.

10 Do I have any discussion on the
11 motion?

12 (No response.)

13 MS. BRIGNAC:

14 If not, all those in favor, say,
15 "Aye."

16 (All "Aye" responses.)

17 MS. BRIGNAC:

18 Any opposed?

19 (No response.)

20 MS. BRIGNAC:

21 All right. Agenda item #8, which
22 is the AIPSO and CAIP budgets, Suzy.

23 MS. SHERIFF:

24 All right. First is the AIP,
25 which is Exhibit #6. We are proposing a

1 budget of \$61,675. There's not a lot of
 2 change to what was budgeted in 2015. A
 3 couple of things I would like to mention are
 4 travel. We -- we were finding that
 5 Committee members are not submitting that
 6 much of their expenses. So we're looking at
 7 decreasing it by \$1,500 to \$1,000. So
 8 there's still some in there if they need to,
 9 but not as much. The other change is
 10 central processor fees. Those are AIPSO
 11 fees. Primarily, the change there is -- in
 12 fact, we're going from \$38,173 to \$41,923,
 13 but we have included \$4,440 for the internal
 14 operations audit that is done for the plan
 15 every three years. So without that, we are
 16 pretty much flat.

17 I would be happy to answer any
 18 questions about any of the budget items.

19 And one thing when this budget is
 20 approved, you may recall last year that we
 21 assessed the budget amount. And last year,
 22 because we had excess cash, we -- because
 23 the plan requires that we assess the
 24 membership, we did that assessment, but then
 25 we issued a credit to offset it, so that we

1 Yes, but for everybody's benefit,
 2 if you recall when the LAIP divorced from
 3 the PIAL administration, the records were in
 4 a total mess and shambles and there was
 5 really no way for us to tie to that
 6 \$120,000, and so we felt it was best just to
 7 leave it on hand for a period time. We are
 8 approaching 10 years with the \$120,000. I
 9 know I've been serving in this capacity for
 10 nine years now. So I think it's a good
 11 opportunity to start utilizing this and not
 12 assessing our membership.

13 So if there's no questions for
 14 Suzy, I'll entertain a motion to approve the
 15 2016 budget as presented with a budget of
 16 \$61,675 for the AIP.

17 MR. DUPRE:

18 I make that motion.

19 MS. BRIGNAC:

20 I have a motion by Mr. Dupre.

21 MR. HOWELL:

22 I'll second.

23 MS. BRIGNAC:

24 A second by Mr. Howell.

25 Any discussion on the motion?

1 used our excess cash. So that took us down.
 2 We had \$94,000 at the beginning of 2015.
 3 We're rounding these. Our expenses were
 4 about \$59,000, so we had still \$35,000
 5 excess cash from the current years. So with
 6 this budget of about \$62,000, we would need
 7 another \$27,000.

8 However, you may recall we talked
 9 last year about we had \$120,000 prior to
 10 2007 that we really don't -- we couldn't --
 11 we can't account for it when it was done out
 12 of the Metairie office. We kept that money
 13 in the event we had any legal issues or
 14 expenses that we might need it, but it's
 15 been sitting and we're proposing to start
 16 using that cash rather than assessing the
 17 membership. So we would use 27 -- roughly
 18 \$27,000 of that \$120,000, which would still
 19 leave us about \$93,000 excess cash.

20 MS. BRIGNAC:

21 And just for the Governing
 22 Committee's --

23 MR. DUPRE:

24 That sounds like a good idea.

25 MS. BRIGNAC:

1 (No response.)

2 MS. BRIGNAC:

3 All those in favor, say, "Aye."

4 (All "Aye" responses.)

5 MS. BRIGNAC:

6 Any opposed?

7 (No response.)

8 MS. BRIGNAC:

9 I will also entertain a motion
 10 from the Governing Committee to give AIPSO
 11 the authority to draw against the \$120,000
 12 and not assess -- or not fully assess the
 13 membership.

14 MR. MYERS:

15 But that's to the limit of
 16 \$27,000 this year?

17 MS. SHERIFF:

18 It will -- they will true it up
 19 and we will -- like I said, we will assess
 20 the \$100, but then we'll give them a credit
 21 of \$100, and then whatever cash at the end
 22 of the year is needed to fund the plan will
 23 come out of that \$120,000.

24 MR. MYERS:

25 Okay.

1 MS. BRIGNAC:
 2 Right. So do I have a motion?
 3 MR. HOWELL:
 4 (Makes motion.)
 5 MS. BRIGNAC:
 6 Motion by Mr. Howell.
 7 Second?
 8 MR. BUNOL:
 9 I'll second.
 10 MS. BRIGNAC:
 11 Who was that?
 12 MR. BUNOL:
 13 Noel.
 14 MS. BRIGNAC:
 15 Thanks, Noel. We've got a second
 16 by Mr. Bunol.
 17 Any discussion on the motion?
 18 (No response.)
 19 MS. BRIGNAC:
 20 All of those in favor, say,
 21 "Aye."
 22 (All "Aye" responses.)
 23 MS. BRIGNAC:
 24 Any opposed?
 25 (No response.)

1 MR. HOWELL:
 2 I'll make a motion.
 3 MS. BRIGNAC:
 4 I have a motion by Mr. Howell.
 5 Do I have a second?
 6 MR. BUNOL:
 7 I'll second it. This is Noel.
 8 MS. BRIGNAC:
 9 I've got a second by Mr. Bunol.
 10 Any discussion on the motion?
 11 All those in favor, say, "Aye."
 12 (All "Aye" responses.)
 13 MS. BRIGNAC:
 14 Any opposed?
 15 (No response.)
 16 MS. BRIGNAC:
 17 All right. Agenda item #9, Tim.
 18 MR. MESSIER:
 19 The private passenger rate
 20 report. So our last rate change was a
 21 decrease of 8 and a half percent back in
 22 2012. Last year, we had an indication of 16
 23 percent, but the dollar impact was 15 bucks,
 24 so we did nothing with it. As Suzy said,
 25 we've had just one app in the last 12

1 MS. BRIGNAC:
 2 All right.
 3 MS. SHERIFF:
 4 The next item is the CAIP budget,
 5 which is Exhibit #7. And again this is
 6 pretty much flat. We were -- 2015 budget
 7 was \$17,726. We're proposing \$17,127. One
 8 thing that is included that I would like to
 9 make the Committee aware of, as you know,
 10 New Hampshire Insurance Company is in runoff
 11 and because they have a million in reserves
 12 for Louisiana and two open claims, we have
 13 asked to participate in that audit. Because
 14 it will all be done at AIPSO, there's no
 15 travel expense. It's just some time. So
 16 there's only \$333, but we are participating
 17 with one other state in that audit and we'll
 18 get an audit report.
 19 MS. BRIGNAC:
 20 Okay. Any questions for Suzy?
 21 (No response.)
 22 MS. BRIGNAC:
 23 If not, I will entertain a motion
 24 to approve the 2016 budget of \$17,127 for
 25 the CAIP.

1 months. So the volume remains low.
 2 We used our loss cost
 3 benchmarking approach in this state, because
 4 we don't have enough volume to do it based
 5 on experience. And as I said, last year
 6 that was 16.1 percent, this year it's crept
 7 up to 23.3 percent. And now that it's a
 8 little bit higher, there's still not a lot
 9 on the line, but I'm thinking maybe we
 10 should entertain taking a rate change this
 11 time around. If we cap the liability base
 12 rate changes at 25 percent, and then take no
 13 change to physical damage, this would get us
 14 to an overall change of 22.7 and have a
 15 dollar impact of \$541, still not a ton. But
 16 by not taking any change to phys dam, we
 17 would not have to cap the heck out of the
 18 phys dam rate, and it would just be
 19 liability. So maybe the implementation cost
 20 would be a little bit lower as a result.
 21 It's still kind of questionable
 22 whether we're going to recover the
 23 implementation cost given the low volume,
 24 but I throw it out to the Committee that we
 25 -- we may want to take this change, because

1 it is over 20 percent now and it's been four
 2 years since our last rate change.
 3 Any discussion or questions?
 4 MS. BRIGNAC:
 5 I would say not --
 6 MR. DUPRE:
 7 This is --
 8 MS. BRIGNAC:
 9 Go ahead. Go ahead. Sorry.
 10 MR. DUPRE:
 11 My suggestion would be to leave
 12 it like it is. Just the cost of the plan of
 13 making all these changes and there's no
 14 business coming in or going out, one
 15 application in the last two years, one per
 16 year.
 17 MS. BRIGNAC:
 18 That's true, but let me just give
 19 you the regulator side of this. And we are
 20 starting to see an uptick in rate increases
 21 in the non-standard auto market in Louisiana
 22 and, you know, typically when the market
 23 starts to harden, AIPSO -- our plan could
 24 actually see policies coming into it. I
 25 would hate for us to fall behind the market.

1 It's looking to go up?
 2 MS. BRIGNAC:
 3 Yes.
 4 MR. BUNOL:
 5 How much?
 6 MS. BRIGNAC:
 7 It's 22.7 percent, and the dollar
 8 amount would be approximately \$541.
 9 MR. BUNOL:
 10 On the private passenger auto?
 11 MS. BRIGNAC:
 12 Yes.
 13 MR. MESSIER:
 14 Yes, but you are -- you are
 15 seeing a tightening up. So maybe we ought
 16 to take it.
 17 MR. BUNOL:
 18 It is tightening right now, Mr.
 19 Bobby. There's -- I guess over the last 12
 20 months, there's been quite a few -- 24
 21 months, there's been quite a few companies
 22 that have left the marketplace. There's
 23 just a few left and -- and rates are
 24 definitely -- rates have definitely been on
 25 the uptick for sure over the last 12 months.

1 Bobby is correct in that we only
 2 have one policy and it's not a huge amount,
 3 but -- so that's up to the members. I don't
 4 vote unless there's a tie.
 5 MR. DUPRE:
 6 How much of an increase -- it's
 7 an increase of how much?
 8 MR. MESSIER:
 9 It's 22.7 percent, Bobby, based
 10 on the 2013 premium volume that we have in
 11 the plan. It's only going to get you about
 12 500 bucks. So, you know, if you are
 13 implementing this in an actual system, it's
 14 going to cost you more to actually do that.
 15 But if everyone is manually rating policies
 16 because volume is low, there's really no
 17 implementation cost.
 18 MS. BRIGNAC:
 19 Okay. So, Bobby, were you making
 20 a motion to leave it like it is and not do a
 21 rate change?
 22 MR. DUPRE:
 23 What's your thoughts about this
 24 rate change?
 25 MR. BUNOL:

1 I mean, that's -- that's what's going on in
 2 the market for sure.
 3 MR. DUPRE:
 4 Okay. Well, I'll change my
 5 recommendation to take the increase.
 6 MS. BRIGNAC:
 7 So I have a motion by Mr. Dupre
 8 to implement the 22.7 percent rate increase
 9 and that would be for submission to the
 10 Department.
 11 MR. BUNOL:
 12 Second.
 13 MS. BRIGNAC:
 14 And I have a second by Mr. Bunol.
 15 Any discussion on the motion?
 16 (No response.)
 17 MS. BRIGNAC:
 18 All those in favor, say, "Aye."
 19 (All "Aye" responses.)
 20 MS. BRIGNAC:
 21 Any opposed?
 22 (No response.)
 23 MS. BRIGNAC:
 24 I will say, too, before we move
 25 on, that in the last two weeks, you've had a

1 pretty significant carrier get placed into
 2 rehabilitation, too, so -- in our state.
 3 All right. Moving on.
 4 MR. DUPRE:
 5 One of the -- one of the trusts?
 6 MS. BRIGNAC:
 7 No, sir. This was a --
 8 Affirmative Insurance Company, formerly U.S.
 9 Agencies.
 10 MR. DUPRE:
 11 Oh, come on.
 12 MS. BRIGNAC:
 13 Yes.
 14 MR. DUPRE:
 15 Hadn't heard that one.
 16 MS. BRIGNAC:
 17 All right. Moving onto agenda
 18 item #11, which is National Continental
 19 Indemnification Request.
 20 MR. MESSIER:
 21 Actually, could we go back to
 22 #10.
 23 MS. BRIGNAC:
 24 All right.
 25 MR. MESSIER:

1 meaning we were actually making money, but
 2 things have gotten quite a bit worse in the
 3 last 12 months and now we're up to about 120
 4 percent net operating result. So we're in
 5 the red, which is kind of the history of the
 6 CAIP.
 7 So given the recent worsening of
 8 experience, we're proposing to take no
 9 change to the commercial rates.
 10 Any questions?
 11 (No response.)
 12 MS. BRIGNAC:
 13 If no questions for Tim on the
 14 commercial, I would entertain a motion for
 15 no change to the commercial rates.
 16 MR. DUPRE:
 17 I'll make that motion.
 18 MS. BRIGNAC:
 19 I have a motion by Mr. Dupre.
 20 Do I have a second?
 21 MR. BUNOL:
 22 I'll second that.
 23 MS. BRIGNAC:
 24 I've got a second by Mr. Bunol.
 25 Any discussion on the motion?

1 The commercial rate review. So
 2 last year, we took a decrease of 7.6 percent
 3 in the commercial rates. The indication was
 4 actually minus 16.4, and what we did was
 5 take a 25 percent cut for everything except
 6 for the sugarcane haulers. As we said
 7 earlier, we got about 19 apps in the past
 8 year, which is just one more than the
 9 previous year. The good news is, the
 10 sugarcane hauler volume has really
 11 depopulated. As Suzy said at the last
 12 meeting, we had none last year whatsoever.
 13 And the latest year we have data for is
 14 2013, 1 percent of the premium is from
 15 sugarcane haulers. Just back in 2010, 80
 16 percent of the premium was from sugarcane
 17 haulers, so a huge drop-off.
 18 We are using our loss cost
 19 approach because of the much lower volume
 20 and it shows the need for a decrease of 10.8
 21 percent. However, the financial results
 22 have really worsened in the past 12 months.
 23 The latest complete policy years are 2012
 24 and 2013. Last year at this time, they had
 25 net operating results of roughly 75 percent,

1 (No response.)
 2 MS. BRIGNAC:
 3 All those in favor, say, "Aye."
 4 (All "Aye" responses.)
 5 MS. BRIGNAC:
 6 Any opposed?
 7 (No response.)
 8 MS. BRIGNAC:
 9 All right. Now, going to agenda
 10 item #11, National Continental
 11 Indemnification Request.
 12 MS. SHERIFF:
 13 Yes, and we have Robert Powers on
 14 the phone. He is going to update us about a
 15 little change that happened with this.
 16 Robert.
 17 MR. POWERS:
 18 Good morning. Hopefully, this
 19 will be the last time we have to talk about
 20 this particular indemnification request, but
 21 you may remember at the last meeting in
 22 April, the Governing Committee approved a
 23 motion to grant National Continental's
 24 indemnification request and reimburse it for
 25 costs and expenses in the amount of \$54,712.

1 Subsequent to the approval at the meeting,
 2 National Continental wrote to me and advised
 3 us that the amount that had been approved
 4 was actually incorrect and wished to amend
 5 its request for reimbursement to \$8,485.
 6 What happened here was, this particular
 7 indemnification eventually turned into
 8 handling the claim under the provisions of
 9 the policy itself. Pursuant to the
 10 indemnification provisions of the servicing
 11 carrier agreement, they're entitled to
 12 dollar-to-dollar reimbursement on any
 13 expenses that they incur when a particular
 14 matter does not involve coverage under the
 15 policy itself.

16 So in this particular case, they
 17 incurred the \$8,485 as part of what -- what
 18 is basically called pre-suit expenses, and
 19 then once the matter went into suit,
 20 National Continental determined that it was
 21 appropriate to handle this matter under the
 22 provisions of the policy itself. Once that
 23 occurred, the reimbursement of their
 24 expenses and costs incurred would occur
 25 during the normal course, which is pursuant

1 to the servicing carrier allowances under
 2 45G of the plan manual.
 3 So basically what happened here
 4 is, the -- the amount in the end is still
 5 the same, but instead of -- it basically
 6 occurs in what buckets you put it in. So,
 7 in fact, the \$8,485 is the indemnification
 8 reimbursement bucket, and the remainder
 9 amount of the 45 and change is put into the
 10 stat summary control report, which is
 11 pursuant to the servicing carrier allowances
 12 within the plan. So in the end, it's still
 13 -- it's still the same amount. It's just
 14 different buckets. And we just wanted to
 15 advise the Governing Committee that this
 16 occurred, because as Suzy indicated in her
 17 prior report, this does have an effect on
 18 the budget in terms of where things are put
 19 in -- as far as the line items are
 20 concerned.

21 So this is just by way of
 22 informational update. I'd be happy to take
 23 any questions if there are any.

24 MR. MYERS:
 25 I forgot to say this, but Robert

1 brought this to my attention and we
 2 corresponded several times on this, because
 3 I thought it was very confusing, but he
 4 outlined and explained the situation,
 5 because I thought we were getting money back
 6 and -- and he set me straight on that, that
 7 that was not the case, but he did apprise me
 8 early on that this was going to be brought
 9 up today. And it's my understanding it's
 10 just an accounting issue.

11 Is that right, Robert?

12 MR. POWERS:

13 That is correct.

14 MR. MYERS:

15 Okay. It's not costing us any
 16 money?

17 MR. POWERS:

18 No.

19 MR. MYERS:

20 There you go.

21 MS. BRIGNAC:

22 All right. Any other questions
 23 or comments?

24 MR. POWERS:

25 I will just advise folks that we

1 were glad that National Continental caught
 2 the error. We appreciate that. I will let
 3 you know that if for some reason they had
 4 not caught the error on their end, we would
 5 have eventually caught it on this end,
 6 because the RMAS folks would have seen it
 7 when they had done their audit, but it may
 8 not have occurred for whatever the time
 9 frame is, whether it's a year or two when
 10 they go in and do an audit of the servicing
 11 carrier, but it would have been caught
 12 either way. So I just wanted to make sure
 13 that people understand that as well.

14 MS. BRIGNAC:

15 Thank you, Robert.

16 MR. POWERS:

17 Thank you.

18 MS. BRIGNAC:

19 Agenda item #12 is cyber
 20 security. I had reached out to Suzy and
 21 asked if she would mind adding this to the
 22 agenda so AIPSO could give us a little short
 23 presentation on what they have in place
 24 relative to cyber attacks.

25 As you know, in 2015, late 2014,

1 this kind of found its way into the
2 insurance area with TPA insurance companies
3 actually incurring such attacks. So I
4 wanted the Governing Committee to get a
5 little presentation on what AIPSO is doing,
6 so.

7 MS. SHERIFF:

8 Thank you. We have John Rossi
9 and Tyler Falcone on the phone. And, guys,
10 we have the handout that you provided. Does
11 everybody have -- I think Denise e-mailed
12 that yesterday or the day before. Does
13 everybody have a copy of that?

14 MR. BUNOL:

15 I do.

16 MR. DUPRE:

17 I do.

18 MS. SHERIFF:

19 All right. John, Tyler, would
20 you like to briefly go over this?

21 MR. ROSSI:

22 Sure. Thank you. Good morning
23 everyone and thank you for the opportunity
24 to talk about cyber security protection. My
25 name is John Rossi and I am a project leader

1 with AIPSO and my main responsibility is --
2 is network infrastructure and security.
3 First off, I apologize. I'm going to be
4 referring to the handout by page number. I
5 neglected to add page numbers to these. So
6 I'm going to refer to the first page would
7 be the title page. I'm counting that as
8 Page 1.

9 So I'm on Page 2. And Page 2
10 highlights AIPSO's security and the overview
11 of AIPSO's cyber security program. And as
12 it highlights there, it's composed of three
13 points: Process, technology, people, and
14 it's implemented through the adoption of a
15 concept called the defense in depth if any
16 one of the layers of the security fails,
17 there's always another layer there to
18 protect against unauthorized access to data.

19 And, of course, the network
20 infrastructure is regularly monitored by
21 employees here at AIPSO that's specifically
22 cover cyber security and also by
23 consultants, third-party vendors who we
24 bring in to take a look at our security
25 posture here at AIPSO.

1 So on Page 3. And Page 3 gives
2 us a little overview of what we mean by
3 process, technology, and people. The
4 process is talking about the policies,
5 guidelines, procedures, and assessments that
6 I'll go over in a little bit more detail on
7 (indiscernible).

8 And the technology refers to
9 tools: Hardware, software, the design, and
10 configuration of that hardware and software
11 (indiscernible) real basic in our
12 organization, that's the most effective use
13 and to protect our assets or AIPSO's, which
14 is data.

15 And then above -- the most
16 important is people and, you know, we
17 regularly provide security administering to
18 people. And based on the policies and
19 procedures, provide responsibilities around
20 security. And we also remind people that
21 security is an integral part of AIPSO, for
22 everyone here at AIPSO.

23 Okay. So moving on to Page 4,
24 I'm providing here a little bit about more
25 about the process. We were talking about

1 process, policies, guidelines, and
2 procedures, assessments. As you can see,
3 this illustrates that AIPSO has lots of
4 policies and procedures in place and what
5 I'd like to do is call out a few that are
6 relevant to the discussion here today.
7 First, I would call out the electronic
8 security policy -- information security
9 policy. This an overarching high level
10 security policy, which references other
11 policies and guidelines in detail, and it
12 talks about high level requirements around
13 AIPSO's password and IDs, virus protection
14 for individual body, system patching,
15 software, and Internet usage, and change
16 control processes. And each one -- there
17 are more policies and guidelines around
18 those that go into more detail on those high
19 level requirements.

20 Another important guideline is
21 the data classification guideline. And this
22 guideline explains to H.R. employees how
23 much classified data, whether it be public,
24 private, internal use only or confidential
25 data, and it gives us the recommendation to

1 those employees on how to handle each
 2 classification of data appropriately.
 3 We will move on to Page 5 --
 4 well, actually, I'm sorry, on Page 4, I'm
 5 going to talk a little bit about some of the
 6 assessments that we're doing here at AIPSO
 7 as well. We have application penetration
 8 testing and network vulnerability
 9 assessment. These are two assessments that
 10 are performed by a third party. Vendors
 11 that we bring in that focus primarily on
 12 security. What they do for us is review
 13 regularly critical web applications for
 14 vulnerabilities from a hacker's
 15 perspective and report back on those
 16 vulnerabilities that they've identified. We
 17 take those and prioritize them and rank them
 18 through the business totality, and we take
 19 the appropriate action to address or
 20 mitigate those vulnerabilities that are
 21 identified.
 22 We also contract third parties to
 23 do internal network vulnerability assessment
 24 on our internal systems it's not our entire
 25 network, but those pieces of our internal

1 highlight here is that we have an IT
 2 department. We've got two folks that I had
 3 mentioned before, two network analysts who
 4 focus primarily on security. These folks on
 5 a daily basis review and investigate and
 6 look for anomalies and potential breaches in
 7 our network on a day-to-day basis. They are
 8 very familiar with our network and do an
 9 excellent job in reviewing them and are able
 10 to spot anomalies easily. They also do
 11 security assessments and reviews for
 12 projects for applications that are being
 13 developed or any type IT type products that
 14 will be implemented.
 15 These folks get into the life
 16 cycle of the project to go beyond and
 17 throughout the project and give us -- the
 18 development teams an opportunity to build in
 19 security early in the process and at that
 20 point it is cost effective and sufficient to
 21 build the security in at the beginning. We
 22 get involved there.
 23 We also have an internal audit
 24 department who reviews many of the
 25 technologies used here in our IT area, and

1 network that are most critical. And again
 2 the vendor does the same type of process
 3 where they report back on vulnerabilities
 4 and they identify in terms of risk for
 5 business and adjust them appropriately.
 6 Moving on to Page 5, the
 7 technology. This page highlights all of the
 8 technology that we have in place here at
 9 AIPSO. We have data. We have lots of
 10 technologies much like many other
 11 businesses, medium to large businesses.
 12 We've got firewalls, virus protection. We
 13 use detection system and encryption.
 14 They're accessing our website for data
 15 transmission.
 16 We even have specialized tools
 17 called application firewalls or next
 18 generation firewalls. These are specific
 19 tools that are used to augment any of the
 20 security protection that are in place for
 21 our application that we provide over the
 22 Internet.
 23 Moving on to Page 6, the people.
 24 So this is a high level view of the
 25 organization and what I would like to

1 they are looking for -- making sure that we
 2 are following best practices and, you know,
 3 any of the processing procedures that we
 4 have in place for those technologies.
 5 We utilize various vendors. On
 6 the left-hand side of this, there's a list
 7 of some of the vendors that we use who are
 8 cyber security vendors and network partners,
 9 and we use them for consulting on security
 10 type assessments, as I mentioned before, in
 11 our networking security design and projects.
 12 Senior management team and senior
 13 staff, as well as legal, plays an important
 14 role in cyber security and giving us support
 15 and guidance along the way when issues and
 16 questions come up.
 17 And lastly, with regular
 18 awareness training, our mantra is that
 19 security is everyone's business or
 20 everyone's responsibility and we try to
 21 reinforce that on a regular basis with
 22 various presentations to the entire staff
 23 area.
 24 All right. Moving on to Page 7.
 25 And Page 7 is hopefully puts this all

1 together and gives an example of how we
2 fight defense in depth here at AIPSO and
3 each of the ways of catching it.

4 At the bottom of this -- of this
5 pyramid is the network protection layer.
6 And as mentioned there, the hardware
7 devices, routers, firewalls, Proxy, et
8 cetera, and at that layer it's used --
9 hardware devices are used to prevent
10 unauthorized access out of our building or
11 into our building.

12 So the next layer up is where our
13 servers are, potentially they are used to
14 hold the data and we build them from a
15 standard template that's hardened with
16 policies and Windows firewalls and where
17 appropriate, we install virus protection on
18 servers that contain sensitive data.

19 The next layer up, people need to
20 authenticate to these systems. So that's a
21 dedication layer that confirms the identity
22 of users, the ID and passwords that changes
23 regularly. In cases where users need to
24 access our corporate network remotely. We
25 apply or require a second factor

1 Backup tapes, for example, are kept off-site
2 when we do backups at our off-site storage
3 location. If those tapes get lost or stolen
4 along the way, they're encrypted to protect
5 access to that data. And as well laptops
6 are encrypted, because they also leave the
7 building and it's easy for them to get data
8 lost or stolen.

9 And the very last layer at the
10 top of the pyramid is our AIPSO employees,
11 who are our last layer of defense, as I
12 mentioned before, we enforce the appropriate
13 use of data through security awareness
14 training, policy and procedures and
15 guidelines that I mentioned before.

16 So at this point, I'm going
17 moving on to Page 8, I want to illustrate
18 here is that, you know, we don't rest on our
19 laurels. We're always looking for ways to
20 improve our security posture and just want
21 to highlight one example where got
22 highlighted for next year is technology
23 called Data Loss Prevention, or DLP, and
24 we're looking to implement that to protect
25 against unauthorized and transmission of

1 authentication, which is basically a little
2 device that has a PIN that changes
3 regularly, every 60 seconds, I believe. So
4 not only do you need an ID and password, you
5 need another form, which is that six digit
6 password in order to access AIPSO's network
7 remotely.

8 So based on who you are, we go to
9 the next layer, which is the control and
10 authorization layer. And this allows you to
11 obtain access to any of the applications and
12 files system or data based on who you are
13 and your job.

14 And then moving up the chain, so
15 we've got data integrity and encryption.
16 Encryption is a form or a technique that we
17 apply here at AIPSO on data at rest,
18 sensitive data at rest and in motion, in
19 transit, to keep the data safe and only
20 readable to the intended user. We use
21 encryption on our websites, aipso.com, when
22 customers or producers or whatever access
23 our website, it falls through encryption.
24 When we send data to companies and during
25 file transmissions that data is encrypted.

1 sensitive data, you know, intentionally or
2 unintentionally out of our network through
3 e-mail or Internet access. And this
4 technology will look for certain things like
5 Social Security numbers or other personally
6 identifiable information and block that or
7 alert one of the administrators or on-line
8 users of that data is potentially leaving
9 the building and show that that was really
10 their intention, because it may not be
11 traveling over secure media.

12 So to wrap it up, I just wanted
13 to reinforce the idea that here at AIPSO, we
14 take cyber security very seriously. We're
15 always looking for ways to improve it. And
16 with that, I open it to any questions.
17 Thank you very much for the opportunity
18 again and I would like to open it up to any
19 questions you might have.

20 MS. BRIGNAC:

21 Any questions for John? I really
22 appreciate you putting this together and --
23 and doing the presentation for the Governing
24 Committee. It's something -- you know, in
25 our examination unit here in the Department

1 where we go in and examine companies and
 2 other regulated entities, that we're just
 3 now venturing into and I think when we go on
 4 site, before we get there, we provide a
 5 questionnaire to the companies and it's --
 6 it's pretty voluminous. I want to say it's
 7 maybe 115 questions that we ask in our cyber
 8 security review of an insurance company. So
 9 as you were doing your presentation, I was
 10 trying to see how you would fit into those
 11 questions we ask companies.

12 But does anybody on the Governing
 13 Committee have questions for John?

14 MS. SHERIFF:

15 If they don't, I would like to
 16 add a couple things. For the record, if we
 17 could indicate that Noel Bunol has left the
 18 meeting.

19 MS. BRIGNAC:

20 Okay.

21 MR. DUPRE:

22 And I have a problem, also, Bobby
 23 Dupre. I need to get off the line, also.

24 MS. BRIGNAC:

25 We're done with votable items.

1 MR. POWERS:

2 Yes. This will just take 30
 3 seconds. I just wanted to let you know that
 4 for some reason should our -- our IT
 5 procedures and -- should we somehow be
 6 breached, which we have not had until this
 7 point, we do actually have insurance in
 8 place as well. So AIPSO maintains a cyber
 9 security liability policy in the amount of 5
 10 million dollars and it covers, you know,
 11 everything from, you know, customer
 12 notification of a breach to, you know,
 13 credit monitoring expenses. I think most
 14 people have heard that companies have to pay
 15 for those on a routine basis. So we do have
 16 insurance for that. And we also have
 17 insurance for any issues related to, you
 18 know, third-party liability should AIPSO get
 19 sued for a breach as well as a cyber
 20 extortion event or a business interruption
 21 event, should our data be lost or -- or
 22 destroyed in some manner. So we do actually
 23 have a backup should there be a breach and
 24 we have that liability insurance in place as
 25 well.

1 So Mr. Bobby --

2 MR. DUPRE:

3 Yes.

4 MS. BRIGNAC:

5 -- we're done with votable items.

6 So you can go.

7 MR. DUPRE:

8 Okay. Great, great. I have a
 9 doctor's appointment.

10 MS. SHERIFF:

11 Two other quick things, I wanted
 12 to thank John and Tyler. I really put them
 13 on the spot with this, because they do these
 14 presentations for AIPSO and they take hours
 15 and I told them they didn't have hours and
 16 they told me that's not always the easiest
 17 thing.

18 And the second thing is, Robert
 19 Powers is just going to very quickly tell
 20 you about the policies that we also have in
 21 place to cover a breach.

22 MS. BRIGNAC:

23 Okay.

24 MS. SHERIFF:

25 Robert.

1 MS. BRIGNAC:

2 Okay.

3 MR. MYERS:

4 I have one last comment. I had
 5 attended a cloud technology seminar not long
 6 ago and, of course, a lot of what I do,
 7 anything you put in that computer and
 8 anything you think you can get rid of, you
 9 can forget that. They can -- they can track
 10 it. In fact, it happened yesterday with
 11 Hillary Clinton. They lost information on
 12 her personal computer. The FBI just said,
 13 we've recovered most of it. And in the
 14 cloud technology seminar I attended, they
 15 said what they do is, they can get in and
 16 you can clinch it and think you've -- and it
 17 will go over it and over it and over it, but
 18 they -- and even at the ninth hour years
 19 later, they can say, like, I went fishing
 20 yesterday. It will pick up fishing
 21 yesterday. It will pick up a whole sentence
 22 that they've put together exactly what has
 23 been going on and it's -- they think it's
 24 all over the place right now with the cloud
 25 technology, from your cell phones to your

1 computers to everywhere.
 2 MS. BRIGNAC:
 3 All right. Any other questions
 4 or comments?
 5 (No response.)
 6 MS. BRIGNAC:
 7 If not, agenda item #13 is just
 8 to remind the Governing Committee that you
 9 need to do your conflict of interest
 10 statement. I will e-mail it back out to the
 11 members and ask them to execute and return
 12 them to me.
 13 MS. SHERIFF:
 14 Me.
 15 MS. BRIGNAC:
 16 To you. Okay. Return them to
 17 Suzy.
 18 And that gets us to any other
 19 business.
 20 MS. SHERIFF:
 21 I don't have any.
 22 MS. BRIGNAC:
 23 All right. And the next date --
 24 date of the next meeting -- in the book, it
 25 says April 14th, but Suzy has asked that we

1 REPORTER'S CERTIFICATE
 2
 3 I, BETTY D. GLISSMAN, Certified Court
 4 Reporter, Certificate No. 86150, in and for
 5 the State of Louisiana, do hereby certify
 6 that the Louisiana Automobile Insurance Plan
 7 Governing September 24, 2015, 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 October 26, 2015, Baton Rouge,
 15 Louisiana.
 16
 17
 18
 19
 20
 21
 22
 23 _____
 24 BETTY D. GLISSMAN, CCR
 25 CERTIFIED COURT REPORTER

1 back that up to April 21, 2016. So as of
 2 today, our next scheduled Governing
 3 Committee meeting will be April 21, 2016.
 4 And with that, since we don't have a quorum,
 5 I guess we're adjourned.
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