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1 going to be Executive Session to discuss the
 2 CAIP mechanism for the future. I will
 3 entertain a motion to go into Executive
 4 Session.
 5 MR. GALBRAITH:
 6 Motion.
 7 MS. BRIGNAC:
 8 I have a motion by Mr.
 9 Galbraith.
 10 MR. DUPRE:
 11 Second.
 12 MS. BRIGNAC:
 13 A second by Mr. Dupre.
 14 Anyone opposed?
 15 (No response.)
 16 (EXECUTIVE SESSION)
 17 MS. BRIGNAC:
 18 All right. At this time,
 19 I'll entertain a motion to come out of
 20 Executive Session.
 21 MR. DUPRE:
 22 I'll make that motion.
 23 MS. BRIGNAC:
 24 I've got a motion by Mr.
 25 Dupre.

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1 MR. HOWELL:
 2 Second.
 3 MS. BRIGNAC:
 4 A second by Mr. Howell.
 5 Any discussion on the motion?
 6 (No response.)
 7 MS. BRIGNAC:
 8 All those in favor, say
 9 "Aye."
 10 (All "Aye" responses.)
 11 MS. BRIGNAC:
 12 Any opposed?
 13 (No response.)
 14 MS. BRIGNAC:
 15 All right. At this time, the
 16 Chair will entertain a motion based on
 17 discussions that were held in Executive
 18 Session.
 19 MR. HOWELL:
 20 I make a motion that the
 21 Governing Committee approve the supplemental
 22 fee. The servicing carrier be reimbursed a
 23 supplemental fee to continue as the
 24 servicing carrier in Louisiana for CAIP
 25 fiscal year 2014 in accordance with the

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1 provisions contained in the master agreement
 2 to be executed by the Chair.
 3 MS. BRIGNAC:
 4 I have a motion by Mr.
 5 Howell.
 6 Do I have a second?
 7 MR. GALBRAITH:
 8 Second.
 9 MS. BRIGNAC:
 10 I have a second by Mr.
 11 Galbraith.
 12 Any discussion on the motion?
 13 (No response.)
 14 MS. BRIGNAC:
 15 All those in favor, say
 16 "Aye."
 17 (All "Aye" responses.)
 18 MS. BRIGNAC:
 19 Any opposed?
 20 (No response.)
 21 MS. BRIGNAC:
 22 All right. Thank you.
 23 The next agenda item is your
 24 countrywide process. You should have
 25 received a handout. I believe that's Chuck

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1 one more time.
 2 All right, Chuck, hit it.
 3 MR. KWOLEK:
 4 Well, I'm going to go on --
 5 I'm going to take some advice because I was
 6 already told that -- well, first of all,
 7 Suzy, do they have slides in front of them
 8 or paper slides or is it up on a slate?
 9 MS. SHERIFF:
 10 No. They have paper.
 11 MR. KWOLEK:
 12 All right. Let's go right to
 13 the second page, then. I'm going to go
 14 through this as quickly as I possibly can
 15 until we get toward the end, simply because
 16 you've heard a lot of the reasons for this,
 17 and you've already heard a lot of the
 18 background and discussions and questions.
 19 It's broken down into two parts, background,
 20 interim plan and long term plan.
 21 The next page describes the
 22 background. We've already talked about
 23 that, the CAIP application volume, and the
 24 corresponding servicing carrier fees have
 25 dropped dramatically and because of that,

3 (Pages 9 to 12)

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Exhibit II
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1 there was a minimum fee arrangement entered
2 into with the AIPSO Board and Progressive
3 and that fee expires August 31, 2013. This
4 committee has just in open session extended
5 that to 2014.

6 Next page is part of the
7 background. The AIPSO Board had directed
8 staff to establish a backup service provider
9 operation. We are operational in three
10 states. That is in CAIP at some point in
11 time, no matter whether there's a
12 supplemental fee or not, we cannot attract a
13 servicing carrier. That may sound like it's
14 unlikely, but at some point if the volume is
15 low enough, a supplemental fee might not
16 be -- might not be enough regardless because
17 you still have that large infrastructure.
18 You're getting the cost back. The profit
19 margin on that may not be very large or a
20 company could change it's core business
21 model, things of that nature.

22 So we do have a backup
23 operation, again, operating in three states,
24 and it's only meant to be a backup, consider
25 it an insurance policy. We're gearing

1 Committee and that necessitated that one
2 year additional fee.

3 Next page, this is what
4 basically you've already gone through, the
5 interim supplemental fee process. You
6 already know about the date. And just to be
7 clear on the calculation, that supplemental
8 fee is 12 million dollars minus the actual
9 fees collected in the CAIP states under the
10 current formulas. You heard us say early on
11 that when the CAIPs are, you know,
12 approximately 45 million or higher, that the
13 current state formula works just fine. It
14 has for decades, and we believe it's
15 important to keep it in there. And the
16 simple way to do that was to keep it in
17 there and just subtract from that what the
18 minimum fee is.

19 Next page, the calculation of
20 the fee will be done the same way it
21 currently is. I mentioned before that the
22 only difference is that it will be funded
23 through the CAIP cash settlement process.
24 Those are the MP reports that are quarterly
25 instead of through the AIPSO assessment. It

1 ourselves up to write a few million dollars
2 in premium just in case there are no
3 servicing carriers, and then we would have
4 to gear up to handle the CAIP countrywide.

5 In that same -- the Board, in
6 the same vane, requested us to develop a way
7 to attract servicing carriers. As I had
8 mentioned before, CAIP is a preferred
9 mechanism based on all the feedback we've
10 received from the Board and the industry and
11 the PCI, which is one of the trade
12 organizations. And, obviously, you need
13 servicing carriers to maintain a CAIP. So
14 in periods of low volume, the servicing
15 carriers need to draw revenue from most, if
16 not all, states. You heard me hit on that
17 before where Progressive said that they did
18 not want to enter into negotiations with
19 separate states. There will be contracts
20 with separate states, but not negotiations.

21 The target effective date is
22 September 1st of 2014. That's not
23 coincidental. That's when the guaranteed
24 supplemental fee will end for Progressive.
25 That, again, was just approved by this

1 will go, as I also mentioned before, to the
2 exact same carriers, commercial carriers
3 only, based on their voluntary penetration
4 in each individual state. It is consistent
5 with the current expense allocation process
6 and based on -- you take the countrywide
7 CAIP premium, and then the premium for each
8 individual CAIP, and that's the numerator
9 and the denominator is the countrywide and
10 that's your ratio, which gets allocated to
11 each of the individual cases.

12 And that amount, as we have
13 already said, in Louisiana is about \$154,000
14 and everything else being equal, it's
15 probably going to be less than that going
16 forward.

17 Next page, the timeline,
18 we're going through it right now.
19 Progressive has already asked for this
20 interim supplemental fee. You approved it
21 today and you also approved us authorizing
22 to facilitate. That's that master
23 agreement.

24 That master agreement will
25 not be signed until we have what we call

1 critical mass. We believe with the addition
2 of Louisiana today, that probably is the cut
3 off point for critical mass. Although, like
4 I mentioned before, I believe Connecticut is
5 going to join, also. Ohio, I don't know as
6 much about. They're a very small piece of
7 this, but it would be nice to get all 43.

8 In the summer of 2012, that
9 would be the time when you sign this master
10 agreement. As I said, that will not come to
11 you -- or we'll be rolling that out so each
12 share can sign, but it will not be executed
13 again until we're absolutely sure we have
14 critical mass.

15 And the reason for that
16 critical mass -- you know, I keep using that
17 word -- that's going to make sure that the
18 numbers that we're talking about, that is
19 the minimum fee allocated to each state,
20 don't change significantly. For instance,
21 if we had California that's paying 1.4
22 million dollars of this, I would say they
23 didn't want to be part of it. Then that
24 would mean reallocating that 1.4 million to
25 all the rest of the states and that may be a

1 that do not know what they're doing, there
2 are all sorts of accounting problems. There
3 are service problems because they're still
4 servicing the claims and the runoff. It
5 becomes a very messy ordeal and it's really
6 not very good for the consumer.

7 So in that bid process, there
8 will be the same criteria that's utilized
9 today, but we will be adding a cost
10 component to it. So the cost, or that 12
11 million dollars in this instance, would be
12 something that gets weighted, but it will be
13 weighted with all the rest of the criteria,
14 such as the Best ratings, capital surplus
15 and the rest of the criteria that's in the
16 manual.

17 As I already mentioned, the
18 assessment of the supplemental fee will go
19 through the CAIP cash settlement process
20 and, again, that's the MP report.

21 Next page, Reasons for a
22 Countrywide Process. As we already
23 mentioned, the current fee schedule is
24 adequate when there's sufficiently high
25 volume. In a sustained low volume market,

1 number that the states decide, hey, that's
2 just too much for us to participate.

3 Next page is titled the
4 Countrywide Process. What is it? Well,
5 simply, it's a safety net for the servicing
6 carriers to protect them from losing money.

7 Obviously, as Suzy pointed
8 about, losing money in the service operation
9 really is not a good business model. So the
10 countrywide process needs to include a
11 supplemental fee to attract servicing
12 carriers in periods of low volume. We
13 anticipate using a big process that
14 hopefully will minimize the cost to the
15 industry of that supplemental fee.

16 However, I want to point out
17 that this is not going to be based on the
18 lowest bidder. We have found in other
19 states that companies come in -- this was
20 when the market was better and we had
21 multiple servicing carriers -- some carriers
22 would come in, they would really not know
23 what they were getting into. They would
24 leave months later. And when you have
25 withdrawals of carriers, especially carriers

1 the carrier needs to write business in most,
2 if not all, states in order to stay in this
3 operation. The infrastructure needs to be
4 in place and, you know, you can knock states
5 off, but when you knock states off, you're
6 still going to have to have that
7 infrastructure, and then you're losing the
8 revenue coming in from those states.

9 Of course, ultimately, we
10 don't want to be doing this every year,
11 coming back in crisis mode because, quite
12 frankly, that's what we're in right now. We
13 want to attract and retain servicing
14 carriers for the long term. So by having a
15 supplemental fee provision in this, in those
16 times when the volume is low, and this is
17 cyclical, the servicing carrier can be at
18 least guaranteed that it's going to get its
19 costs back and that's very important because
20 if that's not going to happen, as soon as
21 they stop losing money, they're going to
22 pull out.

23 Next page, for the timeline,
24 Progressive has agreed to sync up the
25 contracts to September 1, 2014. Again,

1 that's not going to end. As I've already
 2 said, that's when the supplemental fee
 3 guaranty ends, but in the meantime, we will
 4 be recommending a countrywide process to
 5 state governing committees. If you agree to
 6 this concept, after this presentation if you
 7 vote in favor of it, we will be coming to
 8 you with language that's in addition. It's
 9 basically language that allows each
 10 individual governing committee to
 11 participate in a countrywide process in
 12 periods of low volume. It does not replace
 13 the current selection process or anything
 14 like that. It only allows another provision
 15 for the governing committee to utilize.

16 And, again, that's in periods of low volume.

17 So in the fall of 2012, we'll
 18 be coming back and state governing bodies
 19 will be deciding whether or not to opt in
 20 and approve the plan language. That's your
 21 first -- well, today is your first
 22 opportunity to either opt in or opt out.
 23 Once you read the language, which basically
 24 will be plan language that accommodates what
 25 we're talking about today, you will -- when

1 countrywide selection committee. That
 2 committee would review the bids. They would
 3 interview potential carriers and they would
 4 make a recommendation back to the state
 5 governing bodies, which will either accept
 6 or disapprove the recommendation. That's
 7 that ratification that we just talked about.

8 Next page, the composition.

9 There are 43 CAIPs out there that we're
 10 dealing with. All of those CAIPs have
 11 members ranging anywhere from approximately
 12 seven to 22. Obviously, we can't have that
 13 many people on a manageable committee. We
 14 wouldn't even be able to manage, in our
 15 opinion, and get this done in time if we had
 16 just one person from each committee. So
 17 what we've come up with is something that we
 18 believe will represent all regions,
 19 including the AIPSO supported governing
 20 plans and, also, a cross-section of the
 21 small, medium and large plans.

22 One of the reasons, as you'll
 23 see in the next slide, we need a committee
 24 that is small so we can get them all
 25 together because they are, in fact, going to

1 we bring that plan language, that will be
 2 another time when you can either opt in or
 3 opt out.

4 And as we move along, the
 5 next page. March 31st of 2013, we intend on
 6 issuing an RFP. That's to give any other
 7 servicing carrier that may be interested --
 8 although, there do not seem to be many
 9 takers these days, but in all fairness if
 10 there is, they're going to need time to gear
 11 up. So the RFP would go out. Our target
 12 date is March 31st of 2013.

13 In July, there would be a
 14 recommendation of a servicing carrier, not
 15 an appointment, just a recommendation to
 16 each of the individual state CAIPs. From
 17 September through November of 2013, here's
 18 your second bite at the apple, the states
 19 would ratify their recommendation or decide
 20 that they are going to do something
 21 different. On March 1, 2014, the states
 22 that do approve the recommendation would
 23 sign contracts effective, again, that magic
 24 date of September 1, 2014.

25 Next page, there will be a

1 have to meet and go through this process,
 2 and they're going to have to act within a
 3 60- to 90-day period of time.

4 Next slide, this is what we
 5 constitute, the selection committee. We
 6 came up with a 10 member -- recommendation
 7 for a 10 member committee. It represents
 8 geographical diversity as well as sizes, as
 9 I had mentioned before, small, medium and
 10 large CAIPs. There will be one governing
 11 body representative from each of the AIPSO
 12 managed regions, that's a total of nine, and
 13 one governing body representative from all
 14 the AIPSO supported plans.

15 So to give you an example of
 16 how that might work, we have some regions
 17 that have just one state that are managed by
 18 AIPSO, and then we have other regions that
 19 have 11 or 12 states. So those regions
 20 which have multiple states would have to
 21 come up with a procedure as to how to pick
 22 their representative. We do not anticipate
 23 putting that in the language. We believe
 24 that should be fluid. It may change from
 25 period to period and, you know, it's

1 something that should be left up to the
 2 individual governing bodies.
 3 An example of how this might
 4 work, but, you know, it could be any way
 5 that you decide, for some multistate
 6 regions, what happens is, the Chair and
 7 possibly the Vice Chair get together and
 8 they talk about how the budget is going to
 9 be developed and divided among the states.
 10 That's just one example.

11 So we will have some ideas
 12 that we will give to the governing
 13 committees. I don't even want to use the
 14 word "guideline", because it suggests that
 15 that's the way it should be done. We will
 16 have various ideas, but, again, there will
 17 not be changes in plan language. It will
 18 just -- the language will just give the
 19 authority to participate and those states
 20 that are in the regions, which will be
 21 defined in the language, will have to decide
 22 who they want to represent them.

23 Next page, we've already gone
 24 over this. The countrywide selection and
 25 the supplemental fee would be effective for

1 your local budget, but it will flow through
 2 the CAIP process, which gets allocated to
 3 all of the commercial participants in each
 4 individual CAIP as it is today.
 5 The next page, I'm not going
 6 to go over that. That's simply a blueprint,
 7 schematic, graph, call it what you will, but
 8 it has certain decision points in it and it
 9 basically is a picture of what I just went
 10 over in words. And as you can see right now
 11 we're in the July to October fee, and that's
 12 where the governing bodies sign the
 13 supplemental fee contract -- or the interim
 14 supplemental fee contract, and they sync up
 15 the contracts. And you can see up there,
 16 there's decision points, sufficient states
 17 volume. If it's yes, we move on. If it's
 18 no, we make another plan.

19 We don't know what that other
 20 plan is, but luckily so far, it looks like
 21 we've reached that sufficient states volume.

22 I rattled through that pretty
 23 quickly. I took my cue from what was said.

24 So are there any questions?
 25 MR. MEREDITH:

1 September 1, 2014, and then whatever bid
 2 comes in and whatever company is selected,
 3 whatever their minimum fee is, the
 4 supplemental fee would be calculated the
 5 same as it is now. Right now the minimum
 6 fee is 12 million. It's 12 million minus
 7 whatever they collect and that's the same
 8 way it would be for this, whatever the
 9 minimum fee is, whether it's 12 million, 10
 10 million, 14 million, whatever the case may
 11 be, the supplemental fee would be calculated
 12 by subtracting what is collected through the
 13 current formulas minus the -- it would be
 14 subtracted from the minimum fee, and that's
 15 where you would come up with the
 16 supplemental fee.

17 Next slide. This is
 18 redundant, you've already heard, it's
 19 consistent with our current expense
 20 allocation. It's based on the CAIP premium,
 21 the total commercial residual market
 22 countrywide premium, and, again, it's going
 23 to be assessed through the CAIP cash
 24 settlement process.

25 It will not be reflected in

1 You looked at me. Actually,
 2 I can deliver.

3 I just have one -- this is
 4 Chris Meredith. I have one clarification I
 5 would like. So this process is looking for
 6 one carrier to handle the whole country,
 7 there's no opportunity for, say, a carrier
 8 to come in and propose, oh, we just want to
 9 handle California because I think that would
 10 put smaller states at a distinct
 11 disadvantage?

12 MR. KWOLEK:

13 Yes. In periods of
 14 countrywide low volume, it's meant to be a
 15 one carrier, you know, solicitation. If
 16 three carriers, you know, respond to the
 17 RFP, my guess is that that selection
 18 committee would pick only one, because if
 19 you pick two and you're paying a minimum
 20 fee, you're doubling the costs.

21 Now, during this period of
 22 time -- it's not exclusive, though. During
 23 this period of time, let's say volume went
 24 up into the hundreds of millions of dollars,
 25 well, that would not stop any particular

1 state from soliciting for another servicing
2 carrier; however, that would be under the
3 normal provisions and there would be no
4 minimum fee. And then if all of a sudden it
5 precipitously went down, that carrier --
6 that second carrier would not be getting a
7 minimum fee, but whoever was the winning
8 bidder through that contract process would
9 get the minimum fee.

10 Did I confuse you?

11 MR. MEREDITH:

12 No, no, I just want to make
13 sure that this would not be a process where
14 there were states -- where there's an
15 opportunity for carriers to come out and
16 slice off, basically cherry pick segments of
17 the CAIP.

18 MR. KWOLEK:

19 No, no. That's another
20 reason -- that's a very good question.
21 That's the first one that's been asked as
22 far as cherry picking the states. It is
23 meant to be countrywide and it's meant to be
24 countrywide for a reason, and that is so
25 that, you know, some carrier doesn't come in

1 and pick, you know, the five largest states.
2 Progressive will not do that. They stated
3 they would not do that. They want this
4 countrywide. That wouldn't stop some other
5 servicing carriers responding to the RFP and
6 say, hey, we'll do five or six and, you
7 know, they're the top five or six states.
8 But the committee, based on this process,
9 would not select them because it's a
10 countrywide -- it's meant to be a
11 countrywide process to keep the cost as low
12 as possible.

13 MR. MEREDITH:

14 Thank you.

15 MR. KWOLEK:

16 You're welcome.

17 MS. BRIGNAC:

18 Does anybody else have any
19 questions?

20 (No response.)

21 MS. BRIGNAC:

22 All quiet.

23 I guess y'all are looking for
24 us to approve this today?

25 MS. SHERIFF:

1 We just need a consensus that
2 you want proceed and participate in the
3 countrywide process, you want us to bring
4 back the plan language at the September
5 meeting.

6 MS. BRIGNAC:

7 Okay.

8 MR. MYERS:

9 I normally don't ask
10 questions, but I want to ask you something,
11 Chuck. Based on -- and I understand the
12 complexity of the whole 43 states. You
13 can't get 43, you know, members together and
14 have a meaningful committee, but, in
15 essence, this committee would have, probably
16 in all likelihood, have no say so on the
17 countrywide selection committee; would that
18 be right?

19 MR. KWOLEK:

20 It is possible that you would
21 not. You know, I can't say because when
22 Louisiana gets somebody together with the
23 rest of the states that Suzy manages, that's
24 going to have to be determined, and you may
25 be right. You know, I can't -- I don't even

1 want to speculate. All I can say is, it's
2 not an absolute that you wouldn't. But on
3 the other hand through that selection
4 committee, let's say that selection
5 committee recommends somebody that y'all are
6 really uncomfortable with, you have --
7 you're not locked in. You can say, hey, we
8 don't like that servicing carrier and we're
9 not going to participate. That does put you
10 in a bind of kind of where we are now with
11 trying to find another servicing carrier. I
12 think you're going to have to put some faith
13 in the fact that there's probably some
14 crossover members. So even if it's not a
15 member from the Louisiana committee, if it
16 ends up being that way -- you know, these
17 governing committees pretty much have been
18 following -- you know, they don't
19 necessarily like the idea of a minimum fee;
20 on the other hand, they want quality and
21 they want the job done right. So my guess
22 is, is that even if you don't have
23 representation, the best interest of
24 Louisiana CAIP is going to be considered.

25 MR. MYERS:

1 Okay. Thank you.
 2 MS. SHERIFF:
 3 If I could just add for
 4 purposes of this, Louisiana is included as
 5 one of the regions of the AIPSO managed
 6 plans.
 7 MR. MYERS:
 8 I see that.
 9 MS. SHERIFF:
 10 Because we do operations for
 11 three states. So, basically, Oklahoma
 12 Indiana, Louisiana and Arkansas will choose
 13 one member.
 14 MR. MEREDITH:
 15 What are the states, again?
 16 MS. SHERIFF:
 17 Arkansas, Indiana, Louisiana
 18 and Oklahoma.
 19 MR. MEREDITH:
 20 How big are those?
 21 MS. SHERIFF:
 22 Small.
 23 MR. MEREDITH:
 24 Small?
 25 MS. SHERIFF:

1 MR. DUPRE:
 2 Do you need a motion to that
 3 effect?
 4 MS. BRIGNAC:
 5 Do you think, Bob?
 6 MR. MYERS:
 7 I don't think.
 8 Suzy, how are they doing it
 9 in the other states?
 10 MS. SHERIFF:
 11 Just a consensus that you do
 12 want to participate in the countrywide
 13 process.
 14 MR. DUPRE:
 15 Why don't we take a vote?
 16 MS. BRIGNAC:
 17 If that makes you feel
 18 better.
 19 MR. DUPRE:
 20 Well, I mean, if somebody
 21 says, well, I didn't vote on that. I make a
 22 motion that we --
 23 MS. BRIGNAC:
 24 Participate.
 25 MR. DUPRE:

1 Actually, Louisiana of the
 2 four would be the larger.
 3 MR. KWOLEK:
 4 So, you know, having said
 5 that, there's some logic to suggest that
 6 Louisiana should be the one that picks. But
 7 even if it doesn't, the rep that is picked,
 8 it has to be understood that the
 9 representative that is picked agreed upon
 10 among those states is not only representing
 11 their state, they have an obligation to
 12 represent all of the CAIPs involved that
 13 they're representing. I know those are just
 14 words, but that's the way it's supposed to
 15 work.
 16 MR. DUPRE:
 17 Do you need a motion of any
 18 kind at this time?
 19 MS. BRIGNAC:
 20 I think the actual vote will
 21 be at the next meeting. I think Suzy is
 22 just looking for direction that, yes, they
 23 can go forward and develop the plan language
 24 for us to consider for a vote at the
 25 September meeting.

1 -- participate in the --
 2 MS. BRIGNAC:
 3 Countrywide process.
 4 MR. DUPRE:
 5 -- countrywide process.
 6 MS. BRIGNAC:
 7 Do I have a second?
 8 MR. GALBRAITH:
 9 I'll second that.
 10 MS. BRIGNAC:
 11 I have a second by Mr.
 12 Galbraith.
 13 Any discussion on the motion?
 14 (No response.)
 15 MS. BRIGNAC:
 16 All those in favor, say
 17 "Aye."
 18 (All "Aye" responses.)
 19 MS. BRIGNAC:
 20 Any opposed?
 21 (No response.)
 22 MS. BRIGNAC:
 23 All right. Number 5 is
 24 report from Chairperson, and I'm happy to
 25 report it's all quiet on my front.

1 So we're going to move on to
 2 #6, which is report from general counsel.
 3 MR. KWOLEK:
 4 Excuse me, Robert is staying.
 5 The rest of us -- I know you're already
 6 tired of hearing me, but if the rest of us
 7 will be -- well, Jennifer will be staying
 8 and Robert Powers, counsel, will be staying.
 9 I don't think you need any of us others --
 10 or, Suzy?
 11 MS. SHERIFF:
 12 No. That's good. Thank you
 13 very much, Chuck.
 14 MR. KWOLEK:
 15 Thank you all.
 16 MS. BRIGNAC:
 17 All right. Agenda Item #6 is
 18 report from general counsel, Bob.
 19 MR. MYERS:
 20 There has been no interest in
 21 my services recently, which makes me happy.
 22 Ben got the E&O coverage all renewed. So
 23 all of y'all are protected on the private
 24 side. So we're in pretty good shape.
 25 MS. BRIGNAC:

1 It's been very different for
 2 Louisiana because of sugar cane. When the
 3 rates became more adequate, the people
 4 started getting year policies somewhere
 5 else. So we saw a 71 percent drop in that.
 6 That's more than in any other state.
 7 We noticed this year the
 8 Mardi Gras floats, they stayed close to the
 9 same. So we think that we're probably -- I
 10 mean, it could decrease a little more, but
 11 we only had two sugar cane last year. So I
 12 don't think it's going to go down a lot
 13 more.
 14 The next item, Exhibit #6, is
 15 the Budget Variance Report and the Executive
 16 Summary. We are currently under budget for
 17 the AIP by \$7,496. However, we did receive
 18 a legal invoice that was processed in June,
 19 this goes through May. So, really, the
 20 direct expenses would only be about \$1,200
 21 under budget rather than close to \$4,000.
 22 The other significant
 23 variance is for central processor. That's
 24 AIPSO and that is our financial services and
 25 field operations. We have not spent as much

1 All right. Any questions for
 2 Bob?
 3 (No response.)
 4 MS. BRIGNAC:
 5 If not, moving on to Agenda
 6 Item #7, which is the AIPSO Operations
 7 Report, Suzy.
 8 MS. SHERIFF:
 9 All right. We'll go through
 10 this quickly. Exhibit #5, the Plan
 11 Population Report through May. We have
 12 received no private passenger applications
 13 this year, that's compared to one last year
 14 at this time. Twenty commercial apps,
 15 compared to 22. So our total is 23 apps
 16 last year, 20 this year. We're down 13
 17 percent.
 18 MR. MEREDITH:
 19 Do we have a general feeling
 20 that that's -- is it negative growth that we
 21 have here, is it going to continue at this
 22 level? I mean, we were talking about
 23 10-year cycles before, but it looks like a
 24 much different cycle this time around.
 25 MS. SHERIFF:

1 time as budgeted this year.
 2 If you go on to Page 3 of 4,
 3 the CAIP Executive Summary, we are over
 4 budget slightly. We probably will end up
 5 the year over budget. That is because we
 6 neglected to budget for the New Hampshire
 7 residual market audit that's in runoff.
 8 So we should have budgeted
 9 \$799 for the travel cost and \$1,565 for the
 10 central processor. So that was \$2,364 that
 11 was not included for that audit. So you can
 12 see we're over budget by \$1,754. So that
 13 should probably remain for the year.
 14 Are there any questions about
 15 either of those reports?
 16 MS. BRIGNAC:
 17 Any questions for Suzy?
 18 (No response.)
 19 MS. BRIGNAC:
 20 If not, moving on to Agenda
 21 Item #8, which is the CAIP Servicing Carrier
 22 Allowance for 2013, Suzy.
 23 MS. SHERIFF:
 24 All right. Thank you.
 25 This is Exhibit #7. This

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1 does not require approval because this is
 2 based on a formula that was previously
 3 approved by this Committee, but you've heard
 4 a lot of reference to the amount of service
 5 fees that are generated based on volume.
 6 This is the fee schedule that will be used
 7 in 2013 to develop those fees. We've put a
 8 comparison in for your information so that
 9 you can see how -- the new fees that will be
 10 effective March 1, 2013 compared to the
 11 current fees.
 12 So under administrative
 13 expense, you see we're going up .5 percent.
 14 Physical damage we're going up one percent.
 15 For the loss adjustment expense, the
 16 unallocated remains the same while the
 17 physical damage is going up about a half a
 18 percent.
 19 So these fees, we will send
 20 out the notification to Progressive by
 21 September 1st as we're required by the
 22 contract.
 23 MS. BRIGNAC:
 24 All right. Any questions for
 25 Suzy?

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1 (No response.)
 2 MS. BRIGNAC:
 3 If not, moving on to Agenda
 4 Item #9, which is electronic retraction of
 5 the EASi Private Passenger Application,
 6 Suzy.
 7 MS. SHERIFF:
 8 All right. Thank you.
 9 Exhibit #8. We had put in
 10 place last year a process whereby producers
 11 can go online to retract a private passenger
 12 application. This proposal would just
 13 implement plan language to give the
 14 producers guidance about how to use that
 15 process, and also it develops a procedure
 16 for if they're unable to do it online, how
 17 they can retract an application.
 18 MS. BRIGNAC:
 19 All right. Any questions for
 20 Suzy?
 21 (No response.)
 22 MS. BRIGNAC:
 23 If not, I will need a motion
 24 to approve this change.
 25 MR. DUPRE:

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1 I'll make it.
 2 MS. BRIGNAC:
 3 I have a motion by Mr. Dupre
 4 to approve the recommended change for the
 5 electronic retraction of EASi private
 6 passenger applications.
 7 Do I have a second?
 8 MR. MEREDITH:
 9 Second.
 10 MS. BRIGNAC:
 11 I have a second by Mr.
 12 Meredith.
 13 Any discussion on the motion?
 14 (No response.)
 15 MS. BRIGNAC:
 16 If not, all those in favor,
 17 say "Aye."
 18 MS. BRIGNAC:
 19 Any opposed?
 20 (No response.)
 21 MS. BRIGNAC:
 22 Thank you.
 23 Agenda Item #9 titled Former
 24 Senate Bill 84, Suzy.
 25 MS. SHERIFF:

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1 And this is Exhibit #9. In
 2 2010, there was a Senate bill that changed
 3 when a policy was cancelled that it could be
 4 computed on a pro rata basis or otherwise
 5 rata as specified in the policy. At that
 6 time, the plan language was changed to
 7 eliminate the short rate cancellation
 8 provision. Now, there is a new law, 2011,
 9 that says if a policy is cancelled by an
 10 insured, any unearned premium may be
 11 computed on a pro rata basis or less than
 12 pro rata if specified in the policy.
 13 So, essentially, this is
 14 putting the language back in that was taken
 15 out where we can now do a short rate
 16 cancellation.
 17 Beth or Kathy, are you on?
 18 MS. LOON:
 19 Yes, we are.
 20 MS. SHERIFF:
 21 Is there anything that you
 22 would like to add to that?
 23 MS. LOON:
 24 You summarized it well.
 25 MS. BRIGNAC:

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1 So we need to approve this?
2 MS. SHERIFF:
3 Yes. If the Committee would
4 like to see these changes in the plan
5 language, and then, also, there are some
6 forms, the amendment of policy provisions
7 and the Louisiana changes cancellation and
8 non-renewal forms that would require
9 changes.
10 MS. BRIGNAC:
11 All right. Does anybody have
12 any questions?
13 (No response.)
14 MS. BRIGNAC:
15 If not, I need a motion to
16 approve the changes to the plan language in
17 accordance with Senate Bill 84.
18 MR. GALBRAITH:
19 (Makes motion.)
20 MS. BRIGNAC:
21 I have a motion by Mr.
22 Galbraith.
23 Do I have a second?
24 MR. DUPRE:
25 Second.

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1 MS. BRIGNAC:
2 I have a second by Mr. Dupre.
3 Any discussion on the motion?
4 (No response.)
5 MS. BRIGNAC:
6 If not, all those in favor,
7 say "Aye."
8 (All "Aye" responses.)
9 MS. BRIGNAC:
10 Any opposed?
11 (No response.)
12 MS. BRIGNAC:
13 All right. Moving on to
14 Agenda Item #11, which is the private
15 passenger application change, Suzy.
16 MS. SHERIFF:
17 All right. Thank you.
18 Exhibit #10 has a change to
19 the private passenger application.
20 Currently, the application has language just
21 in Louisiana that has the question, if the
22 operator is licensed three years. And it
23 says, if yes, give the date of original
24 license. In every other state, the question
25 is, licensed three years, if no, give date

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1 issued. Because of programing, it's not
2 capturing inexperienced operators for
3 Louisiana because it's programmed to capture
4 when the answer is no, but Louisiana doesn't
5 have the question that no is allowed.
6 So this would change the
7 wording on the application. If they're
8 licensed three years, if the answer is no,
9 give the date it was licensed. That way you
10 would be able to provide a date of issuance
11 of the license to the company that the
12 application is assigned to.
13 MR. DUPRE:
14 Now, does that play into the
15 rating?
16 MS. SHERIFF:
17 Yes. They would be an
18 inexperienced operator if they're licensed
19 for under three years.
20 MS. BRIGNAC:
21 Any other questions for Suzy?
22 (No response.)
23 MS. BRIGNAC:
24 If not, I'll entertain a
25 motion to approve or disapprove -- approve

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1 the change in the plan language on the
2 private passenger application, not plan
3 language, the application.
4 MR. DUPRE:
5 Denise, that's okay with you?
6 MS. BRIGNAC:
7 Yes.
8 MR. DUPRE:
9 I make that motion.
10 MS. BRIGNAC:
11 I have a motion by Mr. Dupre.
12 MR. DUPRE:
13 Just put that I'm using the
14 Chairman -- Chairwoman.
15 MS. BRIGNAC:
16 I'm only the moderator and I
17 only vote in the need to break a tie.
18 Do I have a second?
19 MR. MEREDITH:
20 Second.
21 MS. BRIGNAC:
22 I have a second by Mr.
23 Meredith.
24 Any discussion on the motion?
25 (No response.)

1 MS. BRIGNAC:
 2 If not, all those in favor,
 3 say "Aye."
 4 (All "Aye" responses.)
 5 MS. BRIGNAC:
 6 Any opposed?
 7 (No response.)
 8 MS. BRIGNAC:
 9 We're down to Agenda Item
 10 #12, which is open items. Do we have any
 11 open items?
 12 MS. SHERIFF:
 13 We do have the legal action.
 14 Robert, did we get a response
 15 from the attorneys?
 16 MR. POWERS:
 17 Yes, we did.
 18 MS. SHERIFF:
 19 Would you like to --
 20 MS. POWERS:
 21 Sure. I'd be happy to. This
 22 is an update. You may remember at the
 23 meeting in March, you approved indemnifying
 24 National Continental or Progressive for a
 25 threatened bad faith litigation possibility

1 recommendation is as far as whether National
 2 Continental should be, you know, reimbursed
 3 under the indemnification provision or they
 4 could just be taking their normal payments
 5 under the servicing carrier allowance.
 6 MS. BRIGNAC:
 7 Any questions for Robert?
 8 (No response.)
 9 MS. BRIGNAC:
 10 If not, moving on to Agenda
 11 Item #13, which is any other business. Does
 12 anyone have business you need to bring
 13 before the Committee?
 14 (No response.)
 15 MS. BRIGNAC:
 16 If not, the last item is the
 17 date of our next meeting. We have set it
 18 for September 27, 2012. I believe the
 19 annual meeting is at 9:00 and the Board --
 20 Committee meeting is at 10:00 or when it
 21 ends.
 22 MS. SHERIFF:
 23 It usually is, like, 9:15.
 24 MS. BRIGNAC:
 25 And with that, I will

1 that was involved in a claim that they were
 2 handling, and we got a recent update from
 3 the attorneys at National Continental that
 4 are handling this matter.
 5 And just so you know, the
 6 lawsuit was filed and contrary to what, I
 7 guess, the attorney had threatened, at the
 8 moment there is no bad faith action that's
 9 contained within the complaint. So it is
 10 possible that the indemnification you
 11 approved may not have to be put into place,
 12 depending upon how the litigation turns out.
 13 Obviously, it's possible that
 14 the complaint could be amended to include a
 15 bad faith count, but at the moment, that's
 16 not the case. So Progressive has indicated
 17 that they would, you know, obviously, like
 18 to keep the indemnification request in place
 19 until the conclusion of the case to see if
 20 there is a bad faith count that is added or
 21 a potential finding by a jury of bad faith.
 22 So I think that's appropriate
 23 and we'll just continue to monitor the case
 24 as it goes along and when it concludes,
 25 we'll be back to you with what our

1 entertain a motion to adjourn.
 2 MR. DUPRE:
 3 (Makes motion.)
 4 MS. BRIGNAC:
 5 By Mr. Dupre.
 6 MR. HOWELL:
 7 Second.
 8 MS. BRIGNAC:
 9 Second by Mr. Howell.
 10 Any discussion?
 11 (No response.)
 12 MS. BRIGNAC:
 13 Anyone opposed?
 14 (No response.)
 15 MS. BRIGNAC:
 16 All right. Thank you very
 17 much. Thank you on the phone.
 18
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 20
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 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 Automobile
7 Insurance Plan Governing July 13, 2012
8 meeting was reported by me in the stenotype
9 reporting method, was prepared and
10 transcribed by me or under my personal
11 direction and supervision, and is a true and
12 correct transcript to the best of my ability
13 and understanding.

14 August 1, 2012, Baton Rouge,
15 Louisiana.

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